



# INNOVENTIVE INDUSTRIES LIMITED

Our Company was incorporated as 'Arihant Domestic Appliances Private Limited' a private limited company under the provisions of Companies Act, 1956, *vide* certificate of incorporation dated August 22, 1991, bearing registration number 11 – 63045 of 1991 issued by the Registrar of Companies, Mumbai. Our Company was converted into a public limited company and the name of our Company was changed to 'Arihant Domestic Appliances Limited' as evidenced by fresh certificate of incorporation dated January 9, 2009. Further *vide* fresh certificate of incorporation dated March 24, 2010 our Company's name was changed to 'Innoventive Industries Limited'. The corporate identification number of our Company is U29309MH1991PLC063045.

**Registered Office:** Gat No. 1261, Village Sanaswadi, Pune Nagar Road, Taluka: Shirur, District Pune – 412 208, Maharashtra, India.

**Tel No.:** +91 - 2137 - 669001/669002; **Fax No.:** +91 - 2137 - 669014; **E-mail:** investor.grievance@innoventive.in; **Website:** www.innoventive.in;

**Contact Person:** Mr. Mahesh Bagla, Company Secretary and Compliance Officer.

(For details of changes in name and registered office of our Company, please refer to the chapter titled 'History and Other Corporate Matters' beginning on page number 154 of this Red Herring Prospectus)

**Promoters of our Company:** Mr. Chandu Chavan, Mr. Ravindra Katre and Mr. Sanjay Waghulade

## THE ISSUE

**PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10 EACH OF INNOVENTIVE INDUSTRIES LIMITED ("IIL" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE) AGGREGATING TO Rs. 21,958 LAKHS (THE "ISSUE"). THE ISSUE WILL CONSTITUTE [●]% OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF THE COMPANY.**

**THE FACE VALUE OF EACH EQUITY SHARE IS RS. 10 EACH.**

**THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED AT LEAST TWO WORKING DAYS PRIOR TO THE BID / ISSUE OPENING DATE.**

In case of revision in the Price Band, the Bidding / Issue Period shall be extended for atleast three additional working days after such revision, subject to the Bidding / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, shall 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 websites of the Book Running Lead Managers and the terminals of the member(s) of the Syndicate.

The Issue is being made under sub-regulation (1) of Regulation 26 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and through the 100% Book Building Process wherein not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be available for Allocation on a proportionate basis to Mutual Funds only and the remaining QIB portion shall be available for allocation to the QIB bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. The Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis (the "Anchor Investor Portion") out of which one-third shall be reserved for domestic Mutual Funds. Potential investors may participate in this Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") for the same. For details please refer to the chapter titled "Issue Procedure" beginning on page number 402 of this Red Herring Prospectus.

## RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. The face value of the Equity Shares is Rs. 10/- each. **The Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value.** The Issue Price (has been determined and justified by our Company, in consultation with the Book Running Lead Managers as stated in chapter titled "Basis for Issue Price" beginning on page number 105 of this Red Herring Prospectus) should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

## IPO GRADING

This Issue has been graded 3 by ICRA Limited indicating average fundamentals. The IPO grading is assigned on a five point scale from one to five with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For further details, please refer to the chapter titled "General Information" beginning on page number 65 of this Red Herring Prospectus.

## 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 our Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the chapter titled "Risk Factors" beginning on page number 17 of this Red Herring Prospectus.

## ISSUER'S ABSOLUTE RESPONSIBILITY

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

## LISTING

The Equity Shares of our Company offered through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). We have received in-principle approval from the BSE pursuant to its letter dated October 28, 2010 and the NSE pursuant to its letter dated November 9, 2010 for the listing of our Equity Shares. For the purpose of this Issue, NSE shall be the Designated Stock Exchange.

## BOOK RUNNING LEAD MANAGERS

## REGISTRAR TO THIS ISSUE

<p><b>Axis Bank Limited</b> Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai- 400 025 Maharashtra, India Tel. No.: +91-22-2425 5710 Fax No.: +91-22-2425 7100 Email: innoventive.ipo@axisbank.com Investor Grievance ID: axbmbd@axisbank.com Website: www.axisbank.com Contact Person: Mr. Akash Singh / Mr. Rajneesh Kumar SEBI Registration No: INM000006104</p>	<p><b>Aventus Capital Private Limited</b> IL&amp;FS Financial Center, 5<sup>th</sup> Floor, B Quadrant, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 Maharashtra, India Tel. No.: +91-22-6648 0050 Fax No. : +91-22-6648 0040 Email: innoventive.ipo@avendus.com Investor Grievance ID: investorgrievance@avendus.com Website: www.avendus.com Contact Person: Mr. Prashant Kothari SEBI Registration Number: INM000011021</p>	<p><b>Karvy Computershare Private Limited</b> 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 024 Andhra Pradesh, India Telephone (toll free): 1-800-345 4001 Fax No.: +91-40-2331 1968 Email: innoventive.ipo@karvy.com Website: http://karisma.karvy.com Contact Person: Mr. M Murali Krishna SEBI registration number: INR000000221</p>
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## ISSUE PROGRAMME

<b>BID / ISSUE OPENS ON: APRIL 26, 2011<sup>1</sup></b>	<b>BIDDING / ISSUE CLOSES ON</b>	<b>FOR QIB BIDDERS: APRIL 28, 2011<sup>2</sup></b>
		<b>FOR RETAIL AND NON INSTITUTIONAL BIDDERS: APRIL 29, 2011</b>

<sup>1</sup>Our Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.

<sup>2</sup>The QIB book will close one day prior to the Bid/ Issue Closing Date

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## SECTION I – GENERAL

### DEFINITIONS AND ABBREVIATIONS

In this Red Herring Prospectus, unless the context otherwise requires, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith.

#### *Conventional / General Terms*

Term	Description
“Innoventive Industries Limited” “IIL”, “the Company”, “our Company”, “Innoventive”, “Issuer” and “Issuer Company”	Unless the context otherwise requires, refers to Innoventive Industries Limited, a public limited company incorporated under the Companies Act, 1956 having its registered office at Gat No. 1261, Village Sanaswadi, Pune Nagar Road, Taluka: Shirur, District Pune – 412 208, Maharashtra, India.
“we” or “us” or “our” or “Our Group”	Innoventive Industries Limited together with its Subsidiaries.

#### *Issue Related Terms*

Term	Description
A4	The risk-prone-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry high credit risk. (Source: <a href="http://www.icra.in/Files/Content/RatingsScale-2008.pdf">http://www.icra.in/Files/Content/RatingsScale-2008.pdf</a> )
Allot / Allotment / Allotment of Equity Shares	Unless the context otherwise requires, allotment of Equity Shares, pursuant to this Issue to the successful Bidders
Allocation / Allocation of Equity Shares	Unless the context otherwise requires, Allocation of Equity Shares pursuant to this Issue to the successful Bidders.
Allottee	Successful Bidder to whom Equity Shares are / have been allotted.
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion, who has Bid for an amount of at least Rs. 1,000 lakhs.
Anchor Investor Allocation Notice	Notice or intimation of allocation of Equity Shares sent to Anchor Investors who have been allocated Equity Shares after discovery of the Issue Price if the Issue Price is higher than the Anchor Investor Issue Price
Anchor Investor Bidding Date	The date one Working Day prior to the Bid/Issue Opening Date prior to or after which the Syndicate will not accept any Bids from the Anchor Investors.
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by the Company to Anchor Investors on a discretionary basis in accordance with the SEBI Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to all Anchor Investors
Anchor Investor Price	The price at which Allotment is made to Anchor Investors in terms of the Red Herring Prospectus, which shall be higher than or equal to the Issue Price, but not higher than the Cap Price.
Applications Supported by Blocked Amount (ASBA)	Application Supported by Blocked Amount (whether physical or electronic) used by a Bidder to make a Bid authorizing the SCSB to block the Bid Amount in their specified bank account maintained with SCSB. Pursuant to SEBI circular number CIR/CFD/DIL/7/2010 dated July 13, 2010, ASBA Bid cum Application Forms are available for download from the websites of the Stock Exchanges.
ASBA Account	Account maintained by an ASBA Bidder with an SCSB which shall be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder, as specified in the ASBA Bid cum Application Form.
ASBA Bid cum Application Form	The application form, whether physical or electronic, in terms of which an ASBA Bidder shall make a Bid pursuant to the terms of the Red Herring

Term	Description
	Prospectus and which contains an authorisation to block the Bid Amount in an ASBA Account.
ASBA Bidder	Any Bidder, other than an Anchor Investor, intending to Bid / apply through ASBA.
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
Avendus	Avendus Capital Private Limited
Axis	Axis Bank Limited
Banker(s) to this Issue / Escrow collection banks	The bank(s) which is / are clearing members and registered with the SEBI as bankers to the Issue with whom the Escrow Account will be opened, being Indusind Bank Limited, Hong Kong and Shanghai Banking Corporation Limited and Axis Bank Limited
Bankers to our Company	Bankers to our Company being Axis Bank Limited, Allahabad Bank, Corporation Bank, ICICI Bank Limited, IDBI Bank Limited, Central Bank of India, Oriental Bank of Commerce, Union Bank of India, State Bank of Mysore, The Saraswat Co-operative Bank Limited and UCO Bank,
Basis of Allotment	The basis on which the Equity Shares will be Allotted to successful Bidders under the Issue and which is described in the Chapter titled “ <i>Issue Procedure – Basis of Allotment</i> ” on page number 433 of this Red Herring Prospectus.
Bid	An indication to make an offer, made during the Bid / Issue Period by a Bidder pursuant to submission of Bid Cum Application Form, or on the Anchor Investor Bidding Date by Anchor Investor to subscribe to the Equity Shares of our Company 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 member(s) of the Syndicate / SCSB will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper and a Hindi national newspaper and a regional language newspaper and in case of any revision, the extended Bid / Issue Closing Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI ICDR Regulations. The Bid / Issue shall close on April 29, 2011. The Bid / Issue shall close on April 28, 2011 in case of QIBs.
Bid/ Issue Opening Date	The date on which the member(s) of the Syndicate/SCSB 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 language newspaper. The Bid / Issue shall open on April 26, 2011.
Bid Cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for Allotment in terms of the Red Herring Prospectus and Prospectus. Unless the context otherwise states in this Red Herring Prospectus, Bid Cum Application Form includes ASBA Form.
Bid Price	The prices indicated within the optional Bids in the Bid cum Application Form.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus <i>vide</i> the Bid Cum Application Form or the ASBA Bid Cum Application Form.
Bidding Centre	A centre for acceptance of the Bid cum Application Form.
Bid / Issue Period / Bidding Period or Bidding/ Issue Period or Issue/ Bidding Period or Bid / Issue Period.	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders (except Anchor Investors) and the ASBA Bidders can submit their Bids.  The Company may consider closing QIB book a day before the Bid/ Issue

Term	Description
	Closing Date in accordance with the SEBI ICDR Regulations and for QIBs, this date shall be the Bid/Issue Closing Date.
Book Building Process / Book Building	Book building mechanism as provided under Schedule XI of the SEBI (ICDR) Regulations, in terms of which this Issue is made.
BRLMs / Book Running Lead Managers	Book Running Lead Managers to this Issue being, Axis Bank Limited and Avendus Capital Private Limited.
Brokers to the Issue	Brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
CAN/ Confirmation of Allocation Note	The note or advice or intimation of Allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in accordance with the Book Building Process and in case of Anchor Investors, shall mean the notice sent to the Anchor Investors who have been Allotted Equity Shares at the Anchor Investor Price.
Cap Price	The upper end of the Price Band, in this case being Rs [●], and any revisions thereof, above which the Issue Price will not be finalised and above which no Bids will be accepted.
CARE BBB	Instruments with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate credit risk. (Source: <a href="http://www.careratings.com/html/RatingSymbolAndDefinition.aspx">http://www.careratings.com/html/RatingSymbolAndDefinition.aspx</a> )
CARE B	Instruments with this rating are considered to offer low safety for timely servicing of debt obligations and carry very high credit risk. Such Instruments are susceptible to default. (Source: <a href="http://www.careratings.com/html/RatingSymbolAndDefinition.aspx">http://www.careratings.com/html/RatingSymbolAndDefinition.aspx</a> )
CARE PR2	Instruments with this rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such Instruments are susceptible to default. (Source: <a href="http://www.careratings.com/html/RatingSymbolAndDefinition.aspx">http://www.careratings.com/html/RatingSymbolAndDefinition.aspx</a> )
CARE PR4	Instruments with this rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to instruments rated higher. (Source: <a href="http://www.careratings.com/html/RatingSymbolAndDefinition.aspx">http://www.careratings.com/html/RatingSymbolAndDefinition.aspx</a> )
Controlling Branches of the SCSBs	Such branches of the SCSBs which co-ordinate Bids under this Issue by the ASBA Bidders with the Registrar to the Issue and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a> , or at such other website as may be prescribed by SEBI from time to time.
Cut off / Cut off Price	Any price within the Price Band finalised by us in consultation with the BRLMs. A Bid submitted at the Cut-off Price by a Retail Individual Bidder (including ASBA Bidders) who has Bid for Equity Shares for an amount less than or equal to Rs. 2,00,000 and is a valid Bid at all price levels within the Price Band. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price.
Demographic Details	The demographic details of the Bidders such as their address, Bidder's bank account details, MICR Code and occupation.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant / DP	A depository participant as defined in the Depositories Act.
Depository / Depositories	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time, in this case being CDSL and NSDL.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms from the ASBA Bidders and a list of which is available on <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> , or at such other website as may be prescribed by SEBI from time to time.
Designated Date	The date on which Escrow Collection Bank(s) transfer and the SCSBs issue,

Term	Description
	or by when have issued, instructions for transfer, of the funds are transferred from the Escrow Account and the ASBA Accounts, respectively, to the Public Issue Account after the Prospectus is filed with the RoC following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange / DSE	National Stock Exchange of India Limited is the designated stock exchange for the purpose of this Issue.
Draft Red Herring Prospectus /DRHP	The Draft Red Herring Prospectus dated September 29, 2010 filed with SEBI and issued in accordance with the SEBI ICDR Regulations.
Eligible NRIs	NRIs from such jurisdiction outside India where it is not unlawful for our Company to make this Issue or an invitation under this Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares issued herein.
Equity Shares	Equity Shares of our Company of face value of Rs. 10/- each fully paid up unless otherwise specified in the context thereof..
Escrow Account(s)	Account opened with Escrow Collection Bank(s) and in whose favour the Bidders (except ASBA bidders) will issue cheque(s) or draft(s) in respect of the Bid Amount when submitting a Bid(s).
Escrow Agreement	Agreement to be entered into between our Company, the Registrar to this Issue, the Escrow Collection Banks, the Refund Bank(s), the BRLMs and the Syndicate Members in relation to the collection of Bid Amounts and dispatch of refunds (if any) of the amounts collected, to the Bidders (excluding the ASBA Bidders), when submitting a Bid and the remainder of the Bid Amount, if any.
Escrow Collection Bank(s)	The banks, which are registered with SEBI as Banker(s) to the Issue with whom the Escrow Account for the Issue will be opened.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form or ASBA Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted, in this case being Rs [●], and any revisions thereof.
Indian GAAP	Generally Accepted Accounting Principles in India.
IPO Grading Agency	ICRA Limited, the credit rating agency appointed by our Company, in consultation with the BRLMs for grading this Issue.
Issue	Issue of [●] Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share for cash including a share premium of Rs. [●] per Equity Share aggregating Rs. 21,958 lakhs. The issue of Equity Shares will constitute [●]% of the fully diluted post issue paid-up capital of our Company.
Issue Agreement	The agreement dated September 29, 2010, entered into between our Company and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLMs on the Pricing Date.
Issue Proceeds	Proceeds to be raised by our Company through this Issue.
LBB	The inadequate-credit-quality rating assigned by ICRA. The rated instrument carries high credit risk. (Source: <a href="http://www.icra.in/Files/Content/RatingsScale-2008.pdf">http://www.icra.in/Files/Content/RatingsScale-2008.pdf</a> )
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Fund Portion	5% of the Net QIB Portion, or [●]% of the Equity Shares available for allocation on a proportional basis to Mutual Funds only, out of the QIB Portion (excluding the Anchor Investor Portion).
Net Proceeds	The proceeds of the Issue available to our Company after deducting the Issue related expenses attributable to the Company.
Net QIB Portion	The portion of the QIB Portion less the number of Equity Shares allocated to

Term	Description
	the Anchor Investors, subject to a minimum of [●] to be decided by our Company in consultation with the BRLMs
NIF	National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India.
Non Institutional Bidders	All Bidders (including sub-accounts which are foreign corporates or foreign individuals) that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 2,00,000/- (but not including NRIs other than eligible NRIs).
Non Institutional Portion/ Non Institutional Bidders Portion	The portion of this Issue being not less than 15% of the Issue consisting upto [●] Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] per equity share aggregating to Rs. 32.937 lakhs available for Allocation to Non Institutional Bidders.
NR / Non-Resident (s)	A “person resident outside India,” as defined under FEMA and includes a Non Resident Indians and FIIs.
OCB / Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trust in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
Payment through electronic transfer of funds	Payment through NECS, Direct Credit, RTGS or NEFT, as applicable.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Pay-in Date	The date of receipt of Bids from the Bidders, except with respect to Anchor Investors, which shall be the Anchor Investor Bidding Date and in cases where the Anchor Investors are required to pay any balance amount in terms of the SEBI Regulations, it shall be paid within two Working Days after the Bid Closing Date, as may be applicable.
Pre-IPO Placement	Preferential Allotment made by our Company on February 8, 2011 of 26,00,000 Equity Shares at a price of Rs. 117 per Equity Share to Standard Chartered Private Equity (Mauritius) II Limited after filing the Draft Red Herring Prospectus with SEBI
Price Band	The price band of a minimum price (“Floor Price”) of Rs. [●] and the maximum price (“Cap Price”) of Rs. [●] and includes revisions thereof, if any. The Price Band and the minimum bid lot size for the Issue will be decided by the Company in consultation with the BRLMs and advertised, two working days prior to the Bid / Issue Opening Date, in one English national newspaper, one Hindi national newspaper and a regional language newspaper with wide circulation.
Pricing Date	The date on which our Company in consultation with the BRLMs finalizes the Issue Price.
Prospectus	The Prospectus, to be filed with the RoC in accordance with the provisions of the Companies Act and the SEBI (ICDR) Regulations 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(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date and from the SCSBs from the ASBA Accounts on the Designated Date.
QIBs/ Qualified Institutional Buyers	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI,

Term	Description
	foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of Rs. 2,500 lakhs, pension fund with minimum corpus of Rs. 2,500 lakhs and National Investment Fund set up by Government of India, insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India .
QIB Portion	Consists of not more than [●] Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. 109.79 lakhs being not more than 50% of the Issue, available for Allocation to QIBs, including Anchor Investor Portion on a proportionate basis, subject to valid Bids being received at or above the Issuer Price.
Red Herring Prospectus	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act and the SEBI ICDR Regulations, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid / Issue Opening Date and will become a Prospectus after filing with the RoC, the copy that includes the details of pricing and allocation and final size of this Issue.
Refund Account(s)	No-lien account maintained by the Refund Bank(s) to which the surplus money shall be transferred on the Designated Date from which refunds of the whole or part of the Bid Amount (excluding the ASBA Bidders), if any, shall be made.
Refunds through electronic transfer of funds	Refunds through NECS, NEFT, Direct Credit or RTGS, or the ASBA process, as applicable.
Refund Bank(s) / Banker(s)	The bank(s) which have been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and / or physical mode, in this case being Axis Bank Limited, in accordance with the procedure contained in the chapter titled “Issue Procedure” beginning on page 402 of this Red Herring Prospectus.
Registrar/ Registrar to this Issue	Registrar to the Issue being, Karvy Computershare Private Limited.
Retail Individual Bidders	Individual Bidders (including HUFs applying through their karta, and Eligible NRIs) who have not Bid for Equity Shares for an amount of more than Rs. 2,00,000 in any of the bidding options in the Issue.
Retail Portion	Consists of atleast [●] Equity Shares of Rs. 10/- each, being not less than 35% of the Issue, available for Allocation to Retail Individual Bidder(s) on proportionate basis.
Revision Form	The form used by the Bidders, excluding ASBA 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).
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time.
Self Certified Syndicate Banks (SCSBs)	Shall mean a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making Application/s Supported by Blocked Amount including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> , or at such other website as may be prescribed by SEBI from time to time.
SCSB Agreement	The deemed agreement between the SCSBs, the BRLMs, the Registrar to the Issue, our Company, in relation to the collection of Bids from the ASBA Bidders and payment of funds by the SCSBs to the ASBA Public Issue Account.
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
Syndicate	The BRLMs and the Syndicate Member(s).
Syndicate Agreement	The agreement to be entered into between our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue (excluding



Term	Description
	Bids from the ASBA Bidders).
Syndicate Member(s)/ Member(s) of Syndicate	Intermediaries registered with SEBI and eligible to act as underwriters in this case being Avendus Securities Private Limited, Reliance Securities Limited, ENAM Securities Private Limited and SBICAP Securities Limited
Transaction Registration Slip/ TRS	The slip or document issued by the members of the Syndicate or the SCSBs upon demand as the case may be; to the Bidders as proof of registration of the Bid.
Underwriters	The BRLMs and the Syndicate Member(s).
Underwriting Agreement	The agreement between the Underwriters to the Issue and our Company to be entered into on or after the Pricing Date.
Working Days	All days, except Sunday and any public holiday (except during and post the Bid / Issue Period, where a Working Day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in India are open for business.

#### *Company related Terms*

Term	Description
“Articles” or “Articles of Association” or “AoA”	The articles of association of our Company, as amended from time to time.
“Board” or “Board of Directors” or “our Board”	The board of directors of our Company duly constituted from time to time.
Corporate Office	The Corporate office of our Company, situated at office numbers 601 and 602, Sixth floor, Nucleus Mall, Camp, Pune – 411 001, Maharashtra, India.
Innoventive Group	Refers to the Issuer Company and its subsidiaries, namely Arihant Auto Components Private Limited, Arihant Steel and Metal Wires Private Limited, Sankalp Forgings Private Limited, Seven Star Electrodes Private Limited and Saicon Steels Private Limited
Director(s)	The director(s) of our Company, unless otherwise specified.
Key Managerial Personnel	The officers vested with executive powers and the officers at the level immediately below the board of directors of the Issuer and other persons whom the Issuer has declared as a Key Managerial Personnel and as enumerated in the chapter titled ‘ <i>Our Management</i> ’ on page number 178 of this Red Herring Prospectus
“Memorandum” or “our Memorandum” or “Memorandum of Association”	The memorandum of association of our Company, as amended from time to time.
Our Promoters	Refers to Mr. Chandu Chavan, Mr. Sanjay Waghulade and Mr. Ravindra Katre.
Our Group Entities	Includes those companies, firms and ventures promoted by our Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act and disclosed in the chapter titled “ <i>Our Group Entities</i> ” beginning on page 205 of this Red Herring Prospectus.
Preference Shares	12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each.
Registered Office	The Registered office of our Company, situated at, Gat No. 1261, Village Sanaswadi, Pune Nagar Road, Taluka: Shirur, District Pune – 412 208, Maharashtra, India.
RoC / Registrar of Companies, Pune	Registrar of Companies located at PMT Building, Pune Stock Exchange, 3rd floor, Deccan Gymkhana, Pune 411 004, Maharashtra, India.
Statutory Auditor	The statutory auditor of our Company, being M/s. B.K. Khare & Co., Chartered Accountants.
Subsidiaries or our	The subsidiaries of our Company, as described in the section titled “ <i>Our</i>

Subsidiaries	<i>Subsidiaries</i> ” beginning on page 171 of this Red Herring Prospectus; that is Arihant Auto Components Private Limited, Arihant Steel and Metal Wires Private Limited, Sankalp Forgings Private Limited, Seven Star Electrodes Private Limited and Saicon Steels Private Limited.
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***Industry Related Terms / Business Related Terms***

<b>Abbreviation</b>	<b>Full Form</b>
ACMA	Automotive Component Manufacturers Association of India
CDW / CEW Tubes	Cold Drawn Electric Welded Tubes
CR Coil	Cold Rolled Coil
CRCA Coil	Cold Rolled Close Annealed Coil
CV	Commercial Vehicle
DOM Tubes	Draw Over Mandrel Tubes
ERP	Enterprise Resource Planning
ERW Tubes	Electric Resistance Welded Tubes
HE	Heat Exchanger
HR Coil	Hot Rolled Coil
HRD	Human Resources Department
HSLA Steel	High Strength Micro Alloy Steel
IBEF	India Brand Equity Foundation
IIP	Index of Industrial Production
ID	Inside Diameter
IPS	Industrial Promotion Subsidy
JIPM	Institute of Plant Maintenance
KVA	Kilo Volt Ampere
LNG	Liquefied Natural Gas
M&HCV	Medium and Heavy Commercial Vehicle
MMTPA	Million metric tonnes per annum
MoU	Memorandum of Understanding
MSEB	Maharashtra State Electricity Board
MT	Metric Tonne
NDT	Non Destructive Testing
OCTG	Oil Country Tubular Goods
OEMs	Original Equipment Manufacturers
OD	Outside Diameter
R & D	Research & Development
SIAM	Society of Indian Automobile Manufacturers
TPA	Tonnes Per Annum
TPM	Total Productive Maintenance
UMPP	Ultra Mega Power Projects
UTM	Universal Testing Machines

***Conventional/General Terms/Abbreviations***

<b>Abbreviation</b>	<b>Full Form</b>
A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
ASBA	Applications Supported by Blocked Amount
AY / A.Y.	Assessment Year; the period of twelve months commencing from the first day of April every year

Abbreviation	Full Form
Bn	Billion
BoD	Board of Directors
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAN	Confirmation of Allocation Note
CB	Controlling Branch
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CENVAT	Central Value Added Tax
CFO	Chief Financial Officer
CIN	Corporate Identity Number
Companies Act	The Companies Act, 1956, as amended from time to time
DB	Designated Branch
Depositories Act	The Depositories Act, 1996, as amended from time to time
DIN	Director's Identification Number
DIPP	Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India
DP	Depository Participant
DP ID	Depository Participant's Identification Number
DRHP	Draft Red Herring Prospectus
EBIDTA	Earnings before Interest, Depreciation, Tax, Amortisation and extraordinary items
ECB	External Commercial Borrowings
ECS	Electronic Clearing System
EEFC	Exchange Earners Foreign Currency
EGM	Extraordinary General Meeting
EOU	Export Oriented Unit
EPCG	Export Promotion Capital Goods Scheme
EPS	Earning per Share
ESIC	Employee's State Insurance Corporation
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations framed thereunder, as amended
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
FIs	Financial Institutions
FII	Foreign Institutional Investor, as defined under the FII Regulations and registered with the SEBI under applicable laws in India
FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended
FIPB	Foreign Investment Promotion Board
FY	Financial Year
FVCI	Foreign venture capital investor as defined in and registered under the FVCI Regulations
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI/ Government	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
ICICI	ICICI Bank Limited
ICSI	Institute of Company Secretaries of India
ICWAI	Institute of Cost and Works Accountants of India
IEC	Importer Exporter Code
IP	Intellectual Property

Abbreviation	Full Form
IPO	Initial Public Offer
IT	Information Technology
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
Kg/Kgs.	Kilogram(s)
KMP	Key Managerial Personnel
Ltd.	Limited
Merchant Banker	Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended
MICR	Magnetic Ink Character Recognition
MoA	Memorandum of Association
MOU	Memorandum of Understanding
Mn	Million
MNC	Multi National Company
MODVAT	Modified Value Added Tax
MVAT Act	Maharashtra Value Added Tax Act, 2002
Mutual Funds	Mutual funds registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
N.A.	Not Applicable
NAV	Net Asset Value being paid-up equity share capital plus free reserves (excluding reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of 'profit and loss account', divided by number of issued equity shares outstanding at the end of Fiscal.
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
Net Worth	The aggregate of share capital, reserve and surplus, surplus/deficit in profit and loss account
NR	Non-Resident
NOC	No Objection Certificate
NRE Account	Non Resident (External) Account
NRI	Non-Resident Indian
NRO Account	Non Resident (Ordinary) Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NTA	Net Tangible Assets
p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PIO	Persons of Indian Origin
P/E Ratio	Price/Earnings Ratio
PLR	Prime Lending Rate
Pvt./(P)	Private
QA	Quality Assurance
QC	Quality Control
QS	Quality Standard
Qty	Quantity
Re.	One Indian Rupee
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time
RHP	Red Herring Prospectus
RoNW	Return on Net Worth
Rs./ Rupees / INR	Indian Rupees, the legal currency of the Republic of India
RTGS	Real Time Gross Settlement

Abbreviation	Full Form
SCRA	Securities Contracts (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
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI (ICDR) Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time
Sec.	Section
Securities Act	The U.S. Securities Act of 1933, as amended
SICA	Sick Industrial Companies (Special Provisions) Act, 1995, as amended from time to time
Sub-Account	Sub-accounts registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995, as amended.
Sq.ft.	Square feet
Sq.mtrs.	Square meters
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover Regulations), 1997, as amended from time to time
TDS	Tax Deducted at Source
TDER	Total Debt Equity Ratio
TIN	Taxpayers Identification Number
TRS	Transaction Registration Slip
UIN / Unique Identification Number	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time
UoI	Union of India
U.S. GAAP	Generally accepted accounting principles in the United States of America
U.S. or US or U.S.A	The United States of America
VAT	Value Added Tax
VCFs	Venture Capital Funds as defined in and registered with SEBI under the VCF Regulations.
VCF Regulations	Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as amended

The words and expression used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act and the rules and regulations made thereunder or such other applicable laws as amended from time to time.

*Notwithstanding the following: -*

- (i) In the section titled '*Main Provisions of the Articles of Association*' beginning on page number 441 of this Red Herring Prospectus, defined terms shall have the meaning given to such terms in that section;
- (ii) In the section titled '*Financial Information*' beginning on page number 214 of the Red Herring Prospectus, defined terms shall have the meaning given to such terms in that section;
- (iii) In the paragraphs titled '*Disclaimer Clause of the Bombay Stock Exchange Limited*' and '*Disclaimer Clause of the National Stock Exchange of India Limited*' beginning on page numbers 386 of this Red Herring Prospectus, the defined terms shall have the meaning given to such terms in those paragraphs; and
- (iv) In the chapter titled "*Statement of Tax Benefits*" beginning on page number 108 of this Red Herring Prospectus, defined terms shall have the meaning given to such terms in that chapter.

## **CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION**

*In this Red Herring Prospectus, unless the context otherwise requires, all references to gender also refer to the other gender*

### ***Certain Conventions***

All references in the Red Herring Prospectus to “India” are to the Republic of India. All references in this Red Herring Prospectus to the “US”, “USA” or “United States” are to the United States of America.

### ***Financial data***

Unless stated otherwise, the financial data which are included in this Red Herring Prospectus are derived from the restated consolidated and standalone financial statements of the Company prepared in accordance with Indian GAAP and restated in accordance with the ICDR Regulations.

The fiscal year of the Company commences on April 1 of each year and ends on March 31 of the next year. All references to a particular fiscal year are to the 12 month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP, IFRS and US GAAP. The Company has not attempted to quantify their impact on the financial data included herein and urges you to consult your own advisors regarding such differences and their impact on the Company’s financial data. Accordingly to what extent, the financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices / Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

Any percentage amounts, as set forth in “*Risk Factors*”, “*Our Business*”, “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” and elsewhere in this Red Herring Prospectus unless otherwise indicated, have been calculated on the basis of the Company’s restated consolidated and standalone financial statements prepared in accordance with Indian GAAP.

### ***Currency and units of presentation***

In this Red Herring Prospectus, references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “U.S. Dollars” are to United States Dollars, the official currency of the United States of America.

All references to ‘million’ / ‘Million’ / ‘Mn’ refer to one million, which is equivalent to ‘ten lakhs’ or ‘ten lakhs’, the word ‘Lakhs / Lakhs / Lakh’ means ‘one hundred thousand’ and ‘Crore’ means ‘ten millions’ and ‘billion / bn. / Billions’ means ‘one hundred crores’.

The US Dollar to Indian Rupee exchange rate data:

For the previous five financial years ending on March 31, was as under:

1 USD = Rs.44.62 as on March 31, 2006

1 USD = Rs.43.59 as on March 30, 2007

1 USD = Rs.39.97 as on March 31, 2008

1 USD = Rs.50.95 as on March 31, 2009

1 USD = Rs.45.14 as on March 31, 2010

And as on December 31, 2010 was 1 USD = Rs. 44.81

Source: [www.rbi.org.in](http://www.rbi.org.in)

### ***Industry and Market data***

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from report commissioned by the Company from Frost and Sullivan, industry publications including *inter alia* RBI and Ministry of Finance. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been verified by any independent source.

Further, the extent to which the market data is presented in this Red Herring Prospectus 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 we conduct our business, and methodologies and assumptions may vary widely among different industry sources.

This data has not been prepared or independently verified by us or the BRLMs or any of their respective affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors*" on page number 17 of this Red Herring Prospectus. Accordingly, investment decisions should not be based on such information.

In accordance with the SEBI Regulations, we have included in the section titled "*Basis for Issue Price*" on page number 105 the information relating to our peer group companies. Such information has been derived from publicly available sources and our Company has not independently verified such information.

### ***Conversion table for area***

In this Red Herring Prospectus, our Company has presented information related to land in various units. The conversion ratio of such units is as follows:

1 hectare	2.47 acres
1 acre	4,046.85 Sq. mtrs. or 43,560.00 sq. ft.
1 Sq. Mtrs.	10.764 sq. ft.
1 aar	1,089 sq. ft.

## FORWARD LOOKING STATEMENTS

All statements contained in this Red Herring Prospectus that are not statements of historical fact constitute “forward-looking statements”. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Red Herring Prospectus regarding matters that are not historical facts. These forward looking statements and any other projections contained in this Red Herring Prospectus (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements generally can be identified by words or phrases such as “will”, “aim”, “is likely to result in”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”. Similarly, statements that describe our objectives, strategies, plans or goals are also forward looking statements.

These forward-looking statements are based on our current plans and expectations and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations and our future financial condition and results of operations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- General economic and business conditions in the markets in which we operate and in the local, regional, national and international economies;
- Changes in laws and regulations relating to the sectors/areas in which we operate;
- The performance of the Indian and Global financial markets;
- Increased competition or other factors affecting the industry segments in which our Company operates;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various financial products;
- Our ability to meet our capital expenditure requirements and/or increase in capital expenditure;
- Fluctuations in operating costs and impact on the financial results;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- Any adverse outcome in the legal proceedings in which we are involved;
- Market fluctuations and industry dynamics beyond our control;
- Occurrence of natural disasters or calamities affecting the areas in which we have operations;
- Conflicts of interest with affiliated companies, the promoter group and other related parties;
- Contingent liabilities, environmental problems and uninsured losses; and
- Changes in government policies and regulatory actions that apply to or affect our business.

For further discussion of factors that could cause our actual results to differ, see the sections titled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” beginning on page numbers 17 and 301 respectively of this Red Herring Prospectus.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward looking statements speak only as of the date of this Red Herring Prospectus. Neither our Company, our Directors, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs and our Company will ensure that



investors in India are informed of material developments until such time as the listing and trading permission is granted by the Stock Exchanges.

The forward-looking statements contained in this Red Herring Prospectus are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

## SECTION II-RISK FACTORS

*An investment in our Equity Shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our business, you should read this Section in conjunction with the Chapters titled “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements” beginning on page numbers 128 and 301, respectively of this Red Herring Prospectus. Any of the following risks as well as other financial and statistical information discussed in this Red Herring Prospectus could have a material adverse impact on our business, financial condition and results of our operation and could cause the trading price of our Equity Shares to decline which could result in the loss of all or part of your investment. These risks and uncertainties are not the only issues that we face, additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our business, results of operations and financial condition. In making an investment decision with respect to the Issue contemplated herein, prospective investors must rely on their own examination of the Company and the terms of such Issue, including the merits and risks involved.*

*Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.*

### **Materiality:**

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

- 1. Some events may not be material individually but may be found material collectively.*
- 2. Some events may have a material impact qualitatively instead of quantitatively.*
- 3. Some events may not be material at present but may have material impacts in the future.*

### **INTERNAL RISK FACTORS**

- 1. *A Criminal complaint has been filed against our Promoter Director, Mr. Sanjay Waghulade, under the Factories Act, 1948, if he were held to be guilty, such an outcome may have a materially adverse impact on our business, results of operations and financial condition.***

The Deputy Director, Industrial Safety and Health, Pune had intimated Mr. Sanjay Waghulade, the Issuer Company’s Promoter Director of the offence under the Factories Act, 1948 *vide* summon letter bearing Outward number IS&H:CASE:SGF:8438:09 dated November 12, 2009. The said summons pertains to the financial year 2008-2009. If Mr. Sanjay Waghulade is found guilty, as per Section 93 of the Factories Act, he may be punished with imprisonment for a term which may extend to two years or with a fine which may extend to one lakh rupees or with both. If Mr. Sanjay Waghulade were to be held guilty by the Court under the aforementioned provision, such an outcome may have a materially adverse impact on our business, results of operations and financial condition.

- 2. *There are outstanding legal proceedings involving our Company, our Subsidiaries, our Directors and our Promoters, which if determined against us, could affect our business and financial conditions.***

Our Company, some of our Subsidiaries and two of our Promoter - Directors are involved in certain legal proceedings and claims incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any rulings by authorities against our Company and our Subsidiaries and our Promoters and Directors may have an adverse material impact on our operations and business. A classification of these pending legal and other proceedings is set forth below:

**Cases filed against our Company***(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Civil cases	2	410.17
Labour Case	1	Not quantifiable
Income Tax Cases	2	Nil
Potential Case*	1	Not quantifiable
<b>TOTAL</b>	<b>6</b>	<b>Not Quantifiable</b>

**Cases filed by our Company***(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Criminal cases	20	162.82
Income Tax cases	4	Nil
Civil case	4	172.56
Excise case	1	4.18
<b>TOTAL</b>	<b>29</b>	<b>339.56</b>

**Cases filed against our Subsidiaries*****Against Arihant Steels and Metal Wires Private Limited****(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Potential case*	1	Not quantifiable
<b>TOTAL</b>	<b>1</b>	<b>Not quantifiable</b>

***Against Sankalp Forgings Private Limited****(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Labour case	1	Not quantifiable
<b>TOTAL</b>	<b>1</b>	<b>Not Quantifiable</b>

***Against Arihant Auto Components Private Limited****(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Labour case	1	0.10
Potential case*	1	Not quantifiable
<b>TOTAL</b>	<b>2</b>	<b>Not Quantifiable</b>

***Against Saicon Steels Private Limited****(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Income Tax case	1	Nil
<b>TOTAL</b>	<b>1</b>	<b>Nil</b>

**Cases Filed by our Subsidiaries*****By Arihant Steels and Metal Wires Private Limited****(Rs. in lakhs)*

Type of Proceedings	Number of cases	Amount to the extent quantifiable
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Criminal cases	2	1.76
Labour Case	1	Not quantifiable
<b>TOTAL</b>	<b>3</b>	<b>Not Quantifiable</b>

*By our Promoter-Director, Mr. Chandu Chavan*

(Rs. in lakhs)

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Consumer case	1	17.88
Income Tax cases	2	Nil
<b>TOTAL</b>	<b>3</b>	<b>17.88</b>

*Against our Promoter-Director, Mr. Chandu Chavan*

(Rs. in lakhs)

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Income Tax Case	1	Not quantifiable
<b>TOTAL</b>	<b>1</b>	<b>Not Quantifiable</b>

*Against our Promoter-Director, Mr. Sanjay Waghulade*

(Rs. in lakhs)

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Criminal case	1	Not quantifiable
<b>TOTAL</b>	<b>1</b>	<b>Not Quantifiable</b>

\* Potential cases includes notices/letters etc. which have been issued to/ by our Company but have not yet become a part of litigation as legal proceedings have not been initiated against/ by our Company before any Court, tribunal or any other statutory authority. If the issues/disputes are not resolved between the parties, then either party may initiate legal proceedings which may lead to litigation in future. For further details regarding potential cases please refer to the chapter titled “Outstanding Litigations and Material Developments” on page 335 of this Red Herring Prospectus.

We confirm that all the litigation appearing in the chapter titled “Outstanding Litigations and Material Developments” have been summarized for the purpose of this risk factor. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and include amounts claimed jointly and severally from us and other parties. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities, thereby affecting our business and financials.

For further details regarding the aforesaid litigations, please refer to the chapter titled “Outstanding Litigations and Material Developments” beginning on page number 335 of this Red Herring Prospectus.

**3. We have a substantial amount of indebtedness, which, in the event of inadequate accruals may pose constraints in servicing our debt.**

As at February 28, 2011, we had Rs. 38,560.35 lakhs (secured) and Rs. 5,881.30 lakhs (unsecured) of outstanding debt on a consolidated basis and Rs. 30,382.62 lakhs (secured) and Rs. 5,579.66 lakhs (unsecured) of outstanding debt on a standalone basis. Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flow generated by our business. There can be no assurance that we will generate sufficient cash to enable us to service our existing or proposed borrowings, comply with covenants or fund other liquidity needs. Adverse developments or a reduced perception of our creditworthiness in credit markets could increase our debt service costs and the overall cost of our funds. If we fail to meet our debt service obligations or

financial covenants required under the financing documents, our lenders could, if so stated in the financial documents, declare us in default under the terms of our borrowings, accelerate the maturity of our obligations, enforce the security interest and/or take possession of our Company's assets. There can be no assurance that, in the event of any such acceleration, we will have sufficient resources to repay these borrowings. For further details on our indebtedness, please refer to the chapter titled '*Financial Indebtedness*' beginning on page number 319 of this Red Herring Prospectus.

**4. *Certain unsecured loans availed by Our Company and our Subsidiaries may be recalled by our lenders at any time which may adversely affect our business and financial conditions.***

As at February 28, 2011, we had Rs. 5,881.30 lakhs (unsecured) of outstanding debt on a consolidated basis and Rs. 5,579.66 lakhs (unsecured) of outstanding debt on a standalone basis. Our unsecured debt constitutes 13.23% of the total indebtedness of our Company and our Subsidiaries and it constitutes 39.54% of the net worth of our Company and our Subsidiaries. None of the lenders are related to our Company, our directors or to our Promoters. These unsecured loans were raised for business purposes and they have been used for the purpose of expansion of existing business and for our working capital requirements. Except the interest free sales tax loan availed by our Company and its Subsidiaries, all other unsecured loans may be recalled by the lenders at any time. Any failure to service our indebtedness, maintain the required security interests, comply with a requirement to obtain a consent or otherwise perform our obligations under our financing agreements could lead to a termination of one or more of our credit facilities, trigger cross default provisions, penalties and acceleration of amounts due under such facilities which may adversely affect our business, financial condition and results of operations. For further details on the secured and unsecured loan please refer the chapter titled '*Financial Indebtedness*' on page 319 of this Red Herring Prospectus.

**5. *Certain of our loan agreements contain restrictive covenants and conditions that could adversely affect our business, results of operations and financial condition.***

Our Company has entered into various loan agreements with several banks & financial institutions for long term borrowings. These agreements contain certain restrictive covenants which require us to take the prior written consent of the said banks before undertaking the following activities throughout the currency of the agreement including but not limited to:

1. Effecting changes in our Company's capital structure;
2. Formulating any scheme of amalgamation/re-constitution;
3. Entering into borrowing arrangements, either secured or unsecured, with any other bank, financial institution, company or person;
4. Undertaking guarantee obligations on behalf of any other company, firm or person;
5. Creating any further charge, lien or encumbrance over the assets and properties of our Company, which are charged to the aforesaid banks, in favour of any bank, financial institution, company, firm or person;
6. Selling, assigning, mortgaging or otherwise disposing off any of the fixed assets charged to the banks;
7. Effecting any material change in the composition of Board of Directors, management structure or equity pattern of our Company

There can be no assurance that our Company will be able to comply with these financial or other covenants or that our Company will be able to obtain the consents necessary to take the actions our Company believes are necessary to operate and grow our Company's business. Further, if we default on the repayment of the aforesaid loans, the said banks could enforce their security interests on our assets limiting our ability to carry out operations. For further details, please refer to the chapter titled '*Financial Indebtedness*' beginning on page number 319 of this Red Herring Prospectus.

**6. *Our Company's inability to raise any further funds may adversely affect our growth plans, our business and operations.***

Our Company is unable to incur additional debt as a result of prospective lenders' evaluations of our creditworthiness and pursuant to restrictions on incurrence of debt in our existing and anticipated credit

facilities. Our Company's working capital requirement is high due to the nature of the industry which we operate in. We cannot give any assurance that we will be able to raise adequate funds on acceptable terms, in a timely manner or at all. Our failure to obtain sufficient financing could result in a lack of cash flow to meet our operating requirements and, therefore, have an adverse effect on our business, results of operations and financial condition.

7. ***Our Company's inability to maintain or obtain satisfactory credit ratings in any future periods, or any future downgrading in our Company's credit ratings may have an adverse effect on our business, results of operation and financial condition.***

FY 2009, our Company had received a rating of CARE BBB for Long Term Bank Facilities and PR2 for Short-term Bank Facilities from Credit Analysis and Research Limited ("CARE"). Subsequently, due to instability in general economic conditions and recessionary trends during this period, resulting in short supply and devaluation of foreign currencies, our lenders were unable to timely release sanctioned loan funds to us, consequently affecting our cash flows. Based on its quarterly review, CARE downgraded our rating to 'CARE B' for Long Term Bank Facilities and 'PR4' for Short-term Bank Facilities, on account of temporary delays in meeting our debt and other payment obligations. Pursuant to press release dated July 16, 2010, CARE suspended the rating provided to our Company stating the reason that our Company had not furnished the information required by CARE for monitoring the rating. ICRA, vide letter dated June 14, 2010, has assigned a rating of 'LBB' for Long Term Fund based/Non-Fund based Facilities and has assigned a rating of 'A4' for Short-term Fund Based/Non Fund Facilities. There is no assurance that we will be able to maintain or obtain satisfactory credit ratings in any future periods. Further, any future downgrading in our credit ratings may have an adverse effect on our ability to borrow funds and consequently on our business, results of operation and financial condition.

For further details on the credit ratings received by our Company please refer to the chapter titled "General: Definitions and Abbreviations" on page 2 of this Red Herring Prospectus.

8. ***Inability of our Company to make the repayment of deferral sale tax liability enjoyed under Package Scheme of Incentives 1993, within the stipulated period could impact our business and results of operations adversely.***

Our Company is liable to repay the deferral of sales tax liability of Rs. 3,201.71 lakhs from 2013 – 2014 in five equal yearly instalments which, was granted to our Company under the Package Scheme of Incentives 1993, for a period of 7 years from April 1, 2003 to March 31, 2010. In case our Company defaults in making the payment on due dates, the Government of Maharashtra will issue notices which could adversely affect our business, financial condition and results of operations.

9. ***Our Company takes advantage of certain tax benefits and other financial incentives, which if withdrawn, may adversely affect its financial condition and results of operations.***

Under the Package Incentive Scheme of 2007 ("the Scheme 2007") for Mega Project at our factory situated at Gat No. 56/3, 4 and 5, Village Pimple Jagtap, Taluk Shirur, Pune our Company is entitled to incentives like electricity duty exemption for the period of 7 years, 100% exemption from payment of stamp duty and Industrial Promotion Subsidy (IPS) equivalent to 75% of the eligible investment to be made from March 28, 2007 upto March 27, 2012. In the event that there is a delay in the reimbursement of the incentives or if these benefits are no longer available to our Company due to any change in the regulatory framework or due to non compliances of the conditions stipulated in the eligibility certificate granted under the Scheme 2007 to our Company, the effective duty rates payable by our Company will increase and consequently our financial condition may be adversely affected. Further the eligibility certificate will stand cancelled and the incentives availed together with a penalty at 15% or any such other rate of interest as may be decided by the Government from time to time shall be recovered from our Company for non compliance.

10. ***Our Company does not have long term sales contracts with most of our customers. We have historically been dependent on a relatively small number of customers for a significant portion of our sales, and there is no assurance that we will be able to broaden our customer base in any future***

*periods. We may not be able to meet Vendor Qualification criteria set out by our customers, which may affect our business adversely.*

Our Company's sales take place on the basis of purchase orders, due to the nature of the industry we operate in, we do not have long term sales contracts with most of our customers and hence are unable to bind them in a long term relationship with us. Our ability to receive the initial order as well as repeat orders from a customer is dependent on our ability to manufacture products of acceptable quality, at a competitive price and to deliver such products on a timely basis. In case a customer is not satisfied with our product, price or delivery and does not place repeat orders with us, this could adversely affect our sales and financial results.

Further, our inability to add new buyers to our sales portfolio may hamper growth of our business and profitability. Our top ten customers constitute 46.80% of our total revenue for FY 2010. Following are the details of the revenue derived from the top few customers for the last three financial years.

	<b>Apr-Dec, 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>
<b>Top Customer</b>	20.10%	21.71%	22.03%	25.18%
<b>Top 5 Customers</b>	39.40%	36.61%	38.18%	39.47%
<b>Top 10 Customers</b>	49.80%	46.80%	43.76%	44.29%

Our clients stipulate quality standards for the components supplied to them. As a vendor we are expected to meet the quality standards laid down by our customers. Any cancellations of major orders / changes in the vendor qualification criteria by any of our top customers can materially impact our profitability and results of operations.

***11. Delay in timely procurement of raw materials and increase in prices of the raw materials may adversely affect our results of operations and financial conditions as we may be unable to pass the increase cost to our customers.***

We are highly dependent on procuring certain raw materials used for our manufacturing from various suppliers and we do not enjoy any firm arrangements with the suppliers for the procurement of raw materials. Steel coils (Hot Rolled and Cold Rolled Coils) costs constitute a significant part of our operating expenses which are a major raw materials used by us in our manufacturing process. Any increase in their prices, our profitability could be affected to the extent we are unable to pass the increase to our customers. Further our suppliers could cause undue delay in supply of steel coils due to factors beyond the control of our suppliers, including general economic conditions, competition, production levels, transportation costs and import duties. Unanticipated increases in equipment, materials or fuel costs may adversely affect our results of operations. The timely and cost effective manufacturing is dependent on the adequate and timely supply of our key raw materials.

Material consumption cost, which primarily consists of steel, has constituted 53.7%, 62.6% and 70.6% of our total sales for FY 2010, 2009 and 2008 respectively. Failure to procure appropriate quantities of steel coils in a timely manner and at reasonable prices may adversely impact the cost and quality of our products with a consequent negative impact on demand of our products and affect our business and financial results.

We procure steel coils, which constitute a majority of our raw material, from suppliers on annual contract basis. Besides this contract for steel coils, we do not have any tie – ups / firm arrangements with our vendors for the supply of our raw material. Further, in the event vendors discontinue supply or fail to adhere to our technical specifications, quality requirements and delivery schedules for any reason whatsoever, we may have temporary stoppages of production till alternate arrangements are made. Such temporary stoppages may affect our business and profitability. There can be no assurance that we will be in a position to develop an alternate supplier in a timely or cost efficient manner.

***12. Our Company has not provided for income tax expense on the Industrial Promotion Subsidy (IPS) receivable from the Government of Maharashtra under Package Scheme of Incentives 2007, considering it as non taxable under the Income Tax act. Any materialization of income tax liability on such IPS income receivable, may adversely affect our operations.***

The honourable High Court of Bombay in its judgement dated 15th April 2009 in the case of The Commissioner of Income Tax - 3, Mumbai vs M/s Reliance Industries Limited, has upheld the view that income arising out of the Industrial Promotion Subsidy under the subsidy scheme of the Govt. of Maharashtra is on capital account. In view of this judgment and the legal opinions received by the company, our company has treated the said income as non-taxable under Income Tax Act for the period ended December 31, 2010. Further, the tax expenses amounting to Rs. 644.30 Lacs provided on such income for the period ended March 31, 2010 has been reversed and the same has been adjusted in the Statement of Profits and Losses, as restated for the period ended March, 2010. In the event the said judgment goes into appeal and if the appeal is upheld by the honourable Supreme Court of India, our company may have to suitably provide for the income tax liability on such amounts receivable under IPS, which may adversely affect our profitability.

**13. *Limited protection of intellectual property could affect our Company's business adversely.***

We have made a patent application for our innovated use of cold pilgering process to make Cold Drawn Electric Welded Tubes ('CEW tubes') directly from Electric Resistance Welded Tubes ('ERW tubes') without the use of draw bench. This process results in energy, labour and process-related conversion cost saving and provides tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. Despite our Company's efforts to protect intellectual property, there are possibilities of our patent application being denied by the Patent Office; and consequently could result in the waste of our efforts. Also this might create further competition thereby affecting our future growth and profitability.

**14. *Our Proprietary rights and those of our customers may be misappropriated by our employees in violation of applicable confidentiality agreements which can have an adverse impact on our business and financial operations.***

We require our employees to enter into non-disclosure arrangement to limit access to and distribution of our our Company's and our customer's intellectual property and other confidential information. In addition, we provide restricted access of employees to proprietary technology and customer data. However, we can give no assurance that the steps taken by us in this regard will be adequate to enforce our or customers' intellectual property rights. If any of our customers proprietary rights are misappropriated by our employees, in violation of any applicable confidentiality agreements or otherwise, we may lose any technological advantage that is important for our business or our customers may consider that we are liable for that act and seek damages and compensation from us in respect of it.

**15. *We have not entered into any definitive agreements to monitor the utilisation of Issue Proceeds***

Our funding requirements and the proposed deployment of the net proceeds of the Issue are based on management estimates, current quotations from suppliers and our current business plan and have not been appraised by an independent entity. Furthermore, in the absence of such an independent appraisal, or the requirement for us to appoint a monitoring agency pursuant to the ICDR Regulations, the deployment of the net proceeds is at our discretion.

We may have to revise our expenditure and funding requirements as a result of variations in costs, estimates, quotations, exchange rates or other external factors, which may not be within the control of our management. This may entail rescheduling, revising or cancelling planned expenditure and funding requirements at the discretion of our Board. Further, current quotations from suppliers are only valid for limited periods and there can be no assurance that we will be able to obtain new quotations from these or other suppliers on the same terms.

**16. *Failure to estimate optimal manufacturing capacities could adversely affect our growth/profitability.***

Estimation of optimal manufacturing capacities for various products is critical to our operations. Should we for any reason, not invest in capacity expansion in the future, the same could result in stagnation in our sales and could impact our ability to add new customers / maintain our market share. Conversely, in



the event we over- estimate the future demand, we may have excessive capacity, resulting in under utilization of assets and/or sales of surplus products at lower margins/loss, which would have a material adverse effect on our margins, profitability and results of operations. Additionally, owing to the inherent nature of our manufacturing operations, a precise estimation of our normal capacity is difficult. Our normal capacities can vary significantly from the installed/rated capacities depending on size (Diameter & Thickness) of the tubes produced in case of ERW and CEW precision tubes. Hence, depending on the product mix to be produced, our capacity utilization could vary significantly from general industry average.

For further details in this regard, please refer to the chapter titled “*Our Business*” beginning on page number 128 of this Red Herring Prospectus.

**17. *Any inability to implement the capacity expansion as stated in our objects of the Issue successfully within the scheduled timelines and budgeted costs may adversely affect our business, results of operations and financial conditions.***

We may not be able to successfully execute the capacity expansion of our manufacturing facility as stated in our objects of the Issue or be able to execute it within the scheduled timelines and budgeted costs or be able to garner requisite market share due to various factors including but not limited to changes in market environment, technology, customer preferences, availability of finance, change in government policies etc. In the event of any of the aforesaid events, we can give no assurance that we may be able to execute the project successfully or within the scheduled timelines, which may adversely affect our business, results of operations and financial condition.

**18. *Under-utilisation of expanded capacities may adversely impact our financial performance***

Our Company has undertaken expansion of its production capacities based on its estimates of market demand and profitability. In the event of non-materialisation of our estimates and expected orders due to factors including adverse economic scenario, change in demand, etc., our capacities may not be fully utilised thereby adversely impacting our financial performance. For further details on capacity utilization and planned capacity increase, please refer chapter titled “*Our Business*” on page number 128 of the Red Herring Prospectus.

**19. *Our fund requirements and deployment have not been appraised by any bank or financial institution. Further, our Company has not appointed a monitoring agency to monitor the utilization of the proceeds of the Issue. However, in compliance with Clause 49 of the Listing Agreement, our Company has constituted an Audit Committee which will monitor the utilization of the proceeds of the Issue.***

The deployment of funds as described in the chapter titled ‘*Objects of the Issue*’ beginning on page number 93 of this Red Herring Prospectus is at the discretion of our Company’s Board of Directors. Our funding requirements and the proposed deployment of the net proceeds of the Issue are based on management estimates, current quotations from suppliers and our current business plan and have not been appraised by an independent entity. Accordingly, within the parameters as mentioned in the chapter titled ‘*Objects of the Issue*’ beginning on page number 93 of this Red Herring Prospectus, the management will have significant flexibility in applying the proceeds received by our Company from this Issue. Our Company has not appointed a monitoring agency to monitor the utilization of the proceeds of the Issue. However, in compliance with Clause 49 of the Listing Agreement, our Company has constituted an Audit Committee *vide* a resolution passed by the Board at its meeting held on February 27, 2010 and one of the functions of the Audit Committee will be to monitor the utilization of the proceeds of the Issue. In the event that our Company is unable to utilize the proceeds of the Issue as mentioned in the chapter titled ‘*Objects of the Issue*,’ our Company shall obtain the consent of the shareholders in a general meeting before deploying the proceeds of the Issue for purposes other than those disclosed in the chapter titled ‘*Objects of the Issue*,’ of this Red Herring Prospectus.

**20. *We are yet to procure the adjoining land in our existing manufacturing facility at Pimple Jagtap and any delay or failure of such procurement may affect our business.***

We propose to expand our existing manufacturing facility at Pimple Jagtap in Pune for the manufacture of precision tubes and other components by purchasing additional land in the vicinity, to consolidate our operations, optimize our plant layout & design and aid future capacity expansion. We have identified the land adjoining our existing unit for this purpose but we are yet to enter into any definitive agreements for the lease of the same. If the negotiations for such procurements falls through or we are unable to acquire the land on favourable terms, our business and results of operations may be adversely affected.

- 21. *We have not placed any orders for machinery and equipment we propose to purchase from the Net Proceeds of the Issue as stated in our Objects, as such we cannot foresee any price variation in the same.***

We have estimated the requirement of plant and machinery based on quotations or internal estimates based on prevailing market prices of manufacturers/ suppliers of equipment. However, as on date of filing this Draft Prospectus with SEBI, we have not placed orders for any of the plant and/or machinery to be financed from the Net Proceeds of the Issue. We cannot assure that we would be able to acquire the plant and machinery required for the same, or acquire them at the prices as quoted/estimated in this Red Herring Prospectus. Any delay in acquisition of the plant and/or machinery required to be acquired herein could lead to time and cost overruns, and may have a material adverse effect on our business, results of operations and financial condition.

- 22. *The completion of capacity expansion is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect our expansion plans.***

We rely on products and services of a number of third parties, suppliers, contractors and sub-contractors. The completion of the capacity expansion is dependent on performance of external agencies, which are responsible for land development, construction of buildings, installation of plant and machinery and supply and testing of equipment. We have limited control over cost, availability or quality of such products and services and also the inability/non willingness of these parties to perform on a timely manner and cost effective manner. We cannot assure you that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements, this may result in incremental cost and time overruns. This may adversely impact our businesses and operation. This may lead us into making additional investments to ensure satisfactory completion of our expansion, which in turn, may adversely affect our expansion plans.

- 23. *Our private equity investors namely Kavos Capital Limited, Standard Chartered Private Equity (Mauritius) II Limited and Standard Chartered Private Equity (Mauritius) III Limited (acting collectively) will continue to have the right to appoint a Nominee Director each, even after the listing of the Equity Shares in the Issue***

Our private equity investors Kavos Capital Limited, Standard Chartered Private Equity (Mauritius) II and Standard Chartered Private Equity (Mauritius) III Limited (acting collectively) will continue to have the right to appoint one Nominee Director each to the Board of our Company. The interests of such Nominee Directors may differ from the management and the Nominee Directors may choose their rights in a manner different to what other Directors of the Company believe is in the best interests of the Company. Consequently the decisions arrived at by the Directors may have an adverse effect on our business and the results of operation. For further details please refer to the chapter titled “History and Certain Corporate Affairs” on page 154 of this Red Herring Prospectus.

- 24. *We operate in a competitive business environment, both globally and domestically. Competition from existing players and new entrants and consequent pricing pressures may adversely affect our business, financial condition and results of operations.***

The Precision Tube industry is intensely competitive. Growing competition may subject us to pricing pressures and require us to reduce the prices of our products and services in order to retain or attract customers, which may have a material adverse effect on our revenues and margins. Further, several of our competitors are larger international and national companies and have access to greater resources or

may be able to develop or acquire technology or partner with Original Equipment Manufacturers (“OEMs”) or customers at terms which are not presently feasible for us, due to our current scale of operations. Any failure to keep abreast with technological advancements might place our competitors at an advantageous position in terms of cost, efficiency and timely delivery of final products. While we are focused on research and development (“R&D”) to develop cost and time efficiencies and to broaden our product range, in particular in certain niche segments, in the event our competitors develop better process technology or improved process yield or are able to source raw materials at competitive prices, and are therefore able to create new products or substitutes for our products at competitive prices, we may not be able to maintain our growth rate and revenues and our profitability may decline. Any of these factors may have a material adverse effect on our business and prospects.

**25. *Our business growth and profitability will suffer if we fail to anticipate and develop new products and enhance existing line of products, in order to keep pace with changes in technology.***

The market we operate in is characterized by technological change, evolving industry standards, and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product to meet client needs. Our growth and profitability might suffer if we are not successful in anticipating or adequately responding to these advances in a timely basis, or, if we do respond, product we develop may not be successful in the marketplace. Moreover, customer preferences are subject to rapid change, but we may not be able to adapt rapidly to changes in their preferences. Unexpected technical, operational, or other problems could delay or prevent the timely introduction of new products, which could result in a loss of market opportunities and impact our business adversely.

**26. *Our Promoters have interest in certain companies, which may engage in similar businesses, which may create a conflict of interest. Further we do not enjoy contractual protection by way of a non-compete or other agreement or arrangement with our Group Entities.***

Our Group Entities viz. Arihant Steel Tube Products Private Limited (“ASTPPL”) main object is similar to our Company i.e. including but not limited to manufacturing, export, sale, trading of Steel and Metals. However this Company has not commenced any business till date.

As on date, our Company has not signed any non-compete or such other agreement / document with ASTPPL, thus the interests ASTPPL may conflict with the Company’s interests and / or with each other if ASTPPL expand their business in the future. The Company follows a strategy of using its vertically integrated operations and experience in the steel industry to effectively compete with competitors, including potential competition from group entities. However, in the event, ASTPPL expand in the same business as that of the Company, our strategy may not be fully successful in this regard. For further details, please refer to the chapters titled, “*Our Business*”, “*Our Promoter Group*” and “*Our Group Entities*”, beginning on page numbers 128, 203 and 205, respectively and the chapter titled “*Related Party Transactions*” beginning on page number 247 of this Red Herring Prospectus.

**27. *Certain Equity Shares of our Company held by our Chairman and Promoter, Mr. Chandu Chavan are pledged.***

As on February 28, 2011, 0.61% of the total paid-up equity share capital of our Company, held by our Chairman and Promoter, Mr. Chandu Chavan has pledged in favour of Central Bank of India for securing the repayment of the loan of Rs. 965 lakhs availed by our Group Entity, Opal Luxury Time Products Limited. Further, as per sanction letter dated April 10, 2010 the said Bank has the right to obtain a pledge on further Equity Shares on the occurrence or happening of certain events, including *inter alia* if the value of the pledged Equity Shares is insufficient. In the event of non-compliance with certain terms agreements entered into by our Promoter Group and Group Entity with the said bank, then the said Bank may invoke its respective pledges on these Equity Shares, which may result in dilution of our Promoters’ stake in our Company. For further details please refer to “*Capital Structure*” on page number 78 of this Red Herring Prospectus.

**28. *We have entered into certain related party transactions and may do so in the future.***

We have entered into and in future may enter into, certain related party transactions with our Promoters, Directors, Group Entities and Key Managerial Personnel. While we believe that all our related party transactions have been conducted on an arm's length basis, we cannot assure you that we could not have achieved more favourable terms had such transaction been entered into with unrelated parties. Further, it is likely that we will enter into related party transactions in the future. Conflicts may also arise in the ordinary course of our decision-making in connection with our negotiations and dealings with our Promoter and/or Group Companies with respect to services that we provide to them and the arrangements that we may enter into with them.

We may be unable to recover liquidated damages from one or more related parties for losses that may be suffered by us either due to such related parties' performance shortfalls or their failure to fulfil obligations on timely bases. The total amount of related party transactions for the nine month period ended December 31, 2010 amounted to Rs. 754.46 lakhs. As such, we cannot assure you that such transactions will not have an adverse effect on our business, financial conditions and results of operations.

Our Promoters and Directors may be deemed to be interested to the extent of the Equity Shares held by them, their friends or their relatives or our Group Entities, and benefits arriving from their directorship in our Company. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Group Entities. For further details, please refer to the chapters titled "*Our Business*", "*Our Management*" and "*Our Promoters and their Background*", beginning on page numbers 128, 178 and 199, respectively and the section titled "*Financial Information*" beginning on page number 214 of this Red Herring Prospectus.

Further, there are no related party transactions with any of the related parties except as mentioned under the heading titled "*Statement of Related Party Transaction*" beginning on page number 247 under the chapter titled "*Financial Information*" beginning on page number 214 of the Red Herring Prospectus.

- 29. *Our Company hires both permanent and contract labourers. Our permanent labourers are also represented by a union, and hence, we cannot ensure that we will not face any disruptions to our operations due to disputes such as strikes, lock-outs, work stoppages, increase in wage demands and other disputes with our labourers. Further, we cannot assure that contract labour will be made available to us as per our requirements and non availability of contract labour may also adversely affect our operations.***

The activities in which our Company is engaged in are labour intensive in nature. As on date, our permanent labourers are represented by a labour union. While we consider our current labour relations to be satisfactory and have not faced any strikes or lock-outs etc. in any of our manufacturing facilities in the past, there can be no assurance that our relations with the labourers will not deteriorate and that we will not experience future disruptions to our operations due to disputes including strikes, lock-outs, work stoppages, or increase wage demands by our labourers or other problems with work force which may adversely affect our business or operations. In that case, there may be restrictions on the flexibility of our labour policies which would adversely affect us.

Wage costs in India have historically been significantly lower than wage costs in other western countries, which has been one of India's competitive advantages. However, increase in wage costs may reduce this competitive advantage. We may need to increase the levels of employee compensation more rapidly than in the past to attract necessary talent. If we are unable to negotiate with the workmen or the contractors, it could result in work stoppages or increased operating costs as a result of higher than anticipated wages or benefits

Further, we cannot assure that the contract labour we use to meet our labour requirements would be available to us in accordance with our requirements and cost estimates in the future, and non-availability of requisite contract labour or increased costs may adversely affect our business, results of operations and financial condition.

- 30. *Certain properties, including our Corporate Office, are not owned by us.***

We do not own the corporate office premises as well as certain depots from where our Company operates. We have only leasehold rights over such premises. Accordingly, if any owner of such premises terminates our lease, or does not renew the agreement under which we occupy the premises on terms and conditions that are acceptable to us, or alters such terms to our disadvantage (including by way of an increase of rental amounts), our operations may be disrupted. This could have an adverse effect on our business, financial condition and results of operations. For further details, kindly refer to the section titled '*Our Business – our Properties*' on page number 143 of this Red Herring Prospectus.

Besides, the lease agreements for all these premises are renewable on mutual consent upon payment of such rates as stated in these agreements. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions that are unfavorable to us, we may suffer a disruption in our operations which could have an adverse effect on our business, financial conditions and results of operations.

**31. *Any delay or inability in renewing our existing permits and licenses may have an adverse effect on our business.***

We require certain statutory and regulatory permits and licenses to operate our business, some of which our Company has received, and some of which our Company has applied for but have not been sanctioned by the relevant regulatory authorities. Such permits and /or licenses may be granted for a fixed period of time. Non renewal of the said permits and licenses would adversely affect our Company's operations, thereby having a material adverse effect on our business, results of operations and financial condition.

*Following are the approvals pending renewal:*

- a) Application dated September 20, 2010 to the Central Electricity Authority, Marval for registration of two diesel generator sets,
- b) E- application bearing identity number 47408 dated August 26, 2010 for registration of a depot,
- c) Application dated December 27, 2010 for renewal of License bearing number 7439 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour Act, 1970, to Chirag Industrial Services.
- d) Application dated October 23, 2010 for renewal of license for Registration and Running of Factory bearing Number 093111 (Factory Registration Number PUNE/2(m)(i)34300 for Arihant Autocomponents Private Limited under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963.
- e) Application dated January 14, 2011 for renewal of License bearing number P.N. 2165 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, Government of Maharashtra, issued under section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 20 of the rules enacted there under to Arihant Steel and Metal Wires Private Limited.
- f) Application dated November 30, 2010 for renewal of consent to operate bearing number ROP/O-26/CC/PUNE/12-09 issued by the Regional Officer, Pune of Maharashtra Pollution Control Board, Regional Office, Pune under Section 26 of the Water (Prevention & Control of Pollution) Act, 1974, Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules, 1989 & Amendment Rules, 2003 for the manufacture of ERW and CEW tubes, cold drawn stainless steel tubes, cold drawn titanium tubes, tabular components(pressed) HR/CR steel sheets and coils and machined tubular parts.
- g) Application dated October 22, 2010 for renewal of certificate of registration for operating a factory bearing license number 088789 and factory Registration number

Pune/2(m)(i)34300 issued in the name of Arihant Domestic Appliances Limited by the Director, Industrial Safety and Health, Maharashtra State, Mumbai as prescribed under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963.

- h) Application dated December 15, 2010 for renewal of License for Registration and Running of Factory bearing number 2217 to the Chief Inspector of Factories, Silvassa for our Subsidiary Saicon Steels Private Limited.
- i) Application dated March 5, 2011 for renewal of license bearing number 8452 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to M/s. Sheetal Industrial Services in respect of the contract labor hired by our Subsidiary Sankalp Forgings Private Limited.
- j) License bearing number 8452 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to M/s. Sheetal Industrial Services in respect of the contract labor hired by our Subsidiary Sankalp Forgings Private Limited expired on December 31, 2010. An application for renewal of the same has submitted to the Assistant Commissioner of Labour, Registering and Licensing Officer dated March 5, 2011.

**32. *Our manufacturing facilities are subject to risks, including any disruption in or lack of basic infrastructure in any of our manufacturing units for prolonged periods that could affect our business.***

Our manufacturing facilities are subject to operating risks, such as but not limited to the breakdown or failure of equipment, power supply, logistics issues, performance below expected levels of output, labour disputes, strikes, lock-outs, non-availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities, and any other factors which may or may not be within our control. The occurrence of any of these risks could significantly affect our operating results etc.

In addition, due to the nature of our business and despite compliance with requisite safety requirements and standards, the operations of our Company are subject to operating risks associated with precision tube manufacturing. Operating risks may result in personal injury and property damage and in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability and on the business, financial condition and future results of operations of our Company.

Further any mishap or accident in any of our manufacturing facility could result eventually in damages, which may result in our Company suffering a loss. Our Company could suffer a dip in production, receive adverse publicity and could be forced to invest valuable resources in defending such damages, both in terms of time and money. Furthermore, we cannot assure that issues arising from any accident at the manufacturing unit, such as compensation and liability, will be amicably settled without leaving any adverse impact on production or damage to our facilities, in the form of litigation or regulatory action being taken against us.

**33. *Some of our Group Entities have incurred losses during the last three financial years.***

Some of our Group Entities have incurred losses in the past. The details of losses incurred by our Group Entities, in the last three years, are set out below:

Name of Entities	Profit / (Loss) for the year ended March 31,		
	2010	2009	2008
Sourcegenie Consulting Private Limited*	-	(13.98)	(17.01)
Gargi Biotek Private Limited**	(126.36)	(42.64)	(46.60)

(Rs in Lakhs)

M/s. Orgreen***	(96.28)	(36.19)	-
Sourcegenie Insurance Broking Private Limited****	(9.30)	(7.38)	-

*Note: the above figures have been derived from the audited financial statements of each of our Group Entities*

*\* Sourcegenie Consulting Private Limited suffered losses in Fiscal 2008 and 2009 due to economic slowdown.*

*\*\* Gargi Biotek Private Limited suffered losses due to economic slowdown and reduction in sales.*

*\*\*\* M/s. Orgreen was formed in the year 2008 vide partnership deed dated July 03, 2008. M/s. Orgreen has suffered these losses due to fierce competition from its competitors.*

*\*\*\*\* Sourcegenie Insurance Broking Private Limited was incorporated in the year 2008 vide certificate of incorporation dated November 05, 2008. Sourcegenie Insurance Broking Private Limited has suffered these losses due to high operating expenses compared to its sales.*

For details please refer to “Our Group Entities” beginning on page number 205 of the Red Herring Prospectus.

#### **34. Some of our Subsidiaries have incurred losses during the last three financial years.**

Some of our Subsidiaries have incurred losses in the past. The details of losses incurred by our Subsidiaries, in the last three years, are set out below:

Name of Entities	Profit/ (Loss) for the year ended March 31,		
	2010	2009	2008
Seven Star Electrodes Private Limited*	(14.03)	(4.40)	349.82
Arihant Steel and Metal Wires Private Limited (ASMWPL)**	33.60	(1.20)	4.82
Arihant Auto Components Private Limited (AACPL) ***	75.84	(385.56)	3.04
Arihant Steel Products and Services Private Limited (ASPSPL)****	(0.01)	0.00	(0.28)

*Note: the above figures have been derived from the audited financial statements of each of our Subsidiaries*

*\* Seven Star Electrodes Private Limited incurred losses due to unfavourable macroeconomic conditions and slowdown in demand for its products*

*\*\* ASMWPL incurred losses during the financial year 2008-09 due to slowdown in demand for its products. It has, however, reversed the losses and it is now a profitable company.*

*\*\*\* AACPL briefly incurred losses during the financial year 2008-09 because of the prevailing macroeconomic conditions and slowdown in the auto sector*

*\*\*\*\* ASPSPL incurred minute losses during the financial years 2009-10 and 2007-08 since it has not started its business operations and ASPSPL has not earned any income, so far. The losses occurred on account of sundry expenditures. As on the date of this Red Herring Prospectus, ASPSPL has been struck-off from the register of the Registrar of Companies, Pune.*

#### **35. We do not have certain corporate records from the period prior to the acquisition of our Company by our current Promoters as such we are not in a position to determine/quantify any amount of liability that may arise out of any events prior to the acquisition.**

We do not have certain corporate records such as share transfer forms, transfer deeds, sales tax records, documents related to excise duties paid, income tax records and copies of income tax returns pertaining to the pre-acquisition period i.e. from the year 1991 to 2002. Also, for the pre-acquisition period, our Company has not maintained the Register of Contracts in which the Directors are interested, as required under Section 301 of the Companies Act. Our Company does not have copies of certain Share Transfer Forms numbered T1 to T24 and it also does not have copies of Income Tax Returns for the period between 1991 and 2002. Due to the absence of the aforementioned records, our management has not been in a position to assess whether our Company has complied with its statutory obligations during the period between 1991 and 2002. However, our Company has not received notices from any of the regulatory authorities for non-compliance of its statutory obligations.

Subsequent to the acquisition of our Company by the current Promoters, utmost importance has been paid towards the upkeep and the maintenance of the corporate records and along with compliance with the statutory rules, acts and regulations. Our Company and its Subsidiaries are not in a position to determine/quantify any amount of liability that may arise out of any events prior to the acquisition. If any of these contingent liabilities materialize, they could affect our reputation, operations, business and financial conditions adversely. However, no litigation or liabilities are pending against our Company due to the non-availability of the corporate records as on the date of this Red Herring Prospectus.

**36. *Our Company's contingent liabilities could adversely affect our financial condition.***

As at December 31, 2010 our Company had an aggregate amount of Rs. 3,673.59 lakhs as contingent liabilities outstanding as per the consolidated and standalone financial statements. If any of these contingent liabilities were to materialize, it may have an adverse impact on our financial condition.

(Rs. in lakhs)

<b>Particulars</b>	<b>As at December 31, 2010</b>
In respect of guarantees given to banks/financial institutions on behalf of Subsidiary Companies (Outstanding amount)	3,015.0
Claims against the Company not acknowledged as debt	458.91
Export obligations against EPCG	199.68
<b>TOTAL</b>	<b>3,673.59</b>

**37. *Our failure to accurately forecast and manage inventory could result in an unexpected shortfall and/or surplus of products, which could harm our business.***

We monitor our inventory levels based on our internal projections of future demand. Because of the total lead time required to produce commercial quantities of our products, we must make production decisions well in advance of sales. An inaccurate forecast of demand for any product can result in the unavailability/surplus of products and may depress sales volumes. Conversely, an inaccurate forecast can also result in an over-supply of products, which may increase costs, negatively impact cash flow, reduce the quality of inventory, erode margins substantially and ultimately create write-offs of inventory. Any of the aforesaid circumstances could have a material adverse effect on our business, results of operations and financial condition. The conditions for storing / warehousing the same have to be controlled and constantly monitored, in order to maintain quality of our product. Any deficiency in the same would adversely affect our profitability and results of operations.

**38. *If we are unable to implement or manage our growth strategies in a timely manner, our business and results of operations could be adversely affected.***

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have generally been successful in execution of our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget in the future. If we are unable to implement our business and growth strategy, this may have an adverse effect on our business, financial condition and financial position.

**39. *We are subject to risks associated with product warranty, which could adversely affect our business, results of operations and financial condition.***

For FY 2010, out of sales of MV Parts segment amounting to Rs. 10,817.51 lakhs, our Company received claims for warranty amounting to Rs. 4.22 lakhs. Defects, if any, in some of our products could require us to undertake service actions. These actions could require us to expend considerable resources in correcting these problems and could adversely affect the demand for our products. Our Company may also suffer claims for penalties under the conditions of certain contracts. Further, if a vendor fails to meet quality standards, it could expose us to warranty claims. In defending these claims, we could incur substantial costs and receive adverse publicity. As a result, our business, results of operations and financial condition could suffer.



**40. *Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business.***

Our insurance policies provide for coverage against risk including loss of money, burglary general fire, damage and flood coverage. There can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer any loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow could be adversely affected. Moreover, we do not maintain a key man insurance policy for any of our executive directors and our key managerial personnel. For details of our insurance cover, please refer to the section titled “*Our Business*” beginning on page number 128 of this Red Herring Prospectus.

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks, specifically risks like product defect/liability risk and loss of profits, and are subject to exclusions and deductibles. There can be no assurance that our insurance policies will be adequate to cover the losses in respect of which the insurance had been availed. If we suffer a significant uninsured loss or if insurance claim in respect of the subject-matter of insurance is not accepted or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. For details on the insurance policies taken by our Company, please refer to the chapter titled “*Our Business*” beginning on page number 128 of this Red Herring Prospectus.

**41. *Our Company may engage in future acquisitions, investments, strategic partnerships or other ventures that may harm its performance or change its business strategy.***

Our Company’s growth strategy may involve acquiring or making investments in similar or related businesses, subsidiaries, technologies, or products, or entering into strategic partnerships with parties who can provide access to new markets and new products however, the same may pose management and integration challenges. These acquisitions may not necessarily contribute to our profitability, may require us to assume high level of debt or liabilities. Further we may experience difficulties in integrating the operations and cultures which may lead to lower synergies and efficiencies. In the past, our Company has relied on expanding some of its service offerings and gaining new clients through strategic acquisitions.

It is possible that in the future our Company may not succeed in acquiring suitable entities on reasonable terms or have difficulty in accessing the capital required to finance potential acquisitions or be able to consummate any acquisition. In such a case, our Company’s future growth prospects, especially through the inorganic route, may be adversely impacted.

**42. *Our Company has in the last 12 months, issued Equity Shares at a price that could be lower than the Issue Price.***

Our Company has allotted and issued Equity Shares at a price which may be lower than the Issue Price. The details of such allotments are set forth below:

<b>Date of Allotment</b>	<b>No. of Equity Shares</b>	<b>Face Value</b>	<b>Issue Price (in Rs.)</b>	<b>Reasons</b>	<b>Allottees</b>
July 30, 2010	3,79,280	10	NIL	Bonus Issue	Bonus Issue of Equity Shares to Kavos Capital Limited only
August 16, 2010	7,10,492	10	492.62	Preferential Allotment	Issue of Equity Shares to Kavos Capital Limited
September 18, 2010	3,04,49,360	10	NIL	Bonus Issue	Bonus Issue to all existing Equity Shareholders of the Company
September 28, 2010	19,23,117	10	10	Preferential Allotment	Innoventive Group Employees Welfare Trust
February 8, 2011	26,00,000	10	117	Pre-IPO Placement	Standard Chartered Private Equity (Mauritius) II Limited

If the Issue Price is higher than any prior issue prices, in particular the above recent issue prices, purchasers of our Equity Shares will experience an immediate dilution in net tangible book value per share from the initial public offering price per Equity Share.

**43. *Our Company is promoted by first generation entrepreneurs and investors in the Equity Shares will be subject to all consequential risk associated with such ventures.***

Our Promoters, who are professionally qualified and have been managing our Company since 2002, are first generation entrepreneurs. Further, while our Promoters and the members of our senior management team have professional experience and domain knowledge in precision tube industry, our experience in international markets and in development and production of certain niche products in particular, is relatively limited at present. As a result, we may not be able to efficiently manage or sustain our growth, as our operations expand. Further, if our Promoters were to be unable or unwilling for any reason to continue their association with our Company, we may find it difficult to replace them and our future performance would be materially and adversely affected.

**44. *Our success largely depends on our Key Managerial Personnel and our ability to attract and retain them. Any loss of our Key Managerial Personnel could adversely affect our business, operations and financial condition.***

We depend significantly on the expertise, experience and continued efforts of our Key Managerial Personnel, which comprise of permanent employees as well as consultants. If one or more members of our Key Managerial Personnel are unable or unwilling to continue in his/her present position, it could be difficult to find a replacement. Our business could thereby be adversely affected. Opportunities for Key Managerial Personnel in our industry are intense and it is possible that we may not be able to retain our existing Key Managerial Personnel or may fail to attract/ retain new employees at equivalent positions in the future. As such, any loss of Key Managerial Personnel could adversely affect our business, operations and financial condition. For further details on the Key Managerial Personnel of our Company please refer to the chapter titled 'Our Management' beginning on page number 178 of this Red Herring Prospectus.

**45. *We have limited experience in dealing with the business, regulatory, political, operational, financial and economic risks associated with global expansion, which could increase our costs and hinder our growth.***

An important element of our business strategy is the expansion of our businesses globally by targeting international markets in which we do not currently sell our products. However, we have limited experience dealing with the risks associated with global expansion, and thus we face considerable challenges in executing our strategy. These risks include:

- development of-appropriate products for non-Indian markets;
- difficulties in obtaining market acceptance of our products in overseas markets;
- our lack of local presence and familiarity with business practices and conventions in certain markets;
- difficulties and additional time and expenses in customizing and localizing our products and/or process for new markets, including addressing differences in applicable industry standards and meeting Vendor Qualification criterias;
- shortages of personnel who can combine the relevant local knowledge with the necessary skill set, experience and familiarity with our products;
- legal uncertainties or unanticipated changes in regulatory requirements;
- uncertainties of laws and enforcement relating to the protection of intellectual property;
- burdens or cost of complying with a wide variety of foreign laws and regulations, including unexpected changes in regulatory requirements; and

- difference in quality and regulatory standards or requirements that may require additional time and resources to ensure compatibility between our products and our customers preferences.

Our efforts to expand globally may also be adversely affected by foreign exchange controls that could prevent us from repatriating income earned in countries outside India, longer payment cycles and difficulty in collecting accounts receivable in developing countries. Any of the foregoing risks could prevent us from further expanding internationally on a timely basis or at all and may adversely affect our business, operating results and financial condition.

**46. *Our Promoters will directly or indirectly retain majority control of our Company after the Issue, which will enable them to control the outcome of matters submitted to the shareholders for approval.***

Currently, our Promoters cumulatively hold 44.72 % (Mr. Chandu Chavan owns 31.59%, Mr. Sanjay Waghulade owns 8.02% and Mr Ravindra Katre owns 5.11%) of the total paid up capital. After the Issue is completed, our Promoters will collectively control, directly or indirectly, a majority of our Company's outstanding Equity Share capital. As a result, our Promoters will have the ability to exercise significant control over our Company and all matters requiring the approval of shareholders, including election of directors, our business strategy and policies and approval of significant corporate transactions such as mergers and business combinations. The interests of our Promoters may conflict with the interest of the other investors, and investors may not agree with the way in which the Promoters exercise their voting rights and powers. This could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, take-over or other business combination involving our Company, discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company.

**47. *As on December 31, 2010, our Company and our Subsidiary, Sankalp Forgings Private Limited have certain export obligations. Our company and subsidiary may not be able to meet these export obligations leading to levy of import duty and penalty on our Subsidiary which may adversely affect our Company's financial results.***

Our Company and our Subsidiary, Sankalp Forgings Private Limited have assumed export obligations against licenses issued under the Export Promotion Capital Goods scheme. As on December 31, 2010, our Company and our Subsidiary's outstanding export obligations are as under:

***Our Company***

(Rs. in lakhs)

Certificate No	Date of Issue	Export Obligation	Duty Saved
3130005361/3/12/00	December 16, 2010	6.78	2.26
3130004846/3/12/00	June 2, 2010	41.36	13.79
3130004848/3/12/00	June 3, 2010	166.09	27.68

***Sankalp Forgings Private Limited***

(Rs. lakhs)

Certificate No	Date of Issue	Export Obligation	Duty Saved
3130003180/3/11/00	June 5, 2008	344.88	43.11
3130002944/3/11/00	February 5, 2008	169.35	28.22
3130004216/3/12/00	October 5, 2009	90.79	15.13

For further details of the total outstanding export obligations of our Company under the head EPCG Licenses, please refer to the chapter titled "Government and Other Approvals", beginning on page number 359 of this Red Herring Prospectus. We cannot ensure that we will be able to meet these obligations and the consequence of not meeting the above commitment would be a retrospective levy of import duty with penalty on items previously imported at concessional duty by our subsidiary which may have an adversely affect also on our Company's financial results.

**48. *Our customers may have weak credit ratings and we may be unable to receive payment in a timely manner or at all.***

Some of our customers may have weak credit rating. Due to the nature of our business, we cannot choose our customers based on criteria such as credit rating etc. We may not be able to receive payments in a timely manner or at all, for the goods sold. Any non receipt of sales proceeds from our customers may adversely affect our business, operating results and financial conditions.

**49. *Compliance with, and changes in safety, health and environmental laws and regulations may adversely affect our business, prospects, financial conditions and results of operations.***

Our Company is subject to safety and health laws and regulations such as the Environment (Protection) Act, 1986, the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981, Hazardous Wastes (Management & Handling) Rules, 1989, the Indian Explosives Act and the Indian Boilers Act, 1923. These laws and regulations impose controls on our Company's safety standards, and other aspects of its operations. Our Company has incurred and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, our Company has made and expects to continue to make capital expenditures on an on-going basis to comply with the safety and health laws and regulations. Our Company may be liable to the Government of India or the State Governments or Union Territories with respect to its failures to comply with applicable laws and regulations. Further, the adoption of new safety and health laws and regulations, new interpretations of existing laws, increased governmental enforcement of laws or other developments in the future may require that the Company make additional capital expenditures or incur additional operating expenses in order to maintain its current operations or take other actions that could have a material adverse effect on its financial condition, results of operations and cash flow. Safety, health and environmental laws and regulations in India, in particular, have been increasing in stringency and it is possible that they will become significantly more stringent in the future. The costs of complying with these requirements could be significant and may have an adverse impact on our business and results of operation.

**50. *We may be subject to third party claims of intellectual property infringement which can affect our reputation, business and financial conditions adversely.***

Although there are currently no material pending or threatened intellectual property claims against us, infringement claims may be asserted against us in the future. Our contracts generally contain broad indemnity clauses and under most of these contracts, we are required to provide a specific indemnity relating to third party intellectual property rights infringement. If we were to become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damages and be forced to develop non infringing technology, obtain a license or cease licensing technology that contain the infringing technology. We may be unable to develop non infringing technology or obtain a license on commercially favourable or reasonable terms or at all. We may also be required to change our methodologies so as not to use the infringed intellectual property, which may not be technically or commercially feasible and may cause us to expend significant resources. Any claims or litigation in this area, whether we ultimately win or lose, could be time consuming and costly and / or adversely affect our reputation.

**51. *Applications for registration of our logos/tradenames "Innoventive Industries Limited" and "Arihant" are pending before the Trade Marks Registry, Mumbai. If any of our applications for registration are not accepted or if any order against us is passed in the oppositions filed, we may not be able to avail of the statutory protection available to us under the Trade Marks Act, 1999 for such trademarks.***

We have filed applications for registering the name and logo of our Company, 'Innoventive' and our erstwhile name 'Arihant' under class 6 of the Trade Marks Act, 1999. These applications are pending with the Trade Marks Registry, Mumbai. There can be no assurance that our trade mark applications will be accepted and the trade marks will be registered. Further, our applications for the registration of the trade marks may be opposed by third parties and we may have to incur significant cost and spend time in litigations in relation to these oppositions. In the event we are not able to obtain the trade marks registration for the name and / or logo of our Company, we may not be able to avail the legal protection

and legal remedies (in case of infringement) available as a proprietor of registered trademarks. For further details regarding the same, please refer chapter titled 'Our Business' beginning on page number 128 of this Red Herring Prospectus.

**52. *Our business and profitability is significantly dependent on the performance of the commodity market generally in India Increased costs of raw materials and interruption in their availability may affect our operating costs.***

Our business of manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products is significantly affected by the availability, supply, cost and quality of raw materials, which exposes us to market demand and supply fluctuations. The prices and supply of these and other raw materials depend on factors beyond our control, which include economic conditions, competition, consumer demand, production levels, transportation costs and import duties and any fluctuation in the commodity prices may adversely affect our business.

**53. *We have not paid dividends in the past and may not pay dividends in the future.***

Our Company has not declared any dividend on equity shares in the previous years and the amount of its future dividend payments, if any, will depend upon the Company's future earnings, financial conditions, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividend in the foreseeable future. Additionally, the Company is restricted by the terms of its debt financing from making dividend payments in the event the Company makes a default in any of the repayment instalments.

Any future dividend declaration and distribution by us will be at the discretion of our Board of Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and applicable laws and regulations in India, including, in the case of final dividends, the approval of shareholders.

**54. *Currency rate fluctuations could have an adverse effect on our financial results.***

We import various equipment for our facilities and we intend to import about 40.15% of plants and machinery required for the objects of the Issue (as a % of orders yet to be placed), for which we shall make payments in foreign currency. Accordingly, depreciation of the INR against the U.S. dollar, Euro, Chinese Remnibi and other currencies may adversely affect our financial position and results of operations by increasing the Rupee cost of servicing.

Our Company is exposed to foreign exchange risks by virtue of being an exporter of products whereby an appreciation of the INR against the U.S. Dollar, Euro or other currencies could adversely impact receivables.

While our Company may enter into forward contracts or other derivative instruments in order to appropriately mitigate risks on account of currency fluctuation, there can be no assurance that the risks arising out of fluctuations of the INR against the other currencies can be fully mitigated.

**55. *We are subject to exchange rate related risk and risks on account of inflation in the price of machinery and other equipments that we require for the capacity expansion at our manufacturing facility.***

Our Company is subject to risks on account of inflation in the price of machinery and other equipments that we require for the capacity expansion at our manufacturing facility. Negotiations in respect of technical specifications with some vendors have been commenced and orders will be placed as the negotiations are completed. These factors may increase the overall cost of our capacity expansion plan, and we may have to raise additional funds by way of additional debt or equity placement to complete our expansion plans, which may have an adverse effect on our business and results of operations.

**56. *Any failure in the SAP based ERP system could adversely impact the business of our Company.***

Any disruption in the functioning of our existing ERP system, which is based on SAP, could disrupt our ability to track, record and analyze the work in progress, cause loss of data and disruption in operations including, among others an ability to assess the progress of the expansion plans, process financial information or manage creditors/debtors or engage in normal business activities. This may have an adverse effect on our operations.

**EXTERNAL RISK FACTORS**

***Risks Related to India***

**57. *Our business and activities will be regulated by the Competition Act, 2002 as and when it is notified. It is unclear as to how the said Competition Act and Competition Commission of India will affect industries in India.***

The Parliament has enacted the Competition Act, 2002 for the purpose of preventing practices having an adverse effect on competition under the auspices of the Competition Commission of India, which has not yet come into force. Under the said Competition Act, any arrangement, understanding or action whether or not formal or informal which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement inter alia which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the said Competition Act and Competition Commission of India will affect industries in India.

**58. *Economic developments and volatility in securities markets in the global market, including financial instability in Indian financial markets, may cause the price of our Equity Shares to decline and adversely affect our results of operations and financial condition.***

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn globally has adversely affected market prices in the world's securities markets, including the Indian securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on sovereign debt, in other emerging market countries may affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Indian financial markets have experienced the contagion effect of the global financial turmoil, evident from substantial fluctuations in the prices of listed securities and a sharp decline in the SENSEX, BSE's benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a decline in the price of our Equity Shares, which may not necessarily be directly or indirectly related to our financial performance.

The global financial crisis and economic downturn that occurred in 2008 or similar financial crisis in the future, especially in the US, Europe or China, and an increase in interest rates or other fiscal or monetary policies implemented by the Government to control the rate of economic recovery and curb inflation, may materially and adversely impact our business, financial condition, results of operations and prospects in a number of ways, such as, decrease in demand for our exports, delay or deference or cancellation of purchases from us by distributors, non-availability of financing and other sources of liquidity on reasonable terms, reduction of discretionary spending by consumers on formulations, and fall in price of our Equity Shares.

**59. *Political, Economic and Social developments in India and acts of violence or war could adversely affect our business.***

The Indian government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the Indian government's policies, including taxation. Social, political,

economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect our business.

Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Indian government's policies in the future could affect business and economic conditions in India in general and could also affect our business and industry in particular. In addition, any political instability in India or geopolitical stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, and adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

**60. *A slowdown in economic growth in India and other unfavourable changes in political and economic factors may adversely affect our business and results of operations.***

All our business facilities are located in India. Our Company, the market price and liquidity of our Equity Shares, may be adversely affected by fluctuations in foreign exchange rates and controls, interest rates, changes in Government policy, taxation, social and civil unrest and other negative political developments like any abrupt change in the Central or any State Government wherever we have business interests, etc., economic developments like very high rate of inflation, slow down in growth, decrease in foreign investments, etc. or other developments in or affecting India. Particularly slow down in economic growth may make the Governments spend relatively less on agriculture and agricultural growth is also linked to overall economic growth, which may ultimately be unfavourable to the Company's business. During the past decade, the Government has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of Government and State Governments in the Indian economy in relation to producers, consumers and regulators has remained significant. It cannot be assured that the liberalization policies will continue in future. For example, because of the change in Central Government certain liberalization policies like disinvestment in public sector enterprises, capital account convertibility etc. have been put on hold. The Government may also pursue other policies which could have a material adverse effect on our business. The rate of economic liberalization could change, and specific laws and policies affecting our business, suppliers, foreign investment, currency exchange rates and other matters affecting our business are also subject to change. A significant change in the Government's or Indian State Governments' economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business and financial condition and prospects in particular.

**61. *The extent and reliability of Indian infrastructure could adversely affect our results of operations and financial condition.***

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption in its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have an adverse effect on our results of operations and financial condition.

**62. *Our ability to raise foreign capital may be constrained by Indian law. The limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.***

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies, which could constrain our ability to obtain financings on competitive terms and refinance

existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. The limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

**63. *Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.***

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of an RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI will approve the price at which the Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

**64. *Any downgrading of India's debt rating by an international rating agency could have an unfavorable impact on our business.***

Any adverse revisions to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of our Equity Shares.

***Risks Relating to this Issue and Investment in our Equity Shares***

**65. *There are restrictions on daily movements in the price of equity shares of a listed company in India, which may adversely affect a shareholder's ability to sell, or the price at which any shareholder can sell equity shares at a particular point in time.***

On listing of our Equity Shares, we would be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The maximum movement allowed in the price of the Equity Shares before the circuit breaker is triggered is determined by the Stock Exchange based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchange does not inform the listed company of the triggering point of the circuit breaker in effect from time to time, and may change it without the knowledge of the listed company. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

**66. *There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our Equity Shares.***

In accordance with Indian law and practice, permission for the listing of the Equity Shares cannot be granted by the Stock Exchanges until after the Equity Shares have been issued and allotted and all other relevant documents authorizing the Issue have been submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and



other participants differ, in some cases significantly, from those in Europe and the U.S. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares.

- 67. *You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue until our Company receives the appropriate trading approvals.***

Our Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by NSE and the BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within 12 Working Days of the Bid/ Issue Closing Date. We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the requisite approvals would restrict your ability to dispose of your Equity Shares.

- 68. *There is no existing market for the Equity Shares and the price of the Equity Shares may be volatile and fluctuate significantly in response to various factors.***

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, the performance of the Indian and global economy, significant developments in India's fiscal regime and other factors. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

- 69. *Future sales of Equity Shares by our Promoter and other significant shareholders may adversely affect the market price of our Equity Shares.***

After the completion of the Issue, our Promoter will own, directly and indirectly, a majority of our Equity Shares. Subject to lock-in restrictions of one year applicable to the entire pre-Issue shareholding of our Promoter and three years applicable to 20% of the post-Issue capital held by the Promoter, our Promoter may sell the Equity Shares held by them at anytime. Further, subject to a lock-in restriction of one year applicable to the entire pre-Issue shareholdings of all shareholders, other shareholders may sell the Equity Shares held by them at any time. Sales of a large number of our Equity Shares by our Promoter or other shareholders, could adversely affect the market price of our Equity Shares. Similarly, the perception that any such primary or secondary sale may occur could adversely affect the market price of our Equity Shares.

- 70. *Future issuances of Equity Shares would dilute your proportionate interest in our Company.***

Any future issuances of Equity Shares by us, including in a primary offering or pursuant to a preferential allotment or issuances of stock options under any employee stock option plans, or any perception by investors that such issuances or sales might occur may lead to the dilution of investor shareholding in our Company or affect the trading price of the Equity Shares and could affect our ability to raise capital through an offering of our securities.

- 71. *We have not paid dividends in the past and may not pay dividends in the future.***

Our Company has never paid dividends to its equity shareholders in the past. Whether our Company

pays dividends in the future and the amount of any such dividends, if declared, will depend upon a number of factors, including our results of operations and financial condition and other factors considered relevant by our Board of Directors and shareholders. There is no assurance that our Company will declare and pay, or have the ability to declare and pay, any dividends on Equity Shares at any point in the future.

**72. *The requirements of being a listed company may strain our resources.***

We have no experience as a listed company and have not been subjected to the increased scrutiny of our affairs by shareholders, regulators and the public at large that is associated with being a listed company. As a listed company, we will incur significant legal, accounting, corporate governance and other expenses that we did not incur as an unlisted company. We will be subject to the listing agreements with the Stock Exchanges which requires us to file audited annual and unaudited quarterly reports with respect to our business and financial condition. If we experience any delays, we may fail to satisfy our reporting obligations and/or we may not be able to readily determine and accordingly report any changes in our results of operations as timely as other listed companies.

As a listed company, we will need to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, including keeping adequate records of daily transactions to support the existence of effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business, prospects, financial condition and results of operations. In addition, we may need to hire additional legal and accounting staff with appropriate listed company experience and technical accounting knowledge and we cannot assure you that we will be able to do so in a timely manner.

***Prominent Notes***

1. Our Company, its Promoters, Directors, Promoter Group or persons in control of our Company have not been prohibited or debarred from accessing the capital market by the SEBI. Also, none of our Promoters, directors or persons in control of our Company was or is a promoter, director or person in control of any other company that is debarred from accessing the capital market under any order or directions made by SEBI. Further Our Company, our Promoters, their relatives, Directors, Promoter Group or persons in control of our Company are not declared as wilful defaulters by RBI / Government Authorities and there are no violations of securities laws committed in the past or pending against them.
2. This is a Public Issue of [●] Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] per Equity Share including a share premium of Rs. [●] per Equity Share for cash aggregating Rs. 21,958/- lakhs. The issue will constitute [●] % of the post issue paid up capital of the Company.
3. The net worth of our Company, before the Issue, as per our consolidated restated financial statements, for the nine month period ending December 31, 2010 was 14,873.63 lakhs, it was Rs. 7,712.51 lakhs as at March 31, 2010 and it was Rs. 4,278.44 lakhs as at March 31, 2009 and the book value per Equity Share, as per our consolidated restated financial statements, for the nine month period ending December 31, 2010 was Rs. 38.67, as at March 31, 2010 and March 31, 2009 was Rs. 141.00 and Rs. 85.57 per share respectively. For more information, please see the section "*Financial Information*" beginning on page 214 of this Red Herring Prospectus.
4. Any clarification or information relating to this Issue shall be made available by the BRLMs and our Company to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. Investors may contact the BRLMs i.e., Axis Bank Limited and Avendus Capital Private Limited; and/or Mr. Mahesh Bagla, Company Secretary and Compliance Officer and/or Karvy Computershare Private Limited, Registrar to this Issue for any complaints pertaining to this Issue at the Pre-Issue or Post-Issue stage.

5. The following table represents average cost of acquisition of Equity Shares by our Promoters as on date of the Red Herring Prospectus. For details please refer to the table titled '*Details of build up of shareholding of promoters*' on page number 82 under the chapter titled '*Capital Structure*' beginning on page number 78 of this Red Herring Prospectus.

Sr. No.	Name of the Promoters	Average cost of acquisition per equity share (in Rs.)
1.	Mr. Chandu Chavan	3.86
2.	Mr. Ravindra Katre	0.26
3.	Mr. Sanjay Waghulade	0.70

6. For interests of our Promoters, Directors and Key Managerial Personnel, please refer to the chapters titled '*Risk Factors*', '*Our Business*', '*Our Promoters and Their Background*' and '*Our Management*' on page numbers 17, 128, 199 and 178, respectively of this of this Red Herring Prospectus respectively.
7. Investors are advised to refer to the paragraph in the chapter titled "*Basis for Issue Price*" on page number 105 of this Red Herring Prospectus before making an investment in this Issue.
8. This Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to QIBs, out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
9. In the event of the Issue being oversubscribed, the allocation shall be on a competitive basis to Bidders in the QIBs, Retail Individual Bidders and Non-Institutional Bidders. For further details, please refer to paragraph titled "*method of proportionate basis of allotment in the issue*" on page number 435 in the chapter titled '*Issue Procedure*' beginning on page number 402 of this Red Herring Prospectus.
10. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
11. Under subscription, if any, in any category shall be allowed to be met with spill over from the other categories, at the sole discretion of our Company in consultation with the BRLMs. Allocation in all the categories shall be on a proportionate basis.
12. Except as disclosed in the chapter titled '*Capital Structure*' beginning on page number 78 of this Red Herring Prospectus, we have not issued any shares for consideration other than cash.
13. The Group companies are interested parties to the extent of the related party transactions disclosed in Annexure XVI on page number 247 and the chapter titled "*Financial Information*" beginning on page number 214 of this Red Herring Prospectus.
14. Investors should refer to the section "*Basis of Issue Price*" beginning on page number 105 of this Red Herring Prospectus.
15. There has been a change in the name of our Company during last three years. From 'Arihant Domestic Appliances Private Limited' to 'Arihant Domestic Appliances Limited' upon conversion from Private Limited to Public Limited Company pursuant to fresh certificate of incorporation dated January 9, 2009 issued by Registrar of Companies, Pune and further from 'Arihant Domestic Appliances Limited' to 'Innoventive Industries Limited' vide fresh certificate of incorporation dated March 24, 2010 issued by Registrar of Companies, Pune.
16. Except, as disclosed in the chapter titled "*Capital Structure*" on page number 78 of this Red Herring Prospectus, neither our Promoters nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

17. None of our Promoters, Directors and their relatives, Promoter Group or Group Entities, have entered into any financing arrangement or have financed the purchase of securities of our Company during the last six months prior to the date of filing of the Red Herring Prospectus.

## SECTION III – INTRODUCTION

### SUMMARY OF INDUSTRY

*The information in this section has been extracted from the websites of and publicly available information, data and statistics of various sources, including, but not limited to, government and industry websites and publications, including reports that have been prepared by Frost & Sullivan. The data may have been re-classified by us for the purpose of presentation. Our Company accepts responsibility for accurately reproducing such data, information and statistics. Neither we nor any other person connected with the Issue has verified the information provided in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based on such information.*

*Except for where otherwise stated, information in this Industry Overview has been derived from the Frost and Sullivan report - “Precision Tubes Market in India”, dated June 2010.*

#### Indian Economy

According to the estimates by the Ministry of Statistics and Programme Implementation, the Indian economy has registered a growth of 7.4 per cent in 2009-10, with 8.6 per cent year-on-year (y-o-y) growth in its fourth quarter. The growth is driven by robust performance of the manufacturing sector on the back of government and consumer spending. GDP growth rate of 7.4 per cent in 2009-10 has exceeded the government forecast of 7.2 per cent for the full year. According to government data, the manufacturing sector witnessed a growth of 16.3 per cent in January-March 2010, from a year earlier. (Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 17, 2010)

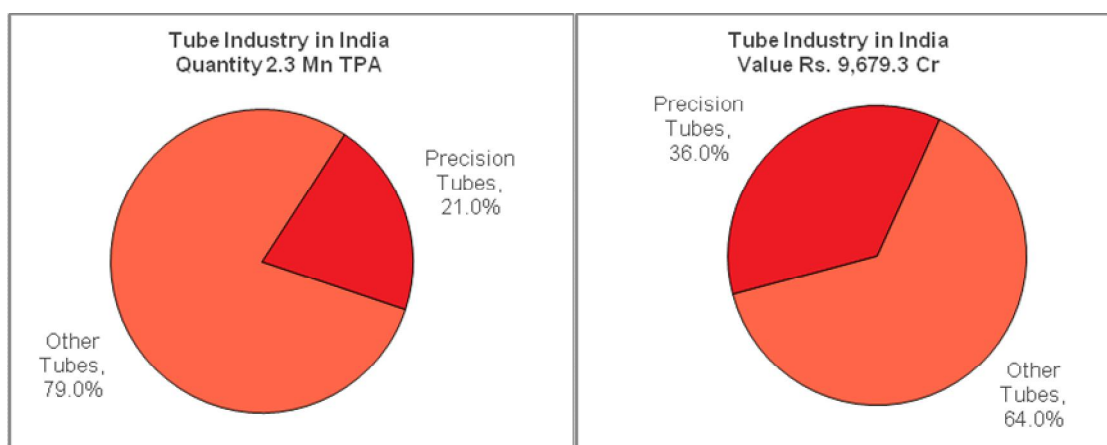
#### Pipes and Tubes

In common usage the words pipe and tube are usually interchangeable, but in industry and engineering discipline the terms are uniquely defined. Depending on the applicable standard to which it is manufactured, pipe is generally specified by a nominal diameter with a constant outside diameter (OD) and a schedule that defines the thickness. Tube is most often specified by the OD and wall thickness, but may be specified by any two of OD, inside diameter (ID), and wall thickness.

PIPE	TUBE
▪ Primarily used only for fluid transfer	▪ Can be also used as a structural component other than fluid transfer
▪ Pipes do not transfer heat	▪ Tubes transfer heat
▪ Pipe material is suitable only for limited bending	▪ Tube material is amenable for close bending
▪ Sizes up to 1000 mm OD	▪ Sizes generally up to 125 mm OD
▪ Large tolerance on thickness/OD	▪ Smaller tolerances on thickness/OD
▪ Lower engineering and surface finish	▪ Better engineering and surface finish

Source: “Precision Tubes Market in India”, June 2010, Frost & Sullivan

The total market for tubes in India amounted to 2.3 million tonnes in FY 2009-10, of which precision tubes accounted for 21.0% of the total volume. In terms of value the overall tubes market stood at Rs. 9,679.3 Cr. of which the precision tubes account for 36.0% market share by value.



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

### Precision Tubes

Precision tubes are tubes with close tolerances i.e. clearly defined inner and outer diameter and superior physical/mechanical properties. Precision tubes are usually used as a part of equipment like boilers, heat exchangers, valves, automobiles, exhaust piping, pumps and other equipment categories. Precision tubes can be categorized based on manufacturing process, raw material used, size and end usage applications amongst others.

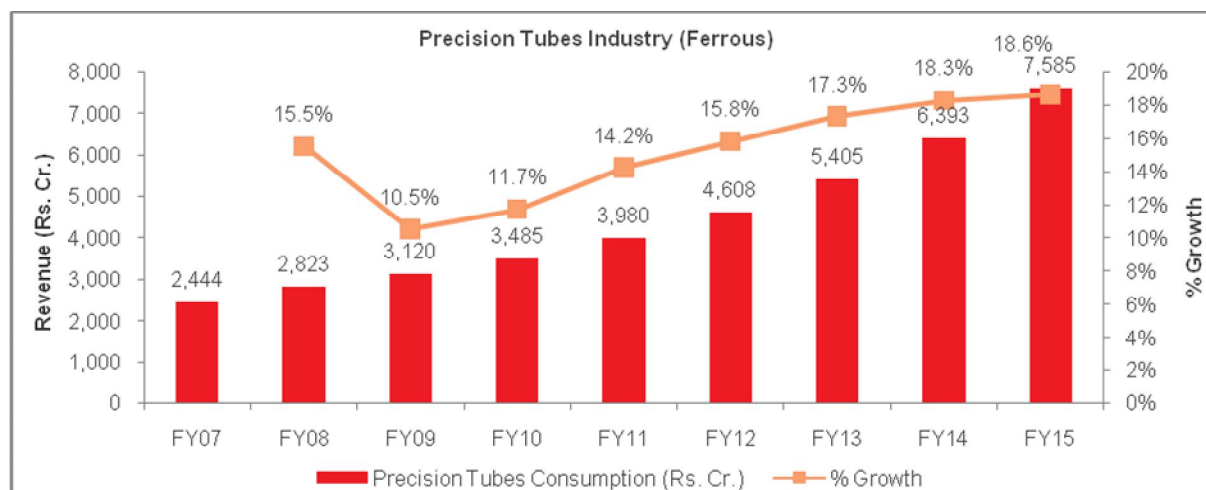
Precision tubes category –

1. Based on manufacturing process:
  - a. Welded tubes –
    - i. Electric Resistance Welded (ERW) tubes
    - ii. Draw Over Mandrel (DOM) or Cold Drawn Electric Welded (CEW) tubes
  - b. Seamless tubes
    - i. Hot Rolled seamless tube
    - ii. Cold Drawn seamless tube
2. Based on raw material used:
  - a. Ferrous tubes –
    - i. Carbon/mild steel
    - ii. Stainless steel
  - b. Non-ferrous tubes –
    - i. Aluminium
    - ii. Brass
    - iii. Copper
    - iv. Other non-ferrous metals/alloys

### Precision Tubes Industry in India

The precision tubes industry in India is dominated by mild/carbon steel and stainless steel grade tubes which accounted for 87.0% of the total domestic production in FY 2009-10. The domestic production of precision tubes industry in India was about 558,760 tonnes in FY 2009-10, of which domestic sales amounted to 4,33,857 tonnes and exports amounted to 124,903 tonnes. Exports are also dominated by mild/carbon and stainless steel grade precision tubes and these accounted for more than 80.0% of the total exports in FY10. The import of precision tubes during FY10 was about 47,500 tonnes. Thus the overall domestic consumption of precision tubes in India comprising of domestic sales and imports, amounted to 481,357 tonnes in FY 2009-10. The seamless grade precision tubes dominated the imports during this period whereas the import of mild/carbon steel grade ERW precision tubes was negligible.

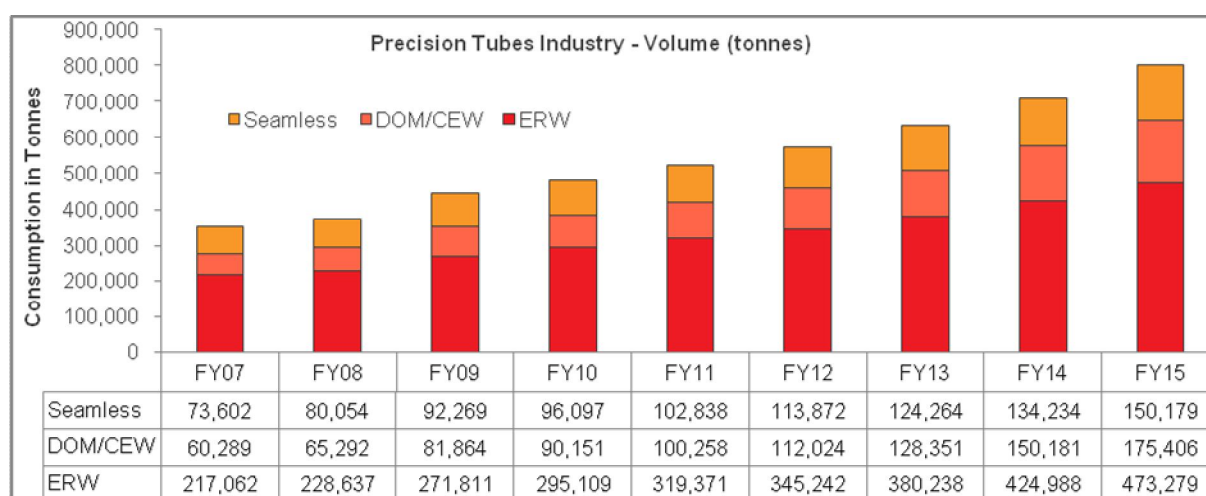
In terms of value, the domestic consumption (domestic sales and imports) of precision tubes amounted to Rs. 3,484.6 Cr. in FY 2009-10 and exports worth Rs. 575.2 Cr. were made during the same period. The mild/carbon and stainless steel grade precision tubes accounted for a revenue share of 75.0% of this market.



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

In terms of revenue, the precision tubes market in India is forecasted to grow at a CAGR of 16.8% from FY 2009-10 to FY 2014-15.

In terms of volumes, the domestic consumption of precision tubes amounted to 481,357 tonnes in FY 2009-10. From FY 2009-10 to FY 2014-15, the overall precision tube market is projected to grow at a CAGR of 10.7% in terms of volume. The ERW, CEW and Seamless tube segments are projected to grow at a CAGR of 9.9%, 14.2% and 9.3% respectively over the same period.



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

The application of precision tubes is usually as a part of equipments like automotive components, heat exchangers, valves and bearings, exhaust piping, pumps, instrumentation, heating elements, digesters and condensers among others.

The precision tubes can be sold through various sales channels like –

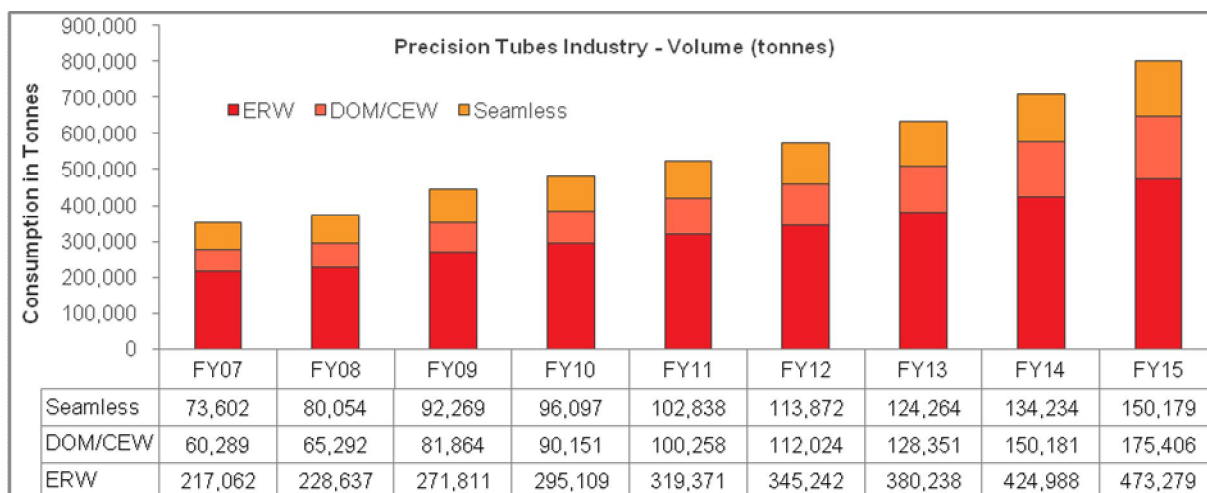
- *Projects*: These include precision tubes purchases for new projects. Precision tubes replacement related purchase also are part of this category
- *Original Equipment Manufacturers (OEMs)*: this includes sales to manufacturer of equipments like automobiles, heat exchangers, domestic appliances etc.
- *Distributors, dealers and stockists*: Standard sizes and certain inventory leftovers are sold through this channel.

## Growth Drivers

- Increasing Investments in Oil & Gas & Infrastructure sectors will drive the demand for precision tubes
- Buoyant growth expected in the passenger car / automotive segments is expected to fuel increased consumption
- Discovery of large reserves of natural gas in K G basin will fuel the growth of gas pipelines
- Government initiatives on power industry development to result in increased demand for precision tubes
- Continued investments in the railway up-gradation are expected to spur greater purchase of precision tubes.

## Market Restraints

- Dominant unstructured nature of the ERW precision tubes market, results in intense price rivalry
- Volatile raw material prices leads to varied supply-demand scenarios
- Uncertainty prevailing in the European, Japanese and Chinese economies is expected to impact the exports market
- Capacity/Technology constraints for domestic manufacturing of Power and Heat-Exchange equipment leads to import of equipments and hence confines Precision Tubes demand



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan



## SUMMARY OF BUSINESS

*In this section unless otherwise stated, any reference to “Innoventive”, “IIL”, “we”, “us”, “our” or “the company” refers to Innoventive Industries Limited along with its subsidiaries.*

### Company Overview

We are a multiproduct engineering company engaged in the manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products which find application in diverse industrial sectors such as transportation, oil & gas, power, farm equipments and general engineering. We have six manufacturing facilities located across Pune and Silvassa. We sell our products in the domestic as well as in export markets.

Our Promoters, first generation technocrats, acquired the company in 2002 under the leadership of Mr. Chandu Chavan.

We manufacture a wide range of precision steel tubes and other value added products mentioned as below:

- **ERW Precision Tubes:** We manufacture Electric Resistance Welded (ERW) precision steel tubes from mild and carbon steel alloys that conform to various industrial standards as desired by our customers from transportation, power and general engineering sectors.
- **CEW Tubes:** Cold drawn Electric Welded (CEW) tubes are value added products manufactured by cold drawing ERW tubes using draw benches and/or cold pilgering respectively. We also machine these tubes to manufacture tubular components. Our CEW tubes and components find applications in power, farm equipments, transportation and general engineering sectors.
- **Auto Components:** We manufacture a variety of machined components, press fabricated parts, welded components and assemblies catering to the transportation and farm equipments sector
- **Power Equipment Components:** We manufacture membrane strips and energy tubes that are used for boilers and heat exchangers.
- **Oil Country Tubular Goods (OCTG):** We manufacture, through our subsidiary, fully machined ready-to-assemble parts such as machined tubing, couplings, casing couplings, pup joints, cross-overs, open-die and closed-die forgings which are used in the oil & gas sector.
- **Other Steel Products:** We manufacture, through our subsidiaries, cold rolled (CR) sheets, metal wires, laminates and stampings. These products are used in transportation, consumer durables, energy and general engineering sectors.

For further details on our products, see paragraph “*Our Principal Products*” on page number 133 of the Red Herring Prospectus.

Our in-house R&D efforts have helped us develop processes, tools and technology to make our manufacturing process more efficient and broaden our product range. We have innovated the use of cold pilgering process to make CEW tubes directly from ERW tubes without the use of draw bench. This process results in energy, labour and process-related conversion cost saving and provides tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. We have made an application to obtain a patent for this process. We have developed an in-house capability to slit steel coils into narrow width strips which are used as membrane strips in boilers and heat exchangers. Currently these membrane strips are largely being imported in India owing to technical complexities. We have also developed hydraulic cylinder tubes, rubber to metal products and profiled tubes in house.

We market our products domestically and also exported to 10 countries across the globe. In USA, we sell our CEW tubes under the brand of ARIDOM™ through a long term arrangement with Salem Steel North America, LLC. We cater to over 475 customers worldwide.

Our major customers include Bajaj Auto Limited, Bharat Heavy Electricals Limited, Thermax Limited, John Deere India, Sundram Industries Limited, Gabriel India Limited and Alstom Projects Limited.

We source our primary raw material through our long term established relationship with Essar Steel Limited, Ispat Industries Limited and other major steel manufacturers.

Our subsidiaries provide further diversification and value addition to our business model. Our subsidiaries carry on the business activities as under –

<b>Key Subsidiaries</b>	
<p>Sankalp Forgings Private Limited (“Sankalp” or “SFPL”)</p> <p><i>IL stake – 51%</i></p>	<ul style="list-style-type: none"> <li>Engaged in manufacturing fully machined ready to assemble parts such as machined tubing, coupling, casing couplings, pup joints, cross overs etc, which are used in oil rigs/ oil wells</li> <li>Engaged in manufacturing open die and closed die forgings, castings used in precision engineering components, oil fields and automobile components</li> </ul>
<p>Saicon Steel Private Limited (“Saicon” or “SSPL”)</p> <p><i>IL stake – 51%</i></p>	<ul style="list-style-type: none"> <li>Engaged in converting Hot Rolled Steel Coils (“HR coils”) to Cold Rolled Steel Coils (“CR coils”) and selling the finished product to diverse industries for various applications</li> <li>Engaged in manufacturing and selling laminates and stampings, primarily to electrical industries</li> </ul>
<p>Arihant Steel and Metal Wires Private Limited (“ASMWPL”)</p> <p><i>IL stake – 100%</i></p>	<ul style="list-style-type: none"> <li>Engaged in manufacturing of steel wires using steel scrap generated in our various manufacturing plants</li> </ul>

Our consolidated revenue for the nine month period ending December 31, 2010 is Rs. 45,701.78 lakhs. Our consolidated revenue has increased from Rs. 37,109.88 lakhs in FY 2009 to Rs. 42,515.05 lakhs in FY 2010, and our profit after tax has increased from Rs. 1,413.71 lakhs to Rs. 3,434.07 lakhs during this period.

Our vision is to evolve globally as value creator for customers by specializing in Total Engineering Solutions and Supply Chain Management.

## STRENGTHS AND STRATEGIES

### Our Competitive Strengths

We believe the following are our primary competitive strengths:

#### *Diversified product portfolio for catering to high growth segments of the economy*

We manufacture a wide range of products comprising ERW and CEW precision steel tubes, tubular, auto, machined components and assemblies. Our products find variety of applications in the transportation, oil & gas, power, farm equipments and general engineering sectors. The following table provides break-up of our sales amongst various industries:

(Rs. in lakhs)

Particulars	For the Year ended							
	April-December 2010	%	FY 2010	%	FY 2009	%	FY 2008	%
Transportation	22,347.63	49.30	20,098.00	47.68	19,190.60	53.02	20,200.60	62.53

Oil & Gas	5,475.72	12.10	4,389.00	10.41	3,746.70	10.35	458.00	1.42
Power	5,187.20	11.40	5,265.60	12.49	3,964.90	10.95	3,650.20	11.30
Farm Equipments	1,224.10	2.70	1,239.70	2.94	488.20	1.35	-	-
General Engineering	11,082.23	24.50	11,155.21	26.47	8,805.61	24.33	7,997.19	24.75
<b>Total Sales</b>	<b>45,316.89</b>	<b>100</b>	<b>42,147.51</b>	<b>100.00</b>	<b>36,196.31</b>	<b>100.00</b>	<b>32,305.99</b>	<b>100.00</b>

The FY 2005 – FY 2010 CAGR of Index of Industrial Production (“IIP”) for Transport Equipment & Parts and Machinery & Equipment (Other than Transport Equipment) was 11.2% and 13.2% respectively as compared to 8.2% CAGR for overall IIP in the same period. (Source: CSO data as per Press Note dated June 11, 2010)

### ***Strong focus on R&D and Product Innovation***

Our continuous R&D efforts have helped us develop processes, tools and technology to make our manufacturing process more efficient and broaden our product range. We have innovated the use of cold pilgering process to make CEW tubes directly from ERW tubes without the use of draw bench. This process results in energy, labour and process-related conversion cost saving and provides tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. We have made an application to obtain a patent for this process. We have developed an in-house capability to slit steel coils into narrow width strips which are used as membrane panel strips in boilers and heat exchangers. Currently these membrane strips are largely being imported in India owing to technical complexities. We have also developed hydraulic cylinder tubes, rubber to metal products and profiled tubes in house. Further, we have 11 products under various stages of development and commercialization.

### ***Well positioned to tap the global CEW tube market***

In 2008 we managed to successfully implement cold pilgering technology for manufacturing CEW tubes directly from ERW tubes without the use of draw bench. This process results in energy, labour and process-related conversion cost saving and tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. As per the study was conducted by the Indian Institute of Technology, Mumbai, the process saves energy costs up to 80% and also has significant environmental advantages. The usage of chemicals is greatly minimized and the wastage of steel is reduced by 7% without comprising on the quality of the product. Our company has made necessary application for obtaining patent for this process.

With this cost saving on account of pilgering process, we have a significant advantage in pricing our products in the competitive global markets. Our CEW tubes have found acceptance by 93 customers worldwide and we are selling our CEW tubes under the brand name of ARIDOM™ in the USA.

### ***Eligible for benefits under the Package Scheme of Incentives 2007 granted to the “Mega Projects”***

Our new plant at Pimple Jagtap has been granted ‘the Mega Project’ status by the Government of Maharashtra under the "Package Scheme of Incentives 2007" which entitles our Company to the following benefits and translates into cash inflow and the overall business growth:

- 1) Electricity Duty exemption for the period of 7 years ending November 30, 2015;
- 2) 100% exemption from payment of Stamp Duty;
- 3) Industrial Promotion Subsidy (IPS) equivalent to 75% of the eligible investment in the plant made with effect from March 28, 2007.
  - The IPS will however be limited to 75% of the eligible investments less the amount of benefits availed as mentioned in serial number 1 and 2 for the period from December 1, 2008 till November 30, 2015; or
  - To the extent of taxes paid to the State Government within a period of 7 years, whichever is lower

As at November 30, 2010, an overall investment of Rs. 26,245.76 lakhs has been made by our Company; of which Rs. 9,453.69 lakhs has been sanctioned as eligible investment, on March 17, 2009; and the balance investment amounting to Rs. 16,792.07 lakhs is in the process of validation. Further, the Government of Maharashtra, Directorate of Industries has disbursed an amount of Rs 38.78 lakhs towards our first claim, for the period December 1, 2008 to March 31, 2009.

#### ***Long term relationships with multiple customers***

Customer satisfaction is the focus of our product development and process improvement. Our product development team gets involved with the customers at the product conceptualization stage to help customers achieve desired quality and cost parameters. Our ability to satisfy our customers' requirements helps us to expand business from our existing customers as well as attract new customers.

We have long established relationship with our customers like Bajaj Auto Limited, Salem Steel North America, LLC, Bharat Heavy Electrical Limited, Thermax Limited, Lindsay International, Alstom Projects Limited amongst others.

Our lower dependence on few customers increases our competitive position and thus reduces the volatility of our revenues and margins. The following table shows the revenue contribution in percentage terms from top customers on a consolidated basis:

	<b>Apr-Dec, 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>
Top Customer	20.10%	21.71%	22.03%	25.18%
Top 5 Customers	39.40%	36.61%	38.18%	39.47%
Top 10 Customers	49.80%	46.80%	43.76%	44.29%

#### ***Contribution to our total sales by some of our long term clients***

<b>Customer Name</b>	<b>Sales Amount in Rs Lacs</b>	<b>Share in Total Sales</b>
Bajaj Auto Limited	9,109.23	20.1%
Bharat Heavy Electrical Limited	792.98	1.7%
Lindsay International	1,044.31	2.3%
Salem Steel North Amercia LLC	1,764.81	3.9%
Thermax Limited	271.34	0.6%

#### ***Experienced technocrat promoters and professional management team***

Our Chairman Mr. Chandu Chavan and promoters and promoter group acquired our Company along with Mr. Sanjay Waghulade Mr. Ravindra Katre, Mr. Sanjay Bhade and Mr. Parag Mulye in 2002. Our Promoters are first generation entrepreneurs with experience in the precision steel tubes and auto components business.

Most of our senior management and core teams have been with us since the acquisition of our Company by our Promoters and have successfully executed our growth strategy. Our net revenue for the nine month period ending December 31, 2010, is Rs. 38,150.20 lakhs on a standalone basis. Our net revenue increased from Rs. 11,722.18 lakhs in FY 2005-06 to Rs. 39,222.27 lakhs in FY 2009-10 on standalone basis. As of March 7, 2011 our management team has 53.13% shareholding in our company.

Our management team shares the vision of our Promoters and has the requisite expertise to continue to expand our businesses. Our management team is in charge of execution, operation, marketing, quality management and delivery at each of our plants as independent business units.

#### ***Consistent Growth in Operations***

We have achieved consistent growth in our business, customer base, and market penetration over last few years. For the period of five years from FY 2006 to FY 2010, we have CAGR of 35.2% in total sales, 66.8%

in EBITDA and 28.9% in Net profit after Tax as restated on a standalone basis. Our customer base has increased from 447 in FY 2006 to over 700 in FY 2010.

## **KEY BUSINESS STRATEGIES**

### ***Focus on technology based innovative products and cost efficient processes***

We shall continue to focus on developing technology based innovative products which will result in significant cost saving for our customers with improved quality and performance. We see significant opportunities in certain applications where seamless tubes, bars and non-ferrous tubes and tubular components can be replaced with our CEW tubes and machined components. We are also expanding our product portfolio by designing new products such as hydraulic cylinders, bearing spacers and drag linkages amongst others, where our lower cost and comparable quality/performance provides a superior value proposition to our customers. We believe that these efforts and initiatives will help us expand our addressable market.

### ***Expand customer base and focus on high growth segments***

We continue to expand our customer base by acquiring new customers for our existing products. We have developed several products that are at various stages of approval with our existing customers and we will leverage this approved product portfolio to acquire new customers and develop new products.

We intend to expand into various geographies such as North America, Europe, Middle East and Latin America apart from the domestic market. We want to widen our OEM and distributors base in these geographies; leverage our direct relations with the OEMs to secure long term contracts, broaden our product offerings and develop new products through close collaboration. We intend to target segments such as railways, farm equipments, material handling, off-highway vehicles, marine and infrastructure.

We seek to become a preferred supplier to our key customers across industry sectors. Our endeavour is to continue to provide cost efficient, high quality and timely delivery of products to retain and attract customers.

### ***Expansion of our manufacturing capacity for CEW tubes and other value added products***

We see a significant potential in the market for CEW tubes and tubular products manufactured by us. We are currently investing in our manufacturing facility at Pimple Jagtap, Pune. The current CEW facility expansion is expected to get fully operational by FY 2011 which will increase our CEW manufacturing capacity from 23,265 MT to 28,785 MT and through IPO proceeds, we will further expand the capacity to 76,701 MT by 2012. This facility will be utilized for manufacturing CEW tubes, tubular components and assemblies. Further we intend to reduce the concentration of ERW tubes by focussing on selling more CEW tubes and other value added products like strips and machined components, which provide higher realization and profitability.

### ***Pursue selective strategic acquisitions and investments***

Our Company has steadily grown its business through a combination of organic and inorganic growth strategies. We have been acquiring businesses which offer opportunity to grow and expand our capabilities and range of products that can be manufactured from the existing product range. Our acquisition of Sankalp resulted in our entry into high end products like couplings required in the oil & gas industry primarily meant for the export markets with a strong customer base in the international market. We continually seek new growth and acquisition opportunities in our existing line of business as well as related businesses to expand our geographic presence, product offerings and technological expertise, including investment in or acquisition of minority or majority stakes in companies which support our business.

### ***Maintenance of performance and competitiveness of existing business***

Our Company has a track record of successfully introducing and establishing new products in new and existing segments. Our Company is committed to maintaining modern manufacturing facilities, which we believe improves the quality of our products, improves the efficiency in the production processes and reduces

operational costs. There exists immense potential in our existing line of business and our Company intends to maintain competitiveness of its existing business and achieve growth by capitalizing on its efficient and strong execution and implementation skills which shall help us realize our vision is to evolve globally as value creator for customers by specializing in Total Engineering Solutions and Supply Chain Management.

### **Our Principal Products**

**ERW Precision Tubes:** Electric Resistance Welded (ERW) tubes are basic precision steel tubes used for a variety of engineering and structural applications. ERW tubes are formed by rolling HR coils and welding along the length of the tube. ERW tubes can be further processed into CEW tubes in order to improve the mechanical properties of the tube, namely ductility, tensile strength, dimensional accuracy and surface finish amongst others.

**CEW Precision Tubes:** Cold drawn Electric Welded (CEW) tubes are prepared from ERW tubes through various processes like drawing, pilgering and their variants. The resulting CEW tubes have closer/stringent dimensional control, higher mechanical properties, improved surface finish, non-standard sizes and profiles other than circular section.

In case of drawing, an ERW tube is drawn over a mandrel using a draw bench. The tube collapses on the mandrel and takes its shape. This process is repeated multiple times (multiple pass) in order to manufacture tube with desired thickness and shape.

Pilgering has many variations and the usual method is to use a single or multiple pass CEW tube and passing it through a cold pilger mill wherein the tube is rolled between a pair of rollers achieve desired shape and dimensional accuracy. We have innovated the use of pilgering process wherein ERW tubes can be directly pilgered and made into CEW tubes without passing them through a draw bench. This results in significant energy and cost saving.

Our precision tubes (ERW and CEW) are used in various applications usually as a part of equipments like automotive components, heat exchangers, valves and bearings, exhaust piping, pumps, instrumentation, heating elements and condensers among others.

**Membrane Strips:** Membrane strips are manufactured by passing HR/CR coils through slitting machines that cut the coils into strips of desired thickness. We have developed an in-house capability to slit steel coils into narrow width strips with desired dimensional accuracy. We can manufacture membrane strips with width below 22 mm in 6 mm thickness. These membrane strips are used for making various components and sub-assemblies used in boiler, heat exchangers and other industrial applications.

**Auto components:** We manufacture a variety of machined components, press parts & welded components for transportation and farm equipment sectors. In most cases, the raw material used for these components are ERW and CEW tubes manufactured by us.

The product range for the auto division include Swing Arm Assembly, Main Stand, Side Stand, Main Foot Step, Pillion Foot Step, Engine Mounting Brackets, Head Lamp Mounting Brackets, Brace Fender, Guide Kick for the two wheelers; Trailing Arm Assemblies for the three wheelers (Components are supplied to all the Premium, Executive & Economy Segment models of Bajaj Auto). We intend to focus on the existing products lines and are also looking to expand the product base by constant innovation and development.

**Machined components and forgings:** Our subsidiary Sankalp manufactures fully machined ready to assemble parts such as machined tubing, coupling, casing couplings, pup joints, cross overs etc, which are used in oil rigs and oil wells. It also manufactures open die and closed die forgings and castings used in precision engineering components, oil fields and auto components.

**CR Coils:** Our subsidiary Saicon is engaged in manufacturing Cold Rolled (CR) coils from Hot Rolled (HR) steel coils by passing them through cold rolling mills. CR coils have better mechanical properties compared to HR coils and are used for various applications like panels, vehicle bodies and electrical appliance casings amongst others.

***Laminates and Stampings:*** Our subsidiary Saicon is engaged in manufacturing laminates made from steel coils. These are used primarily in the electrical industry for applications like transformer cores.

***Steel Wire:*** Our subsidiary Arihant Steel and Metal Wires is engaged in manufacturing of steel wires using steel scrap generated in our various manufacturing plants.

## SUMMARY OF FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated and unconsolidated financial statements as of and for the years ended March 31, 2006, 2007, 2008 and 2009 and 2010. These financial statements have been prepared in accordance with the Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations and presented under the section entitled “Financial Information” on page number 214 of this Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our restated consolidated and unconsolidated financial statements, the notes thereto and the section entitled “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and “Financial Information” on pages 301 and 214 respectively of this Red Herring Prospectus.

### Restated Unconsolidated Summary of assets and liabilities

Rs. In Lakhs

Sr. No.	Particulars	31st Dec 2010	31st Mar 2010	31st Mar 2009	31st Mar 2008	31st Mar 2007	31st Mar 2006
<b>A</b>	<b>Fixed Assets :</b>						
	(i) Gross Block	31,539.33	28,084.82	16,982.27	11,204.91	8,733.72	4,849.01
	Less :- Depreciation	5,384.09	4,078.09	2,820.80	1,962.04	1,385.81	961.27
	<b>Net Block</b>	<b>26155.24</b>	<b>24,006.73</b>	<b>14,161.47</b>	<b>9,242.88</b>	<b>7,347.91</b>	<b>3,887.75</b>
	(ii) Capital Work in Progress/Advances	3270.48	3,088.80	8,954.93	2,724.84	185.72	388.11
	<b>Total</b>	<b>29425.72</b>	<b>27,095.53</b>	<b>23,116.40</b>	<b>11,967.71</b>	<b>7,533.63</b>	<b>4,275.86</b>
	Less:- Revaluation Reserve	65.64	65.64	65.64	65.64	65.64	65.64
	<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>	<b>29360.08</b>	<b>27,029.89</b>	<b>23,050.76</b>	<b>11,902.07</b>	<b>7,467.99</b>	<b>4,210.22</b>
<b>B</b>	<b>Investments</b>	<b>2454.25</b>	<b>2,454.25</b>	<b>2,454.25</b>	<b>1,557.80</b>	<b>69.58</b>	<b>0.78</b>
<b>C</b>	<b>Deferred Tax Assets (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D</b>	<b>Current Assets, Loans and Advances</b>						
	(i) Inventories	14854.96	10,297.23	7,019.18	6,965.67	4,495.89	3,425.59
	(ii) Sundry Debtors	4007.38	4,965.84	126.89	3,207.96	3,990.93	1,962.45
	(iii) Cash and Bank Balances	3640.88	1,581.94	6,547.89	5,510.77	491.66	63.70
	(iv) Loans & Advances	10187.50	6,418.86	4,725.98	2,414.51	1,170.55	588.54
	(v) Other Current Assets (Preliminary Exp)	-	-	-	-	-	6.83
	<b>Subtotal (D)</b>	<b>32690.72</b>	<b>23263.87</b>	<b>18,419.94</b>	<b>18,098.91</b>	<b>10,149.03</b>	<b>6,047.11</b>
<b>E</b>	<b>Liabilities &amp; Provisions</b>						
	(i) Secured Loans	21929.67	21,213.33	22,768.82	13,651.70	4,476.46	3,270.38
	(ii) Unsecured Loans	5737.21	4,516.89	3,256.77	2,184.81	1,440.89	687.29
	(iii) Current Liabilities & Provisions	20127.47	17,662.54	12,728.02	12,358.19	8,267.11	3,332.46
	(iv) Deferred Tax Liabilities	2974.25	2,265.62	1,535.72	891.32	700.22	412.80
	<b>Subtotal (E)</b>	<b>50768.60</b>	<b>45658.38</b>	<b>40,289.33</b>	<b>29,086.02</b>	<b>14,884.68</b>	<b>7,702.92</b>
<b>F</b>	<b>Net Worth (A+B+C+D-E)</b>	<b>13736.46</b>	<b>7,089.63</b>	<b>3,635.62</b>	<b>2,472.76</b>	<b>2,801.91</b>	<b>2,555.18</b>
<b>Sr. No.</b>	<b>Particulars</b>	<b>31st Dec-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
	<b>Represented by:</b>						
<b>G</b>	<b>Share Capital</b>						
	- Equity Share Capital	3,846.23	500.01	500.01	500.01	500.00	500.00
	- Preference Share Capital	-	-	-	-	400.00	400.00
	- Share Application Money	-	-	-	-	254.18	502.21
	<b>Subtotal (G)</b>	<b>3,846.23</b>	<b>500.01</b>	<b>500.01</b>	<b>500.01</b>	<b>1,154.18</b>	<b>1,402.21</b>
<b>H</b>	<b>Reserves and Surplus</b>						
	- Capital Redemption Reserve	362.07	400.00	400.00	400.00	-	-
	- Share Premium	3206.16	-	-	-	-	-
	- General Reserve	464.83	464.83	190.92	74.00	49.00	24.00
	- Profit and Loss Account (Refer annexure V )	5857.16	5,724.79	2,544.69	1,498.75	1,598.73	1,128.97
	<b>Subtotal (H)</b>	<b>9890.22</b>	<b>6,589.62</b>	<b>3,135.61</b>	<b>1,972.75</b>	<b>1,647.73</b>	<b>1,152.97</b>



Sr. No.	Particulars	31st Dec 2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008	31 <sup>st</sup> Mar 2007	31 <sup>st</sup> Mar 2006
I	Net Worth (G+ H )	13736.46	7,089.63	3,635.62	2,472.76	2,801.91	2,555.18

Note:

The above statement should be read with the notes to restated unconsolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexure IV A, IV B & IV C.

### Restated Unconsolidated Summary Statement of profits and losses

Sr. No.	Particulars	For the period ended 31 <sup>st</sup> Dec-2010	For the year ended 31 <sup>st</sup> Mar 2010	For the year ended 31 <sup>st</sup> Mar 2009	For the year ended 31 <sup>st</sup> Mar 2008	For the year ended 31 <sup>st</sup> Mar 2007	For the year ended 31 <sup>st</sup> Mar 2006
<b>A</b>	<b>Income</b>						
<b>I</b>	Sales						
<b>a</b>	- of products manufactured by the Company	37934.20	37,831.05	33,564.66	22,685.99	16,725.62	10,242.18
<b>b</b>	- of products traded in by the Company	-	1,274.90	1,255.38	4,738.49	2,485.13	1,443.86
	<b>Total (a+b)</b>	<b>37934.20</b>	<b>39,105.95</b>	<b>34,820.04</b>	<b>27,424.48</b>	<b>19,210.75</b>	<b>11,686.04</b>
<b>II</b>	Other Income	216.00	116.32	261.24	168.21	52.86	36.14
	<b>TOTAL (I+II)</b>	<b>38150.20</b>	<b>39,222.27</b>	<b>35,081.27</b>	<b>27,592.69</b>	<b>19,263.61</b>	<b>11,722.18</b>
<b>B</b>	<b>Expenditure</b>						
<b>a</b>	Raw Material Consumed	22164.35	22,007.80	24,331.66	21,936.29	14,542.71	8,376.94
<b>b</b>	Staff Costs	1373.59	1,805.37	1,065.06	541.27	298.10	61.54
<b>c</b>	Other Manufacturing Expenses	2875.72	3,020.16	2,376.75	1,311.57	1,435.71	1,325.13
<b>D</b>	Selling & Administration Expenses	1811.81	2,022.91	1,593.95	1,408.33	878.08	620.71
	<b>TOTAL B = (a+b+c+d)</b>	<b>28225.47</b>	<b>28,856.23</b>	<b>29,367.42</b>	<b>25,197.46</b>	<b>17,154.60</b>	<b>10,384.32</b>
<b>C</b>	<b>Profit before Interest, Depreciation, Tax and Adjustments (C) = (A) - (B)</b>	<b>9924.73</b>	<b>10,366.04</b>	<b>5,713.85</b>	<b>2,395.23</b>	<b>2,109.01</b>	<b>1,337.86</b>
<b>D</b>	Interest and Finance Charges	4715.87	4,915.25	3,020.81	1,287.38	837.87	505.47
<b>E</b>	Depreciation / Amortisations	1306.01	1,266.66	868.46	576.23	424.54	342.63
<b>F</b>	Keyman Insurance premium received back	-	-	-	-	-	(786.00)
<b>G</b>	<b>TOTAL (D+E+F)</b>	<b>6021.88</b>	<b>6,181.91</b>	<b>3,889.27</b>	<b>1,863.61</b>	<b>1,262.41</b>	<b>62.10</b>
<b>H</b>	<b>Profit before tax and adjustments as restated (H) = (C) - (G)</b>	<b>3902.85</b>	<b>4,184.12</b>	<b>1,824.59</b>	<b>531.63</b>	<b>846.60</b>	<b>1,275.76</b>
<b>I</b>	Provision for Taxation						
<b>a</b>	- Current Tax	789.69	715.76	211.08	60.23	94.99	107.36
<b>b</b>	- Deferred Tax Charges / (Release)	708.62	729.90	644.41	191.09	287.43	214.33
<b>c</b>	- Wealth Tax	-	0.21	0.43	0.43	0.25	0.08
<b>d</b>	- Fringe Benefit Tax	-	-	16.90	10.40	8.00	9.79
<b>e</b>	- MAT Credit	(772.76)	(715.76)	(211.08)	(60.23)	(94.99)	(73.50)
	<b>TOTAL I = (a+b+c+d+e)</b>	<b>725.55</b>	<b>730.11</b>	<b>661.73</b>	<b>201.93</b>	<b>295.68</b>	<b>258.05</b>
<b>J</b>	<b>Profit after Tax as restated (J) = (H) - (I)</b>	<b>3177.30</b>	<b>3,454.01</b>	<b>1,162.86</b>	<b>329.70</b>	<b>550.92</b>	<b>1,017.70</b>
<b>K</b>	Profit / (Loss) at the beginning of the year as restated	5724.79	2,544.69	1,498.75	1,598.73	1,128.97	190.00
<b>L</b>	<b>Profit balance available for appropriation</b>	<b>8902.09</b>	<b>5998.70</b>	<b>2,661.61</b>	<b>1,928.43</b>	<b>1,679.89</b>	<b>1,207.70</b>
<b>M</b>	<b>Appropriation</b>						
<b>a</b>	Dividend	-	-	-	4.00	48.00	48.00
<b>b</b>	Dividend Tax	-	-	-	0.68	8.16	6.73
<b>c</b>	Transferred to Capital Redemption Reserve	-	-	-	400.00	-	-
<b>d</b>	General Reserve	-	273.91	116.92	25.00	25.00	24.00
	<b>TOTAL M =</b>	<b>-</b>	<b>273.91</b>	<b>116.92</b>	<b>429.68</b>	<b>81.16</b>	<b>78.73</b>

Sr. No.	Particulars	For the period ended 31 <sup>st</sup> Dec- 2010	For the year ended 31 <sup>st</sup> Mar 2010	For the year ended 31 <sup>st</sup> Mar 2009	For the year ended 31 <sup>st</sup> Mar 2008	For the year ended 31 <sup>st</sup> Mar 2007	For the year ended 31 <sup>st</sup> Mar 2006
	(a+b+c+d)						
N	Balance Carried Forward to Balance Sheet as Restated (L)- (M) (Refer annexure V )	8902.09	5,724.79	2,544.69	1,498.75	1,598.73	1,128.97

**Restated Unconsolidated Summary Statement of Cash Flow**

Rs. In Lakhs						
Particulars	31 <sup>st</sup> Dec-2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008	31 <sup>st</sup> Mar 2007	31 <sup>st</sup> Mar 2006
<b>Cash flow from operating activities</b>						
Net Profit Before tax as restated	3902.85	4,184.12	1,824.59	531.63	846.60	1,275.76
<b>Adjustments for</b>						
Depreciation	1306.01	1,266.66	858.78	580.27	428.78	361.36
Interest Expenditure	4715.87	4,915.25	3,020.81	1,272.11	837.87	473.73
Interest Income	-	(22.09)	(127.22)	(3.24)	(9.51)	(27.73)
Provision for leave encashment	-	18.71	45.47	-	-	-
Loss on sale of fixed Assets	-	7.64	11.00	-	-	-
Provision for Doubtful Debts	59.37	27.48	38.43	-	-	-
Unrealised Forex (Gain) / Loss	-	23.47	102.18	-	-	-
Preliminary Expenses W/off	-	-	-	-	6.83	0.94
Provision for Gratuity	-	-	(36.71)	13.25	10.52	3.66
Provision for Other Exps	-	-	-	-	109.87	54.01
Provision for Bonus	-	-	-	-	-	4.88
	6081.25	6,237.13	3,912.75	1,862.39	1,384.36	870.85
<b>Operating profit before working cap. changes</b>	9984.11	10,421.25	5,737.34	2,394.02	2,230.96	2,146.61
<b>Adjustments for changes in working capital</b>	-					
(Increase)/Decrease In Trade Debtors	899.09	(4,856.96)	3,081.07	782.97	(2,028.48)	(69.39)
(Increase)/Decrease In Inventories	(4557.73)	(3,226.28)	(105.28)	(2,356.86)	(1,070.29)	(917.93)
(Increase)/Decrease In Loans and advances	(3456.67)	(1,228.47)	(2,229.95)	(1,148.71)	(508.41)	(193.33)
Increase/(Decrease) In Current Liabilities and Provisions	2854.36	4,571.24	312.48	3,855.48	4,568.87	406.72
<b>Cash generated from Operations</b>	5723.16	5,680.78	6,795.66	3,526.90	3,192.65	1,372.68
Income Tax Paid	718.31	171.84	36.92	-	-	65.00
<b>Net Cash from operation activities (A)</b>	5004.85	5,508.94	6,758.74	3,526.90	3,192.65	1,307.68
<b>B. Cash flow from Investing activities</b>						
Purchase of Fixed Assets	(3636.20)	(5,260.77)	(12,152.69)	(5,014.35)	(3,687.24)	(1,155.33)
Proceeds from Sales of Fixed Assets	-	7.33	32.06	-	-	-
Increase / Purchase of Investments	-	-	(896.45)	(1,488.22)	(68.80)	-
Interest Received (Revenue)	-	22.09	127.22	3.24	9.51	27.73
<b>Net cash used in investing activities (B)</b>	(3636.20)	(5,231.35)	(12,889.86)	(6,499.33)	(3,746.53)	(1,127.60)
<b>C. Cash flow from Financing activities</b>						
Issue of Equity Share Capital	3469.52	-	-	0.01	-	-
Redemption of Preference Share Capital	-	-	-	(400.00)	-	-
Proceeds from share pending allotment	-	-	-	(254.19)	(248.02)	(28.98)
Payment of Dividend and Dividend tax	-	-	-	4.68	56.16	54.73
Proceeds/(Repayment) of Long Term Borrowings	1992.88	(564.72)	9,825.68	4,202.27	576.45	(10.67)
Proceeds/(Repayment) of unsecured Borrowings	1220.32	-	-	743.92	753.59	432.07
Proceeds/(Repayment) of Short Term Borrowings	(1276.55)	236.42	363.38	4,966.96	681.53	(423.86)
Interest Paid	(4715.87)	(4,915.25)	(3,020.81)	(1,272.11)	(837.87)	(473.73)
<b>Net cash received (used) in financing activities (C)</b>	690.30	(5,243.55)	7,168.25	7,991.54	981.84	(450.44)
Net Increase / (Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	2058.95	(4,965.96)	1,037.12	5,019.11	427.96	(270.36)
<b>Cash &amp; Cash Equivalents Opening</b>	1581.94	6,547.89	5,510.77	491.66	63.70	334.06
<b>Cash &amp; Cash Equivalents as at Closing</b>	3640.88	1,581.94	6,547.89	5,510.77	491.66	63.70
<b>Cash and Cash equivalents Comprise</b>						
Cash and bank balance	4.34	2.89	160.20	147.95	280.71	(54.64)
Fixed deposits with banks	3640.88	1,579.05	6,387.69	5,362.82	210.95	118.34

1. Figures in brackets indicate cash outflow.

The above statement should be read with the notes to restated unconsolidated summary statements of assets and liabilities, appearing in annexure IV A, IV B & IV C. **Restated Consolidated Summary Statement of assets and liabilities as at:**

(Rs. In Lakhs)

Sr. No.	Particulars	31 <sup>st</sup> Dec 2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008
<b>A</b>	<b>Fixed Assets :</b>				
	(i) Gross Block	38,561.56	34,872.08	23,493.63	14,117.65
	Less :- Depreciation	6,591.74	4,944.69	3,450.58	2,278.14
	<b>Net Block</b>	<b>31,969.82</b>	<b>29,927.39</b>	<b>20,043.05</b>	<b>11,839.51</b>
	(ii) Capital Work in Progress/Advances	5,398.96	4,450.34	9,444.70	4,173.58
	<b>Total</b>	<b>37,368.78</b>	<b>34,377.73</b>	<b>29,487.75</b>	<b>16,013.09</b>
	Less:- Revaluation Reserve	65.64	65.64	65.64	65.64
	<b>Total Fixed Assets after revaluation reserve</b>	<b>37,303.14</b>	<b>34,312.09</b>	<b>29,422.11</b>	<b>15,947.45</b>
<b>B</b>	<b>Goodwill on Consolidation</b>	671.34	671.34	671.34	238.60
<b>C</b>	<b>Other Investments</b>	7.04	7.04	7.04	4.25
<b>D</b>	<b>Investments in Associates</b>				97.52
<b>E</b>	<b>Current Assets, Loans and Advances :</b>				
	(i) Inventories	18,953.82	14,775.93	9,805.05	8,988.58
	(ii) Sundry Debtors	3,797.08	130.90	177.12	2,512.56
	(iii) Cash and Bank Balances	4,082.18	1,794.10	6,752.06	5,767.56
	(iv) Loans & Advances	13,550.98	9283.19	6,323.03	3,638.60
	<b>Subtotal (E)</b>	<b>40,384.05</b>	<b>25,984.12</b>	<b>23,057.26</b>	<b>20,907.31</b>
<b>F</b>	<b>Liabilities &amp; Provisions</b>				
	(i) Secured Loans	29,422.93	27,966.51	28,064.57	16,524.59
	(ii) Unsecured Loans	6,176.81	4,685.06	3,508.16	2,717.54
	(iii) Current Liabilities & Provisions	23,391.90	17,318.26	14,807.73	13,892.74
	(iv) Deferred Tax Liabilities	3,144.26	2,424.68	1,708.41	1,005.59
	<b>Subtotal (F)</b>	<b>62,135.90</b>	<b>52,394.50</b>	<b>48,088.87</b>	<b>34,140.45</b>
<b>G</b>	Minority Interest	1,356.04	867.58	790.45	150.34
<b>H</b>	<b>Net Worth (A+B+C+D+E-F-G)</b>	<b>14,873.63</b>	<b>7,712.51</b>	<b>4,278.43</b>	<b>2,904.34</b>
	<b>Represented by:</b>				
<b>I</b>	<b>Share Capital</b>				
	- Equity Share Capital	3846.23	500.01	500.01	500.01
<b>J</b>	<b>Reserves and Surplus</b>				
	- Capital Redemption Reserve	362.07	400.00	400	400
	- General Reserve	464.83	464.83	190.92	74
	- Profit and Loss Account (Refer Annex XXII )	6994.33	6347.67	3,187.51	1,930.33
	Share Premium	3,206.16			
	<b>Subtotal (J)</b>	<b>11,027.39</b>	<b>7212.50</b>	<b>3,778.43</b>	<b>2,404.33</b>
<b>K</b>	<b>Net Worth (I+J)</b>	<b>14,873.63</b>	<b>7712.51</b>	<b>4,278.43</b>	<b>2,904.34</b>

Note: The above statement should be read with the notes to restated consolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexures XXI A, XXI B, XXIC.

**Restated Consolidated Summary Statement of profits and loss for the year ended**

**(Rs. In Lakhs)**

Sr. No.	Particulars	31 <sup>st</sup> Dec 2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008
<b>A</b>	<b>Income</b>				
I	Sales and Services	45,316.89	42,147.51	36,196.31	32,305.99
II	Other Income	384.89	367.54	913.57	232.38
	<b>TOTAL (A)</b>	<b>45,701.78</b>	<b>42,515.05</b>	<b>37,109.88</b>	<b>32,538.37</b>
<b>B</b>	<b>Expenditure</b>				
a	Raw Material Consumed	26,017.51	22,842.76	23,241.13	22,966.97
b	Staff Costs	1,742.99	2,149.56	1,529.61	820.82
c	Other Manufacturing Expenses	3,471.87	3,547.13	3,098.34	3,440.42
D	Selling & Administration Expenses	2,170.82	2,462.36	2,225.87	1,595.38
	<b>TOTAL (B)</b>	<b>33,403.19</b>	<b>31,001.82</b>	<b>30,094.95</b>	<b>28,823.59</b>
<b>C</b>	<b>Profit before Interest, Depreciation, Tax and Adjustments (C) = (A) - (B)</b>	<b>12,298.58</b>	<b>11,513.23</b>	<b>7,014.92</b>	<b>3,714.78</b>
<b>D</b>	Interest & Finance Cost	5,328.48	5,601.59	3,529.63	1,555.11
<b>E</b>	Depreciation and amortisation	1,649.14	1,631.55	1,160.77	708.42
<b>F</b>	<b>TOTAL F = (D+E)</b>	<b>6,977.62</b>	<b>7,233.14</b>	<b>4,690.40</b>	<b>2,263.54</b>
<b>G</b>	<b>Profit before tax and adjustments as restated (G) = (C) - (F)</b>	<b>5,320.96</b>	<b>4,280.10</b>	<b>2,324.52</b>	<b>1,451.25</b>
<b>H</b>	<b>Add: Share of profit in Associate</b>				<b>15.23</b>
<b>I</b>	<b>Provision for taxation</b>				
a	Provision for taxation- current	1,207.92	771.72	276.96	297.04
b	- Deferred tax	719.60	716.25	690.54	349.49
c	- Fringe Benefit Tax	-	-	25.22	13.78
d	- MAT Credit	(786.61)	(719.28)	(221.12)	(93.3)
e	- Wealth Tax	-	0.21	0.43	-
	<b>TOTAL I = (a+b+c+d+e)</b>	<b>1,140.90</b>	<b>768.90</b>	<b>772.03</b>	<b>567.02</b>
<b>J</b>	<b>Profit after Tax as restated</b>	<b>4,180.06</b>	<b>3,511.20</b>	<b>1,552.49</b>	<b>899.46</b>
	<b>(J) = (G) + (H) - (I)</b>				
<b>K</b>	Less: Unrealised Profit on Stock	-	-	-	42.71
<b>L</b>	Less: Share of Minority Interest	488.46	77.13	138.78	55.46
<b>M</b>	<b>Profit/(Loss) after tax and after minority interest Restated</b>	<b>3,691.60</b>	<b>3,434.07</b>	<b>1,413.71</b>	<b>801.29</b>
	<b>(M) = (J) - (K) - (L)</b>				
<b>N</b>	Profit / (Loss) at the beginning of the year as restated	<b>6,347.67</b>	<b>3,187.51</b>	<b>1,930.33</b>	<b>1,598.73</b>
<b>O</b>	Transfer to pre-acquisition profit	0	0	39.62	40.01
<b>P</b>	<b>Profit balance available for appropriation (P) = (M) + (N) - (O)</b>	<b>10,039.27</b>	<b>6,621.58</b>	<b>3,304.43</b>	<b>2,360.01</b>
<b>Q</b>	<b>Less : Appropriations</b>		<b>273.91</b>	<b>116.92</b>	<b>429.68</b>
a	Dividend on Preference Shares	-	-	-	4
b	Capital Redemption Reserve	-	-	-	400
c	Dividend Tax	-	-	-	0.68
d	Transfer to General Reserve/Reserve Fund	-	273.91	116.92	25
<b>R</b>	<b>Balance Carried Forward to balance sheet (R) = (P) - (Q) (Refer Annex XXII)</b>	<b>10,039.27</b>	<b>6,347.67</b>	<b>3,187.51</b>	<b>1,930.33</b>

Note: The above statement should be read with the notes to restated consolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexures XXI A, XXI B, XXI C.

### Restated Consolidated Summary Statement of Cash Flows for the year ended

PARTICULARS	Rs. In Lakhs							
	31st Dec 2010		31st March 2010		31st March 2009		31st March 2008	
<b>Cash flow from operating activities</b>								
Net Profit Before tax as Restated		5,320.96		4,280.10		2,324.52		1,466.48
<b>Adjustments for</b>								
Depreciation	1,649.14		1,631.55		1,160.77		708.42	
Interest Expenditure	5,328.48		5,601.59		3,529.63		1,555.11	
Interest Income	(23.32)		(54.54)		(243.20)		(4.95)	
Loss on sale of fixed Asset	2.09		53.25		11.00		1.41	
Sundry balances Write off			96.81		17.74		2.15	
Provision for Doubtful Debts	59.37		27.48		38.43		-	
Other Provisions	88.04		90.70		68.71		36.72	
Forex (Gain) / Loss	(117.13)	<b>6,986.67</b>	(1.35)	<b>7,445.50</b>	(69.13)	<b>4,513.95</b>	(64.20)	<b>2,234.66</b>
<b>Operating Profit before Working Capital Changes</b>		<b>12,307.63</b>		<b>11,725.59</b>		<b>6,838.47</b>		<b>3,701.14</b>
<b>Adjustments for changes in working capital</b>								
(Increase)/Decrease In Trade Debtors	(3,725.55)		(78.07)		2,348.40		1,540.42	
(Increase)/Decrease In Inventories	(4,177.89)		(4,970.88)		(816.47)		(4,535.41)	
(Increase)/Decrease In Loans and advances	(4,267.79)		(3,033.04)		(2,684.43)		(2,541.55)	
Increase/(Decrease) In current Liabs. and Provisions	6,703.92	<b>(5,467.31)</b>	2,627.57	<b>(5,454.41)</b>	686.99	<b>(465.51)</b>	5,461.98	<b>(74.56)</b>
<b>Cash generated from Operations</b>		<b>6,840.32</b>		<b>6,271.18</b>		<b>6,372.95</b>		<b>3,626.57</b>
Income Tax Paid		(1,066.70)		(186.03)		89.12		-
<b>Net Cash from operation activities (A)</b>		<b>5,773.62</b>		<b>6,085.15</b>		<b>6,462.07</b>		<b>3,626.57</b>
<b>B. Cash flow from Investing activities</b>								
(Purchase)/Sale of Fixed Assets	(4,636.01)		(6,574.84)		(14,658.10)		(9,373.20)	
(Purchase)/Sale of Investments			-		123.69		(118.39)	
Interest Received - Revenue	23.32		54.54		243.20		4.95	
<b>Net cash used in investing activities (B)</b>		<b>(4,612.69)</b>		<b>(6,520.30)</b>		<b>(14,291.21)</b>		<b>(9,486.65)</b>
<b>C. Cash flow from Financing activities</b>								
Issue of Equity/preference Share Capital	3,507.45		-		-		(400.00)	

Receipt(payment) of Share Application Money			-	-		(254.18)	
Net Proceeds from Long Term Borrowings	2,833.40		(1,439.06)		11,201.46	9,388.40	
Net Proceeds from Short Term Borrowings	114.77		2,517.84		1,141.81	3,956.87	
Interest Paid	(5,328.48)		(5,601.59)		(3,529.63)	(1,555.11)	
<b>Net cash used in financing activities ( C )</b>		<b>1,127.15</b>	<b>(4,522.82)</b>		<b>8,813.64</b>		<b>11,135.98</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A)+(B)+( C )</b>		<b>2,288.08</b>	<b>(4,957.96)</b>		<b>984.50</b>		<b>5,275.91</b>
<b>Cash &amp; Cash Equivalents as at Opening</b>		<b>1,794.11</b>	<b>6,752.06</b>		<b>5,767.56</b>		<b>491.66</b>
<b>Cash &amp; Cash Equivalents as at Closing</b>		<b>4,082.18</b>	<b>1,794.10</b>		<b>6,752.06</b>		<b>5,767.57</b>
Cash and Cash equivalents Comprise							
Cash on hand		12.54		15.55		210.85	15.77
Bank balances		4,069.64		1,778.56		6,541.21	5,751.79

1. Figures in brackets indicate cash outflow.
2. The above statement should be read with the notes to restated consolidated summary statements of assets and liabilities, profits and losses and cash flows as appearing in annexures XXI A, XXI B, XXIC.



## THE ISSUE

<b>Issue of Equity Shares<sup>@</sup></b>	<b>[●] Equity Shares aggregating upto Rs. 21,958 lakhs</b>
<i>Of which:</i>	
QIB Portion <sup>#</sup>	Upto [●] Equity Shares
Anchor Investor Portion	[●] Equity Shares
Balance available for allocation to QIBs other than the Anchor Investor Portion (assuming the Anchor Investor Portion is fully subscribed)	[●] Equity Shares
<i>Of which</i>	
Available for mutual funds only	[●] Equity Shares
Balance of QIB portion (available for QIBs including Mutual Funds)	[●] Equity Shares
Non-Institutional Portion	Not less than [●] Equity Shares
Retail Portion	Not less than [●] Equity Shares
<b>Pre and post-Issue Equity Shares</b>	
Equity Shares outstanding prior to the Issue	410.62 lakhs Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
<b>Use of Issue Proceeds</b>	See the section titled “ <i>Objects of the Issue</i> ” on page number 93 of this Red Herring Prospectus for information about the use of the Issue Proceeds.

*@ Our Company has allotted 26,00,000 Equity Shares to Standard Chartered Private Equity (Mauritius) II Limited at a price of Rs. 117 per Equity Share through a Board Resolution dated February 8, 2011. For details of the Subscription and Shareholders Agreement please refer to the chapter titled “History and Certain Corporate Matters” on page 154 of the Red Herring Prospectus.*

*#The Company may consider participation by Anchor Investors, who are all QIBs, for up to [●] Equity Shares, at the Anchor Investor Issue Price, in accordance with applicable ICDR Regulations. Bidding in the Anchor Investor Portion shall open and close on the Anchor Investor Bid/Issue Date, i.e., one day prior to the Bid/Issue Opening Date. Up to 30% of the QIB Portion shall be available for allocation to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds. Allocation to QIBs (other than Anchor Investors) is proportionate as per the terms of the Red Herring Prospectus. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further attention of all QIBs is specifically drawn to the fact that QIBs are required to pay the entire Bid Amount at the time of the submission of the Bid-cum-Application Form and will not be allowed to withdraw their Bid-cum-Application Forms after the Bid/Issue Closing Date. Anchor Investors are required to pay the entire Bid Amount at the time of the submission of the Bid-cum-Application Form and cannot withdraw their Bids after the Anchor Investor Bid/Issue Closing Date. For further details, please see the section “Issue Procedure” beginning on page number 402 of this Red Herring Prospectus.*

*\*\* In case of under - subscription, if any, in any of the categories, spillover to the extent of under - subscription shall be permitted from other categories or a combination of categories in the Issue at the discretion of our Company in consultation with the BRLMs.*

## GENERAL INFORMATION

Our Company was incorporated as a private limited company *vide* a certificate of incorporation dated August 22, 1991, bearing registration number 11 – 63045 of 1991, issued by the Registrar of Companies, Mumbai in the name of Arihant Domestic Appliances Private Limited. Pursuant to conversion of our Company to a public limited company, our Company was issued a fresh Certificate of Incorporation dated January 9, 2009 and the name of our Company was changed to Arihant Domestic Appliances Limited. Further *vide* Fresh Certificate of Incorporation dated March 24, 2010 issued by the Registrar of Companies, Pune, our Company's name was changed from Arihant Domestic Appliances Limited to Innoventive Industries Limited.

The Corporate Identification Number of our Company is U29309MH1991PLC063045.

### ***Our Registered Office***

Gat No. 1261,  
Village Sanaswadi,  
Pune Nagar Road,  
Taluka: Shirur,  
District Pune – 412 208,  
Maharashtra, India.  
Tel. No.: +91 - 2137 – 669001/669002  
Fax No.: +91 - 2137 - 669014  
Email: [investor.grievance@innoventive.in](mailto:investor.grievance@innoventive.in)  
Website: [www.innoventive.in](http://www.innoventive.in)

For details of changes in our Registered Office address, please refer to the chapter titled “*History and Other Corporate Matters*” beginning on page number 154 of this Red Herring Prospectus.

### ***Our Corporate Office***

Office numbers 601 and 602,  
Nucleus Mall,  
1 Church Road,  
Camp,  
Pune – 411 001,  
Maharashtra, India.  
Telefax No.: +91- 020-6620 3549  
Email: [investor.grievance@innoventive.in](mailto:investor.grievance@innoventive.in)  
Website: [www.innoventive.in](http://www.innoventive.in)

### ***Our Registrar of Companies***

Registrar of Companies,  
PMT Building,  
3<sup>rd</sup> floor, Deccan Gymkhana,  
Pune – 411 004,  
Maharashtra,  
India.

### ***Our Board of Directors***

Our Board as on the date of this Red Herring Prospectus comprises of:

Sr. No.	Name and Designation	Age	DIN	Address
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1.	Mr. Chandu Chavan <i>Chairman</i>	41	00035213	SN-64/14 Ambiance Empyrean Resi, Third Phase BL-C Kawade Mala, Near Empress Garden, Ghorpadi, Pune 411 001, Maharashtra, India
2.	Mr. Ravindra Katre <i>Managing Director</i>	45	00035125	Flat No. 302, Disha Apartments, Mayur Colony, Kothrud Pune - 411 029, Maharashtra, India
3.	Mr. Sanjay Waghulade <i>Whole time Director</i>	46	00193404	Flat No. 301, Disha Apartments, Mayur Colony, Kothrud Pune - 411 029, Maharashtra, India
4.	Mr. Ramprasad Joshi <i>Independent Director</i>	41	02682144	10, Mayur Society, Sadar Bazar, Satara - 415 001, Maharashtra, India
5.	Mr. Yashpaul Gupta <i>Independent Director</i>	61	02971635	Flat 203-C, Pristine Grandeur, Survey No: 239 Wakad Chinchwad Link Road, Near Dutt Mandir, Wakad, Pune – 411 027, Maharashtra, India
6.	Mr. Pradeep Tupe <i>Independent Director</i>	52	02968390	D - 604, Kshitij society, Sahakarnagar No. 2, Pune – 411 009, Maharashtra, India
7.	Dr. Rajendra Jagdale <i>Independent Director</i>	51	02700270	Flat No. 10, Belmont Park Housing Society, 6 ICS Colony, Ganeshkhind Road, Pune – 411007 Maharashtra, India
8.	Mr. William Sean Sovak <i>Nominee Director</i>	38	01161892	1500, Hudson Street, 6F, Hoboken 07030, New Jersey, USA

For further details of our Directors please refer to the Chapters titled “*Our Management*” beginning on page number 178 of this Red Herring Prospectus.

***Company Secretary and Compliance Officer***

**Mr. Mahesh Bagla**

Office numbers 601 and 602,  
Nucleus Mall,  
1 Church Road,  
Camp,  
Pune – 411 001,  
Maharashtra, India.  
Telefax No.: +91-020-6620 3549  
E-mail: [investor.grievance@innoventive.in](mailto:investor.grievance@innoventive.in)

***Investors can contact the Company Secretary and Compliance Officer and / or the Registrar to the Issue and / or Book Running Lead Managers, i.e. Mr. Mahesh Bagla, Karvy Computershare Private Limited, Axis Bank Limited and Aventus Capital Private Limited respectively, in case of any pre-Issue or post-Issue problems, such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.***

**All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.**

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

**Axis Bank Limited**

Bombay Dyeing Mills Compound,  
Pandurang Budhkar Marg,  
Worli,

Mumbai – 400 025  
Maharashtra,  
India.  
Tel. No.: +91 - 22 - 2425 5710  
Fax No.: +91 - 22 - 2425 7100  
Email: [innoventive.ipo@axisbank.com](mailto:innoventive.ipo@axisbank.com)  
Investor Grievance E-mail: [axbmbd@axisbank.com](mailto:axbmbd@axisbank.com)  
Website: [www.axisbank.com](http://www.axisbank.com)  
Contact Person: Mr. Akash Singh / Mr. Rajneesh Kumar  
SEBI Registration No: INM000006104

**Avendus Capital Private Limited**

IL&FS Financial Center,  
5<sup>th</sup> Floor, B Quadrant,  
Bandra-Kurla Complex,  
Bandra (E),  
Mumbai – 400 051  
Maharashtra, India  
Tel. No.: +91 - 22 - 6648 0050  
Fax No.: +91 - 22 - 6648 0040  
Email: [innoventive.ipo@avendus.com](mailto:innoventive.ipo@avendus.com)  
Investor Grievance Email: [investorgrievance@avendus.com](mailto:investorgrievance@avendus.com)  
Website: [www.avendus.com](http://www.avendus.com)  
Contact Person: Mr. Prashant Kothari  
SEBI Registration Number: INM000011021

***Legal Advisors to this Issue***

**M/s. Crawford Bayley & Co.**

4th Floor, State Bank Buildings,  
N. G. N. Vaidya Marg  
Fort, Mumbai - 400 023  
Maharashtra, India  
Tel. No.: +91 22 2266 8000  
Fax No.: +91 22 2266 0355  
E-mail: [sanjay.asher@crawfordbayley.com](mailto:sanjay.asher@crawfordbayley.com)

***Registrar to this Issue***

**Karvy Computershare Private Limited**

46, Avenue 4,  
Street No. 1,  
Banjara Hills,  
Hyderabad - 500 024  
Andhra Pradesh  
India  
Telephone (toll free): 1-800-345 4001  
Tel. No.: +91 40 - 2331 2454 / 40 - 2332 0251  
Fax No.: +91 40 - 2331 1968  
Email: [innoventive.ipo@karvy.com](mailto:innoventive.ipo@karvy.com)  
Website: <http://karisma.karvy.com>  
Contact Person: Mr. M. Murali Krishna  
SEBI Registration Number: INR000000221

***Bankers to our Company***

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**Axis Bank Limited**

1262/B, Sterling Plaza,

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**The Saraswat Co-operative Bank Limited**

Madhuban,

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<p>Jangli Maharaj Road, Deccan Gymkhana, Pune – 411004, Maharashtra India. Tel. No.: +91 20 66012695 Fax No.: +91 20 25520530 / 31 E-mail: <a href="mailto:ruchi.joshi@axisbank.com">ruchi.joshi@axisbank.com</a></p>	<p>1<sup>st</sup> floor, 8/3 Erandvana, Near Nall Stop, Karve Road, Pune – 411004 Maharashtra India. Tel. No.: +91 20 340166 / +91 20 25440166 Fax No.: +91 20 25442226 E-mail: <a href="mailto:mp.varma@saraswatbank.com">mp.varma@saraswatbank.com</a></p>
<p><b>UCO Bank</b> UCO Bank Building, 359, D.N. Road, Mumbai - 400023, Maharashtra India. Tel. No.: + 91 22 22870781 Fax No.: + 91 22 22870003 E-mail: <a href="mailto:bo.mccdroad@ucobank.co.in">bo.mccdroad@ucobank.co.in</a></p>	<p><b>Corporation Bank</b> Industrial Finance Branch Wakadewadi, Pune - 411003 Maharashtra India. Tel. No.: +91 20 25539592 Fax No.: +91 20 25511216 E-mail: <a href="mailto:cb502@corpbank.co.in">cb502@corpbank.co.in</a></p>
<p><b>Allahabad Bank</b> 1<sup>st</sup> Floor, Pune Seva Sadan Society, Kunte Chowk, Laxmi Road, Pune – 411030 Maharashtra India. Tel. No.: +91 20 24455079 Fax No.: +91 20 24453783 E-mail: <a href="mailto:br.mumpune@allahabad.com">br.mumpune@allahabad.com</a></p>	<p><b>ICICI Bank Limited</b> A Wing, Shangria Gardens, Ground Floor, Bund Garden Road, Pune – 411 001 Maharashtra India. Tel. No.: +91 20 260 55371 Fax No.: +91 20 26128594 E-mail: <a href="mailto:rashmi.s@icicibank.com">rashmi.s@icicibank.com</a></p>
<p><b>State Bank of Mysore</b> Mittal Court, 'C' Wing, Nariman Point, Mumbai – 400 001 Maharashtra India. Tel. No.: +91 22 22790534 Fax No.: +91 22 22823895 E-mail: <a href="mailto:mumbai@sbm.co.in">mumbai@sbm.co.in</a></p>	<p><b>IDBI Bank Limited</b> Budhwar Peth, Laxmi Road, Pune - 411003 Maharashtra India. Tel. No.: +91 20 24452697 Fax No.: +91 20 24460241 E-mail: <a href="mailto:paresh.rathi@idbi.co.in">paresh.rathi@idbi.co.in</a></p>
<p><b>United Bank of India</b> Alankar Cinema Building 16, Connaught Road, Pune - 411001 Maharashtra India. Tel. No.: +91 20 26126798 Fax No.: +91 20 26134627 E-mail: <a href="mailto:bmpoo@unitedbank.co.in">bmpoo@unitedbank.co.in</a></p>	<p><b>Central Bank of India</b> 317, M. G. Road, Camp, Pune – 411 001 Maharashtra India Tel. No.: +91 20 26131614 Fax No.: +91 20 26131049 E-mail: <a href="mailto:agmpune0658@centralbank.co.in">agmpune0658@centralbank.co.in</a></p>
<p><b>Union Bank of India</b> 2A, Arora Tower, Moledina Road, Pune – 400 001 Maharashtra India. Tel. No.: +91 20 26126382 Fax No.: +91 20 26132281</p>	<p><b>Oriental Bank of Commerce</b> Jhamtani Chambers, 1<sup>st</sup> floor, Pune Mumbai Road, Pimpri, Pune - 411 008 Maharashtra India Tel. No.: +91 20 27422625 / +91 20 27420656</p>

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E-mail: [cbscamp@unionbankofindia.com](mailto:cbscamp@unionbankofindia.com)

Fax No.: +91 20 27422052

E-mail: [bm0218@obc.co.in](mailto:bm0218@obc.co.in)

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***Bankers to the Issue/ Escrow Collection Bank(s)***

**Axis Bank Limited**

Pune Main Branch,  
Ground Floor, Sterling Plaza,  
1262/B, Jungli Maharaj Road,  
Deccan Gymkhana,  
Pune- 411 004  
Maharashtra, India  
Tel: +91-20-6629 5102  
Fax: +91-22-6629 5150/52  
Website: [www.axisbank.com](http://www.axisbank.com)  
Email ID: [pune.operationshead@axisbank.com](mailto:pune.operationshead@axisbank.com)  
Contact Person: Mr. Sheikh Akhtar  
SEBI Registration No.: INBI00000017

**IndusInd Bank Limited**

Cash Management Services  
Solitaire Park, Bldg No. 10, Ground Floor,  
Opp Mirador Hotel,  
Andheri (East),  
Mumbai – 400 093  
Maharashtra, India  
Tel: +91-22-6772 3943  
Fax: +91-22-6772 3998  
Website: [www.indusind.com](http://www.indusind.com)  
Email ID: [prasanna.vaidyanathan@indusind.com](mailto:prasanna.vaidyanathan@indusind.com)  
Contact Person: Mr. Prasanna Vaidyanathan  
SEBI Registration No.: INBI00000002

**The Hongkong and Shanghai Banking Corporation Limited**

Plot No. 139-140B,  
Western Express Highway, Sahar Road Junction,  
Ville Parle (East), Mumbai- 400 057  
Maharashtra, India  
Tel: +91-22-4035 7458  
Fax: +91-22-4035 7657  
Website: [www.hsbc.co.in](http://www.hsbc.co.in)  
Email ID: [swapnilpavale@hsbc.co.in](mailto:swapnilpavale@hsbc.co.in)  
SEBI Registration No.: INB100000027

***Syndicate Member(s)***

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**Avendus Securities Private Limited**

IL&FS Financial Centre,  
5<sup>th</sup> Floor, B Quadrant,  
Bandra Kurla Complex,  
Bandra East,  
Mumbai- 400 051  
Maharashtra, India  
Tel. No.: +91-22-6684 2877/ 6684 2828  
Fax No.: +91-22-6684 2831  
Email: [innoventive ipo@avendus.com](mailto:innoventive ipo@avendus.com)  
Website: [www.avendus.com](http://www.avendus.com)  
Contact Person: Mr. Niket Parikh

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**Reliance Securities Limited**

Tech Park, 11th Floor,  
Nirlon Compound, Behind HUB Mall,  
Western Express Highway, Goregoan East,  
Mumbai - 400 063,  
Maharashtra, India  
Tel. No.: +91-22-3059 1234  
Fax No.: +91-22- 3059 1450  
Email: [jithesh.narayanan@relianceada.com](mailto:jithesh.narayanan@relianceada.com)  
Website: [www.rsec.co.in](http://www.rsec.co.in)  
Contact Person: Mr. Jithesh Narayanan  
SEBI Registration No.: NSE:INB231234833

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SEBI Registration No.: NSE: INB231294639 BSE: INB011292639	BSE:INB011234839
<b>ENAM Securities Private Limited</b> Khatau Building, 2 <sup>nd</sup> Floor, 44, Bank Street, Fort, Mumbai – 400 001, Maharashtra, India Tel. No.: +91-22-2267 7901 Fax No.: +91-22-2266 5613 Email: vinay@enam.com Website: www.enam.com Contact Person: Mr. Vinayak Ketkar / Mr. Ajay Sheth SEBI Registration No.: NSE: INB230468336 BSE: INB011287852	<b>SBICAP Securities Limited</b> 191, Maker Tower ‘F’, 19 <sup>th</sup> Floor Cuffe Parade, Colaba, Mumbai – 400 005, Maharashtra, India Tel. No.: +91-22-4227 3300 Fax No.: +91-22- 4227 3390 Email:archana.dedhia@sbicapsec.com Website: www.sbicapsec.com Contact Person: Ms. Archana Dedhia SEBI Registration No.: NSE: INB231052938 BSE: INB011053031

### ***Self Certified Syndicate Banks***

The SCSB's as per updated list available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)). For details on Designated Branches of SCSBs collecting the ASBA Form, please refer the above mentioned SEBI link.

### ***Refund Banker(s)***

**Axis Bank Limited**  
Pune Main Branch,  
Ground Floor, Sterling Plaza,  
1262/B, Jungli Maharaj Road,  
Deccan Gymkhana,  
Pune- 411 004  
Maharashtra, India  
Tel: +91-20-6629 5102  
Fax: +91-22-6629 5150/52  
Website: [www.axisbank.com](http://www.axisbank.com)

### ***Brokers to this Issue***

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

### ***Statutory Auditors***

**B.K. Khare & Co.**  
*Chartered Accountants*  
11, Venu-Madhav,  
104/7, off lane No. 14,  
Prabhat Road, Erandwane,  
Pune - 411004  
Maharashtra,  
India.  
Tel. No: +91 - 20 - 2543 3704  
Fax No.: +91 - 20 - 2542 0212  
E-mail: [ubjoshi@bkkhareco.com](mailto:ubjoshi@bkkhareco.com)

### ***Interse Responsibilities of the BRLMs***

The following table sets forth the distribution of responsibility and co-ordination for various activities amongst the Axis and Avendus:

S. No.	Activity	Responsibility	Co-ordinator
1.	Capital structuring with relative components and formalities	Axis and Avendus	Axis
2.	Due diligence of our Company including its operations/ management/ business plans/ legal etc. Drafting and design of the Red Herring Prospectus and of Application Forms including a memorandum containing salient features of the Offer Document. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI including finalization of the Offer Document and RoC filing	Axis and Avendus	Axis
3.	Drafting and approval of all statutory advertisements	Axis and Avendus	Axis
4.	Drafting and approval of all publicity material other than statutory advertisements as mentioned above, including corporate advertisements, brochures, Road show presentation, Frequently asked questions etc.	Axis and Avendus	Avendus
5.	Appointment of other intermediaries including Registrar to the Issue, Printers, Advertising Agency and Bankers to the Issue	Axis and Avendus	Axis
6.	Domestic institutional marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> <li>Finalizing the list and division of investors for one to one meetings and</li> <li>Finalizing the road show schedule and the investor meeting schedules</li> </ul>	Axis and Avendus	Axis
7.	International institutional marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> <li>Finalizing the list and division of investors for one-to-one meetings; and</li> <li>Finalizing the road show schedule and the investor meeting schedules</li> </ul>	Axis and Avendus	Avendus
8.	Non-institutional and retail marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"> <li>Finalizing media marketing and public relations strategy;</li> <li>Preparation of publicity budget;</li> <li>Finalizing centres for holding conferences for brokers;</li> <li>Follow-up on distribution of publicity and Issue material including forms the Prospectus and deciding on the quantum of Issue material;</li> <li>Finalizing collection centres; and</li> <li>Finalizing Bidding centres</li> </ul>	Axis and Avendus	Axis
9.	Co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading;	Axis and Avendus	Avendus
10.	Finalization of Price in consultation with the Company	Axis and Avendus	Axis
11.	Post-Bidding activities including management of Escrow Accounts, co-ordination of non-institutional allocation, announcement of allocation and dispatch of refunds to Bidders, etc. The post-Issue activities will involve essential follow up steps, including the finalization of trading, dealing of instruments, and demat delivery of shares with the various agencies connected with the work such as the Registrars to the Issue, the Bankers to the Issue, the bank handling refund business and the SCSBs. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and discharge this responsibility through suitable agreements with our Company.	Axis and Avendus	Avendus

### ***Credit Rating***

As this is an Issue of Equity Shares, credit rating is not required for this Issue.

### ***Agencies Providing Expert Opinion***

Except the report titled '*Precision Tubes Market in India*' prepared by Frost & Sullivan, dated June, 2010, and the report prepared by the IPO Grading Agency, ICRA Limited, our Company has not obtained any expert opinions.



### ***Frost & Sullivan***

Frost & Sullivan (India) Private Limited,  
Tower 6, Unit 641-642,  
Solitaire Corporate Park,  
M VasANJI Marg,  
Chakala, Andheri (East),  
Mumbai-400 093  
India

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

ICRA Limited  
Electric Mansion, 3<sup>rd</sup> Floor,  
Appasaheb Maratha Marg,  
Prabhadevi,  
Mumbai- 400 025  
Tel: +91-22-2433 1046  
Fax: +91-22-2433 1390

### ***IPO Grading***

This Issue has been graded by ICRA Limited, a SEBI registered credit rating agency, and has been assigned the “IPO Grade 3” indicating average fundamentals through its letter dated March 8, 2011, which is valid for a period of 6 months. The IPO grading is assigned on a five point scale from 1 to 5 wherein an “IPO Grade 5” indicates strong fundamentals and “IPO Grade 1” indicates poor fundamentals. A copy of the report provided by ICRA Limited, furnishing the rationale for its grading will be made available for inspection at our Registered and Corporate Office from 10.00 a.m. to 4.00 p.m. on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date. For details of IPO Grading rationale please refer to the chapter titled “*Other Regulatory and Statutory Disclosures*” on page 380 of this Red Herring Prospectus.

### ***Consent of Agencies providing Expert Opinion***

We confirm that Frost and Sullivan and ICRA have not been engaged or interested in the formation or promotion, or in the management, of our Company. Further, we confirm that our Company has obtained Frost & Sullivan’s and ICRA’s consent to use their name and report in this Red Herring Prospectus and that Frost & Sullivan and ICRA have not withdrawn their consent for their name to be included in this Red Herring Prospectus.

For disclosures as regards the Disclaimers provided by the agencies providing Expert Opinion please refer to the Chapter titled “*Other Regulatory and Statutory Disclosures*” on page 380 of the Red Herring Prospectus.

### ***Trustees***

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

### ***Monitoring Agency***

A monitoring agency is not required to be appointed in terms of sub-regulation (1) of Regulation 16 of the SEBI (ICDR) Regulations. Our Company will disclose the utilization of the Net Proceeds under a separate head along with details in the Balance Sheet of our Company for the relevant Financial Years subsequent to the Issue, for all such Net Proceeds that have not been utilized. Our Company will indicate investments, if any, of unutilized Net Proceeds in the Balance Sheet of our Company for the relevant Financial Years subsequent to the Issue.

### ***Appraisal Entity***

The objects of this Issue have not been appraised by any agency. The objects of this Issue and means of finance therefore are based on internal estimates of our Company.

### ***Book Building Process***

“Book building” refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the ASBA Forms. The Issue Price shall be determined by our Company, in consultation with the Book Running Lead Managers, after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. Our Company;
2. The Book Running Lead Managers;
3. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with any of The Stock Exchanges and eligible to act as underwriters;
4. The Registrar to the Issue;
5. The Escrow Collection Banks; and
6. SCSBs.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Our Company may, in consultation with the Book Running Lead Managers, allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Price in accordance with the SEBI Regulations. At least one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds only. Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of two Anchor Investors. An Anchor Investor shall make a minimum Bid of such number of Equity Shares that the Bid Amount is at least Rs. 1,000 lakhs. Further, Anchor Investors shall pay the entire Bid Amount at the time of submission of the Bid cum Application Form to the Book Running Lead Managers and the balance within the Pay-in Date which shall be a date no later than two days of the Bid/Issue Closing Date. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion.

**In accordance with the SEBI Regulations, QIBs bidding in the Net QIB Portion are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Further, allocation to QIBs will be on a proportionate basis.**

Our Company will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, our Company has appointed the Book Running Lead Managers to manage this Issue and procure subscriptions to this Issue.

**The Book Building Process is subject to change. Investors are advised to make their own judgment about an investment through this process prior to submitting a Bid.**

### ***Steps to be taken by the Bidders for making a Bid or application in this Issue:***

1. Check eligibility for making a Bid. For further details, see the section titled “Issue Procedure” beginning on page number 402 of the Red Herring Prospectus;
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Form, as the case may be;
3. Ensure that the Bid cum Application Form or ASBA Form is duly completed as per the instructions given in the Red Herring Prospectus and in the respective forms;

4. Ensure that you have mentioned your PAN in the Bid cum Application Form or ASBA Form (for further details, see the section titled “*Issue Procedure*” beginning on page number 402 of the Red Herring Prospectus);
5. Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form and the ASBA Form (see the Chapter titled “*Issue Procedure*” beginning on page number 402 of the Red Herring Prospectus). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants’ verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;
6. Ensure the correctness of your Demographic Details (as defined in the section titled “*Issue Procedure – Bidder’s PAN, Depository Account and Bank Account Details*” beginning on page number 421 of the Red Herring Prospectus), given in the Bid cum Application Form or ASBA Form, with the details recorded with your Depository Participant;
7. Bids by ASBA Bidders will only have to be submitted to the SCSBs at the Designated Branches. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that their ASBA Form is not rejected; and
8. Bids by QIBs (including Anchor Investors, but excluding ASBA Bidders) must be submitted to the BRLMs and/or their affiliates.

#### ***Illustration of Book Building Process and the Price Discovery Process***

*(Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue and excludes information pertaining to Bidding by Anchor Investors)*

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

<b>Bid Quantity</b>	<b>Bid Price (Rs.)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

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

#### ***Withdrawal of this Issue***

In accordance to SEBI Regulations, our Company in consultation with Book Running Lead Managers, reserve the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date, without assigning reasons thereof. In the event of withdrawal of this Issue after the Bid/Issue Closing Date, the reasons therefore shall be disclosed in a public notice which shall be published within two days of the Bid/Issue Closing Date in English and Hindi daily national newspapers and one regional daily newspaper, each with wide circulation and the Stock Exchanges shall be informed promptly. The Book Running Lead Managers, through the Registrar to the Issue shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the date of receipt of such notification.

Further, in the event our Company, in consultation with the Book Running Lead Managers withdraw the Issue after the Issue Closing Date and subsequently we decided to proceed with the public offering, a fresh offer document will be filed with SEBI/RoC.

Notwithstanding the foregoing, this Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

**In terms of the SEBI Regulations, QIBs bidding in the Net QIB Portion shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date. Since, the Bid / Issue Period for QIBs may close one day prior to the Offer Closing Date, QIBs will not be able to withdraw their Bids after [●] i.e., one day prior to the Offer Closing Date.**

#### **Bid/Issue Program**

<b>BID/ISSUE ON*</b>	<b>OPENS</b>	<b>FOR ALL BIDDERS</b>	<b>April 26, 2011</b>
<b>BID/ISSUE ON</b>	<b>CLOSES</b>	<b>FOR QIBs</b>	<b>April 28, 2011</b>
		<b>FOR RETAIL AND NON-INSTITUTIONAL BIDDERS</b>	<b>April 29, 2011</b>

*\*Our Company in consultation with the BRLMs, may consider participation by Anchor Investors in terms of the SEBI ICDR Regulations. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date. Bids by Anchor Investors will be submitted to the BRLMs. The number of Equity Shares allocated to each Anchor Investor and Anchor Investor Issue Price shall be made available in the public domain by the BRLMs, before the Bid / Issue Opening Date.*

**Bids and any revision in Bids shall be accepted only between 10.00 a.m. to 5.00 p.m. (Indian Standard Time) during the Bid/Issue Period at the Bidding Centers mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, by the member of the syndicate or the Designated Branches of the SCSBs except that on the Bid/Issue Closing Date:**

#### **For QIB Bidders**

- Bids shall be accepted only between 10.00 a.m. to 4.00 p.m. (Indian Standard Time) and uploaded until 5.00 pm (Indian Standard Time). QIB Bid / Issue Closing Date for the QIB Bidders will be a day prior to the Bid / Issue Closing Date.

#### **For Non-Institutional Bidders**

- Bids shall be accepted only between 10.00 a.m. to 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time).

#### **For Retail Individual Investors**

- Bids shall be accepted only between 10.00 a.m. to 4.00 p.m. (Indian Standard Time) and uploaded until 5.00 pm (Indian Standard Time) which may be extended upto such time subject to permission from BSE and NSE.

Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are requested to note that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last date. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids not uploaded in the book would be rejected. If such Bids are not uploaded, our Company, BRLMs, Syndicate Members, Sub-syndicate members and the SCSBs will not be responsible. Bids will be accepted only on Working Days. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up

to the closure of timings for acceptance of Bid cum Application Forms and ASBA Form as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

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

Our Company in consultation with the BRLMs reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations provided that the revised cap of the price band should not be more than 20% of the revised floor of the band i.e. revised cap of the Price Band shall be less than or equal to 120% of the revised floor of the price band. The Floor Price can be revised up or down to a maximum of 20% of the original Floor Price and shall be advertised at least one Working Day before the Bid /Issue Opening Date. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

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

### Underwriting Agreement

After the determination of the Issue Price, but prior to filing of the Prospectus with the RoC, our Company intends to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue, except such Equity Shares as are required to be compulsorily allotted to QIBs under the QIB Portion. It is proposed that pursuant to the terms of the Underwriting Agreement, the Underwriters shall be responsible for bringing in the amount devolved to fulfil their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC.)*

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs.lakhs)
[●]	[●]	[●]
[●]	[●]	[●]
<b>Total</b>	[●]	[●]

*The above-mentioned amount is indicative and will be finalised after determination of the Issue Price and finalization of the 'Basis of Allotment'.*

In the opinion of our Board (based on a certificate given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as

brokers with the Stock Exchanges. Our Board, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

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

The underwriting arrangements mentioned above shall not apply to the subscriptions by the ASBA Bidders in this Issue.

In case of under-subscription in the Issue, the Book Running Lead Managers as described in the section titled “*General Information – Statement of Responsibilities of the Book Running Lead Managers*” beginning on page number 65 of the Red Herring Prospectus, responsible for underwriting arrangements shall be responsible for invoking underwriting obligations and ensuring that the notice for devolvement containing the obligations of the Underwriters is issued in terms of the SEBI Regulations.

## CAPITAL STRUCTURE

The share capital of our Company, as of the date of this Red Herring Prospectus is set forth below:

(Rs. in lakhs)

Sr. No	Particulars	Aggregate Value at nominal value	at	Aggregate Value at Issue Price
<b>1.</b>	<b>AUTHORISED CAPITAL</b>			
	750,00,000 Equity shares of Rs. 10/- each	7,500.00		
<b>2.</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
	41,062,349 Equity shares of Rs. 10/- each*	4,106.23		
<b>3.</b>	<b>PRESENT ISSUE TO THE PUBLIC IN TERMS OF THIS RED HERRING PROSPECTUS**</b>			
	Public Issue of [●] Equity Shares of Rs. 10/- each fully paid up aggregating to Rs. [●]/-***	[●]		[●]
<b>4.</b>	<b>Paid up Capital after the Issue</b>			
	[●] Equity Shares of Rs. 10/- each	[●]		[●]
<b>5.</b>	<b>Share Premium Account</b>			
	Before the Issue	5,988.16		
	After the Issue****	[●]		

\* Our Company has allotted 26,00,000 Equity Shares to Standard Chartered Private Equity (Mauritius) II Limited at a price of Rs. 117 per Equity Share through a Board Resolution dated February 8, 2011. For details of the Subscription and Shareholders Agreement please refer to the chapter titled "History and Certain Corporate Matters" on page 154 of the Red Herring Prospectus.

\*\* Available for allocation on a proportionate basis (except for allocation to Anchor Investors, which shall be done on a discretionary basis), subject to valid Bids being received at or above the Issue Price.

\*\*\* This Issue has been authorized by resolution of our Board dated August 4, 2010, and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the AGM of the shareholders of our Company held on September 6, 2010.

\*\*\*\* The Securities Premium Account after the Issue shall be determined after Book Building Process.

### NOTES TO THE CAPITAL STRUCTURE

#### 1. Details of increase in the Authorised Capital of Our Company since incorporation:

Sr. No.	Particulars of Increase	Date of Shareholders' Meeting	AGM/EGM
From	To		
1. Rs. 5,00,000/- consisting of 50,000 Equity shares of Rs. 10/- each.	-	Incorporation	-
2. Rs. 5,00,000/- consisting of 50,000 Equity shares of Rs. 10/- each.	Rs. 50,00,000/- consisting of 5,00,000 Equity Shares of Rs.10/- each.	April 5, 2002	EGM
3. Rs. 50,00,000/- consisting of 5,00,000 Equity Shares of Rs.10/- each.	Rs. 5,00,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each.	May 5, 2003	EGM
4. Rs. 5,00,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/-	Rs. 5,10,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/-	August 16, 2003	EGM

Sr. No.	Particulars of Increase		Date of Shareholders' Meeting	AGM/EGM
	From	To		
	each.	each aggregating to Rs. 5,00,00,000/- and 1,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 10,00,000/-.		
5.	Rs. 5,10,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 1,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 10,00,000/-.	Rs. 9,00,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/-.	February 7, 2005	EGM
6.	Rs. 9,00,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/-.	Rs. 11,00,00,000/- consisting of 70,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 7,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/-.	November 15, 2007	EGM
7.	Rs. 11,00,00,000/- consisting of 70,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 7,00,00,000/- and 40,00,000 12% redeemable, non-cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/-	40,00,000 12% redeemable, non-cumulative, non participating preference shares of Rs. 10/- each stands reclassified as 40,00,000 Equity shares of Rs. 10/- each aggregating to Rs. 11,00,00,000/- consisting of 1,10,00,000 Equity Shares of Rs.10/- each	September 18, 2010	EGM
	Rs. 11,00,00,000/- consisting of 1,10,00,000 Equity Shares of Rs.10/- each	Rs. 75,00,00,000/- consisting of 750,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 75,00,00,000/-	September 18, 2010	EGM

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

Date of Allotment / Fully Paid-up	No. of Equity Shares	Face Value (in Rs.)	Issue Price (in Rs.)	Nature of Consideration	Nature of allotment	Cumulative Paid -up Capital (Rs.)	Cumulative No. of shares	Cumulative Securities Premium (Rs.)
August 22, 1991	40	10	10	Cash	Subscription to Memorandum of Association <sup>(1)</sup>	400	40	0
December 21, 1991	9,760	10	10	Cash	Further allotment <sup>(2)</sup>	98,000	9,800	0
March 31, 1993	1,900	10	10	Cash	Further allotment <sup>(3)</sup>	117,000	11,700	0
April 15, 2003	4,988,300	10	10	Cash	Further allotment <sup>(4)</sup>	5,00,00,000	50,00,000	0
December 28, 2007	100	10	10	Cash	Further allotment <sup>(5)</sup>	5,00,01,000	50,00,100	0
July 30, 2010	3,79,280	10	NIL	Bonus Share	Further allotment <sup>(6)</sup>	5,37,93,800	53,79,380	0



August 16, 2010	7,10,492	10	492.62	Cash	Further allotment <sup>(7)</sup>	6,08,98,720	60,89,872	34,28,95,080
September 18, 2010	3,04,49,360	10	NIL	Bonus Shares	Further allotment <sup>(8)</sup>	36,53,92,320	3,65,39,232	34,28,95,080
September 28, 2010	19,23,117	10	10	Cash	Further allotment <sup>(9)</sup>	38,46,23,490	3,84,62,349	34,28,95,080
February 8, 2011	26,00,000	10	117	Cash	Preferential Allotment <sup>(10)</sup>	41,06,23,490	4,10,62,349	59,88,16,000

1. *Initial allotment of 10 equity shares each to (1) Praveen Oswal; (2) Manoj Oswal; (3) Sachin Mehta; and (4) Mahendra Deval*
  2. *Preferential allotment of 9,760 shares to Dongarchand Oswal 1,100 shares, Priyalata Oswal 1,000 shares, Vinod Oswal 1,000 shares, Chandra Oswal 1,000 shares, Pravin Oswal 990 shares, Shobha Oswal 1,000 shares, Manoj Oswal 990 shares, Rashmita Oswal 1,000 shares, Manish Oswal 100 shares, Sneha Oswal 100 shares, Akash Oswal 100 shares, Nikhil Oswal 100 shares, Hitesh Oswal 100 shares, Mahendra Deval 490 shares, Sachin Mehta 490 shares, Sarojini Deval 100 shares and Sulbha Mehta 100 shares*
  3. *Preferential allotment of 1,900 equity shares to Prakash Mehta 100 shares, Gaurav Oswal 200 shares, Krishna Deval 100 shares, Pushkraj Bafna 100 shares, Mansi Deval 100 shares, Rajanikant Rathod 100 shares, Jayashri Deval 100 shares, Sangeeta Rathod 100 shares, Deepak Patil 100 shares, Vasant Patil 100 shares, Balasaheb Nizampurkar 100 shares, Panibai Bafna 100 shares, Mamta Mehta 100 shares, Ganesh Pimple 100 shares, Milind Deval 100 shares, Makarand Deval 100 shares, T. D. Jain 100 shares and Manali Deval 100 shares*
  4. *Preferential allotment of 49,88,300 equity shares to Chandu Chavan 44,02,491 shares, Ravindra Katre 54,000 shares, Sanjay Bhade 1,04,439 shares, Sanjay Waghulade 2,29,370 shares, Parag Mulye 93,000 shares and Shivaji Katke 1,05,000 shares.*
  5. *Preferential allotment of 100 equity shares to Deutsche Bank AG*
  6. *Bonus Issue of 3,79,280 equity shares to Kavos Capital Limited in the ratio of 1.51712 shares for every single share on their existing holding of 2,50,000 equity shares as on the record date, i.e. July 30, 2010 in compliance with Section 205 (3) of the Companies Act. All the existing shareholders of our Company, except Kavos, waived their respective entitlements to receive the bonus shares.*
  7. *Preferential allotment of 7,10,492 equity shares to Kavos Capital Limited*
  8. *Bonus Issue of 3,04,49,360 equity shares in the ratio of five shares for every share held in the Company as on the record date, i.e. September 18, 2010*
  9. *Preferential allotment of 19,23,117 equity shares to Innoventive Group Employees Welfare Trust. For further details regarding the Innoventive Group Employee(s) Welfare Trust, please refer to the chapter titled "Our Management" on page number 178 of this Red Herring Prospectus.*
  10. *Pursuant to the Pre-IPO Placement, our Company made a preferential allotment of 26,00,000 Equity Shares at a price of Rs. 117 per equity share to Standard Chartered Private Equity (Mauritius) II Limited*
3. *Our Company has not issued any Equity Shares for consideration other than cash except as provided below:*

#### **Bonus Issue**

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Reasons for Allotment	Benefit accrued to our Company
July 30, 2010	3,79,280	10	Bonus issue of ratio 1.51712:1	NIL

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Reasons for Allotment	Benefit accrued to our Company
September 18, 2010*	3,04,49,360	10	Bonus issue of ratio 5:1	NIL

\*Bonus issued out of the free reserves of the Company as at March 31, 2010, as certified by the statutory auditor, B.K. Khare & Co., Chartered Accountants, vide certificate dated September 28, 2010

Bonus shares have been issued by converting the free reserves of our Company into share capital. As a result of the issuance of bonus shares, the equity share capital of our Company has increased by an amount equivalent to the number of bonus shares issued. Therefore, the bonus issue of shares have been issued at 'Nil' consideration.

#### 4. Details of shareholding of Kavos Capital Limited in our Company

- On June 7, 2008, Mr. Chandu Chavan transferred 2,50,000 Equity Shares to Kavos Capital Limited at a price of Rs. 600 per equity share for a total consideration of Rs. 15,00,00,000.
- Kavos Capital Limited was allotted 3,79,280 Equity Shares of Rs. 10/- each pursuant to the Bonus Issue made by our Company at the ratio of 1.51712 bonus shares for every single share held in our Company as on the record date i.e. July 30, 2010.
- On August 16, 2010, our Company made a preferential allotment of 7,10,492 Equity Shares to Kavos Capital Limited at a price of Rs. 492.62 per equity share for a total consideration of Rs. 35,00,00,000.
- Kavos Capital Limited was allotted 66,98,860 Equity Shares of Rs. 10/- each pursuant to a Bonus Issue made by our Company at the ratio of 5 bonus shares for every share held in our Company as on the record date i.e. September 18, 2010.

The total shareholding of Kavos Capital Limited in our Company as on the date of Red Herring Prospectus is 80,38,632 equity shares. Thus, the effective cost of acquisition of 80,38,632 Equity Shares by Kavos Capital Limited is Rs. 62.20 per Equity Share.

#### 5. Shareholding of our Promoters and Promoter Group

Names of Shareholders	Pre Issue		Post Issue	
	No. Of Equity Shares	Percentage of shareholding	No. Of Equity Shares	Percentage of Shareholding*
<b>Our Promoters</b>				
Mr. Chandu Chavan	1,29,70,500	31.59%	1,29,70,500	[●]
Mr. Sanjay Waghulade	32,92,361	8.02%	32,92,361	[●]
Mr. Ravindra Katre	21,00,000	5.11%	21,00,000	[●]
<b>Sub Total (A)</b>	<b>1,83,62,861</b>	<b>44.72%</b>	<b>1,83,62,861</b>	<b>[●]</b>
<b>Our Promoter Group</b>				
Mr. Shivaji Katke	9,97,365	2.43%	9,97,365	[●]
Mr. Parag Mulye	12,28,903	2.99%	12,28,903	[●]
Mr. Sanjay Bhade	12,28,903	2.99%	12,28,903	[●]
Ms. Shubhangi Jadhav	26,99,013	6.57%	26,99,013	[●]
Ms. Vishakha Bhade	1,25,000	0.30%	1,25,000	[●]
Ms. Mrunal Katre	17,15,437	4.18%	17,15,437	[●]
Ms. Kavita Dhupkar	1,25,000	0.30%	1,25,000	[●]
Ms. Smita Katke	95,000	0.23%	95,000	[●]
Mr. Ajay Yervadekar	3,59,895	0.88%	3,59,895	[●]
<b>Sub Total (B)</b>	<b>85,74,516</b>	<b>20.88%</b>	<b>85,74,516</b>	<b>[●]</b>
<b>Total Promoters and Promoter Group ((A) + (B))</b>	<b>2,69,37,377</b>	<b>65.60%</b>	<b>2,69,37,377</b>	<b>[●]</b>

*\*The post-Issue percentage of shareholding of our Promoters and Promoter Group shall be determined at the time of filing the Prospectus with the Registrar of Companies, Pune*

## 6. Details of Promoters' contribution and lock-in

The Equity Shares held by the Promoters were acquired / allotted in the following manner:

### a. Details of build-up of shareholding of Promoters

Name of the Promoter	Date of Allotment / Transfer / Acquisition	No. of Equity Shares	Face Value (Rs.)	Issue / Acquisition Price Per Share	Consideration (Cash/ bonus/ kind etc)	Nature of Transaction
<b>Mr. Chandu Chavan</b>	January 10, 2002	100	10	385	Cash	Acquisition
	June 28, 2002	1,000	10	385	Cash	Acquisition
	July 8, 2002	1,200	10	385	Cash	Acquisition
	July 14, 2002	1,300	10	385	Cash	Acquisition
	August 20, 2002	50	10	385	Cash	Acquisition
	August 20, 2002	3,701	10	654	Cash	Acquisition
	August 30, 2002	3,249	10	654	Cash	Acquisition
	September 5, 2002	20	10	654	Cash	Acquisition
	April 15, 2003	44,02,491	10	10	Cash	Fresh Issue
	May 8, 2003*	(14,14,191)	10	Nil	Nil	Gift of Shares/Transfer
	February 12, 2005**	(5,88,300)	10	Nil	Nil	Gift of Shares/Transfer
	June 20, 2007	1,030	10	10	Cash	Acquisition
	June 7, 2008	(2,50,000)	10	600	Cash	Transfer
	April 23, 2010	100	10	10	Cash	Acquisition
	September 18, 2010	1,08,08,750	10	Nil	Nil	Bonus Share Issue
	<b>Total</b>	<b>1,29,70,500</b>				
<b>Mr. Sanjay Waghulade</b>	March 1, 2002	10	10	10	Cash	Acquisition
	April 15, 2003	2,29,370	10	10	Cash	Fresh Issue
	May 8, 2003	3,70,630	10	Nil	Nil	Gift of Shares/Acquisition
	September 18, 2010	30,00,050	10	Nil	Nil	Bonus Share Issue
	September 26, 2010	(3,07,699)	10	18.71	Cash	Transfer
	<b>Total</b>	<b>32,92,361</b>				
<b>Mr. Ravindra Katre</b>	March 1, 2002	10	10	10	Cash	Acquisition
	April 15, 2003	54,000	10	10	Cash	Fresh Issue
	May 8, 2003	2,96,000	10	Nil	Nil	Gift of Shares/Acquisition
	September 18, 2010	17,50,050	10	Nil	Nil	Bonus Share Issue
	September 26, 2010	(3,84,623)#	10	18.71	Cash	Transfer
	September 26, 2010	3,84,563#	10	Nil	Nil	Gift of Shares/Acquisition
	<b>Total</b>	<b>21,00,000</b>				

\* Mr. Chandu Chavan transferred 14,14,191 Equity Shares by way of gift on May 8, 2003 to the following people:

Sr. No.	Number of Shares Transferred	Name of Transferee
1.	370630 equity shares	Mr. Sanjay Waghulade
2.	20,561 equity shares	Mr. Sanjay Bhade
3.	32,000 equity shares	Mr. Parag Mulye
4.	125,000 equity shares	Mrs. Kavita Dhupkar
5.	350,000 equity shares	Mrs. Mrunal Katre
6.	125,000 equity shares	Mrs. Vishaka Bhade
7.	95,000 equity shares	Mrs. Smita Katke
8.	296,000 equity shares	Mr. Ravindra W. Katre

\*\* Mr. Chandu Chavan transferred 5,88,300 on February 12, 2005 to Ms. Shubhangi Jadhav by way of gift

# Mr. Ajay Yervadekar was the erstwhile owner of Seven Star Electrodes Private Limited (“SSEPL”). He has been assisting the current Promoters of the Issuer Company to conduct the business of SSEPL by providing technical know-how. As a sign of gratitude for the continuous support being shown by Mr. Yervadekar, the current promoters (Mr. Chandu Chavan, Mr. Ravindra Katre, Mr. Sanjay Waghulade, Mr. Shivaji Katke, Mr. Parag Mulye, Mr. Sanjay Bhade and Ms. Shubhangi Jadhav) entered into a Memorandum of Understanding (MoU) with Mr. Yervadekar on April 5, 2010 to transfer 19,23,118 equity shares of our Company which constituted 5% of the total paid up equity share capital for a consideration of Rs. 3,60,00,000. Thereafter, on September 26, 2010, pursuant to the MoU, Mr. Ravindra Katre transferred 3,84,623 equity shares at a price of Rs. 18.71 per equity share to Mr. Ajay Yervadekar. Subsequent to the said transfer, in order to retain the proportionate shareholding of Mr. Katre in our Company, his wife Ms. Mrunal Katre transferred 3,84,563 Equity Shares by way of gift on September 26, 2010.

**b. Details of Promoters Contribution locked-in for three years**

As per clause (a) sub-regulation (1) Regulation 32 of the SEBI (ICDR) Regulations, 2009, and in terms of the aforesaid table, an aggregate of 20% of the post-Issue shareholding of the Promoters viz. Mr. Chandu Chavan, Mr. Ravindra Katre and Mr. Sanjay Waghulade shall be locked-in for a period of three years. The details of such lock-in are given below:

Name of the Promoter	Date of Allotment / Transfer / Acquisition	No. of Equity Shares	Face Value (Rs.)	Issue / Acquisition Price	Nature of Consideration	Nature of Transaction	Percentage of Pre-issue paid up capital	Percentage of Post-issue paid up capital
Mr. Chandu Chavan	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	TOTAL	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Mr. Ravindra Katre	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	TOTAL	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Mr. Sanjay Waghulade	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	TOTAL	[●]	[●]	[●]	[●]	[●]	[●]	[●]

\* The figures to be provided in this table shall be finalised upon determination of Issue Price and the number of Equity Shares to be issued in the Issue, consequent to the Book Building Process.

The share certificate for Equity Share in physical form, which is subject to lock-in, shall carry the inscription ‘non-transferable’ and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the Stock Exchanges prior to listing of the Equity Shares.

We confirm that specific written consent has been obtained from our Promoters, whose Equity Shares form part of Promoters' contribution, to lock-in their Equity Shares for a period of three years to ensure minimum Promoter's contribution to the extent of 20% of the post-Issue paid-up capital of our Company and have agreed not to sell or transfer or pledge or otherwise dispose off in any manner, the Promoters' Contribution from the date of filing of the Red Herring Prospectus until the commencement of the lock-in period.

We confirm that the minimum Promoters' contribution of 20% which is subject to lock-in for three years does not consist of:

- (i) equity shares acquired in past three years for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or
- (ii) equity shares resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution during the period of last three years;
- (iii) equity shares acquired by promoter during the preceding one year at a price lower than the price at which equity shares are being offered to public in the Issue;
- (iv) Our Company has not been formed by the conversion of partnership firm into a company;
- (v) The Equity Shares held by the Promoters and offered for minimum 20% promoters' contribution are not subject to pledge.
- (vi) The minimum Promoter's contribution has been brought to the extent of not less than the specified minimum lot and from persons defined as Promoter under the SEBI ICDR Regulations. Our Company has obtained a consent dated [●] from our Promoters for the lock-in of [●] Equity Shares, held by them, for three years from the date of Allotment and for lock-in of the balance pre-Issue Equity Share capital of our Company, held by them, for a period of one year from the date of Allotment. Equity Shares offered by the Promoter for the minimum Promoter's contribution are not subject to pledge.

The promoters contribution and the particulars of lock in of shares will be finalized upon determination of Issue Price and the number of Equity Shares to be issued in the Issue, consequent to the Book Building Issue. The Equity Shares issued pursuant to the Bonus Issue are also eligible for Promoter's Contribution and Lock-In, as the same was made pursuant to capitalization of the free reserves of the Issuer Company. The details of reserves and surplus and cash balance on a standalone basis as at March 31, 2010 is provided below.

#### **Reserves and Surplus as at March 31, 2010**

		<i>(Rs. In Lakhs)</i>
<b>Particulars</b>		<b>March 31, 2010</b>
General Reserve-Opening Balance		190.92
Add: Transferred from the P&L Account		273.91
		<b>464.83</b>
Revaluation Reserve		65.64
Capital Redemption Reserve		400.00
Balance in P&L Account		5, 674.35
<b>Total</b>		<b>6,604.82</b>

#### **Cash and Bank Balances as at March 31, 2010**

		<i>(Rs. In Lakhs)</i>
<b>Cash &amp; Bank Balances</b>		<b>March 31, 2010</b>

Cash on Hand	2.89
Balances with Scheduled Banks	-
In Current Account	35.65
In Margin money Deposit account	1,543.39
In Fixed Deposit Account	-
<b>Total</b>	<b>1,581.94</b>

**c. Equity Shares locked-in for one year**

In addition to 20% of post-Issue shareholding of our Company, locked-in for three years as the minimum Promoters' Contribution, as specified above, our entire pre-Issue Equity Share capital, constituting [●] Equity Shares, will be locked-in for a period of one year from the date of Allotment. Further, such lock-in of the Equity Shares would be created as per the bye laws of the Depositories.

Any Equity Shares allotted to Anchor Investors in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.

**d. Other requirements in respect of 'lock-in'**

Shares held by any person other than our Promoter, prior to this Issue, which are subject to lock in as per the provisions of Regulation 37 of SEBI (ICDR) Regulation, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Takeover Code as applicable.

Shares held by our Promoter which are locked in as per the provisions of Regulation 36 of the SEBI (ICDR) Regulations, may be transferred to and amongst Promoter / Group Entities or to a new promoter or persons in control of our Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Takeover Code, as applicable. The locked-in Equity Shares held by our Promoters can be pledged only with any scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or financial institutions, subject to the following:

- If the specified securities are locked-in in terms of sub-regulation (b) of Regulation 36 of the SEBI (ICDR) Regulations, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;
- If the specified securities are locked-in in terms of sub-regulation (b) of Regulation 36 of the SEBI (ICDR) Regulations and the pledge of specified securities is one of the terms of sanction of the loan.

**7. Our shareholding pattern**

The table below represents the shareholding pattern of our Company, before the proposed Issue and as adjusted for this Issue:

Category Code	Category of shareholder	No. of share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a % (A+B)	As a % of (A+B+C)	Number of shares	As a % age
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII) / (IV)*100
(A)	<b>Share holding of Promoter and Promoter Group</b>							
(1)	<b>Indian</b>							

Category Code	Category of shareholder	No. of share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a % (A+B)	As a % of (A+B+C)	Number of shares	As a % age
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII) / (IV)*100
(a)	Individuals/ Hindu Undivided Family	12	2,69,37,377	2,66,87,377	65.60%	65.60%	2,50,000	0.61%
(b)	Central Government/ State Government(s)	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(c)	Bodies Corporate	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(d)	Financial Institutions/ Banks	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(e)	Any Others (specify)	N. A	N. A	N. A	N. A	N. A	N. A	N. A
	<b>Sub-Total (A) (1)</b>	12	2,69,37,377	2,66,87,377	65.60%	65.60%	2,50,000	0.61%
<b>(2)</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(b)	Bodies Corporate	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(c)	Institutions	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(d)	Any other (specify)	N. A	N. A	N. A	N. A	N. A	N. A	N. A
	<b>Sub-Total (A) (2)</b>	N. A	N. A	N. A	N. A	N. A	N. A	N. A
	<b>Total shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)</b>	12	2,69,37,377	2,66,87,377	65.60%	65.60%	2,50,000	0.61%
<b>(B)</b>	<b>Public shareholding</b>							
(1)	Institutions							
(a)	Mutual Funds/ UTI	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(b)	Financial Institutions/ Banks	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(c)	Central Government/ State Government(s)	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(d)	Venture Capital Funds	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(e)	Insurance Companies	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(f)	Foreign Institutional	N. A	N. A	N. A	N. A	N. A	N. A	N. A

Category Code	Category of shareholder	No. of share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a % (A+B)	As a % of (A+B+C)	Number of shares	As a % age
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII) / (IV)*100
	Investors							
(g)	Foreign Venture Capital Investors @	1	26,00,000	N. A	6.33%	6.33%	N. A	N. A
(h)	Any Other (specify)	N. A	N. A	N. A	N. A	N. A	N. A	N. A
	<b>Sub-Total (B) (1)</b>	1	26,00,000	N. A	6.33%	6.33%	N. A	N. A
<b>(2)</b>	<b>Non-Institutions</b>							
(a)	Bodies Corporate*	2	96,01,855	15,63, 223	23.38%	23.38%	Nil	Nil
(b)	Individuals i Individual shareholders holding nominal capital up to Rs.1 Lakh ii Individual shareholders holding nominal capital up in excess of Rs.1 Lakh	N. A	N. A	N. A	N. A	N. A	N. A	N. A
(c)	Any Other i.e. Innovative Group Employee(s) Welfare Trust	1	19,23,117	Nil	4.68%	4.68%	Nil	Nil
	<b>Sub-Total (B) (2)</b>	3	1,15,24,972	15,63,223	28.07%	28.07%	Nil	Nil
	<b>Total Public Holding (B)= (B)(1)+ (B)(2)</b>	4	1,41,24,972	15,63,223	34.40%	34.40%	Nil	Nil
	<b>TOTAL (A) + (B)</b>	16	4,10,62,349	30,00,100	100%	100%	2,50,000	0.61%
<b>(C)</b>	<b>Shares held by custodians and against which Depository Receipts have been issue</b>	N. A	N. A	N. A	N. A	N. A	N. A	N. A
	<b>GRAND TOTAL (A)+(B)+(C)</b>	16	4,10,62,349	2,82,50,600	100%	100%	250,000	0.61%

<sup>#</sup> This is based on the assumption that the existing shareholders, shall continue to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that shareholders (excluding Promoter) may subscribe for and be Allotted or transferred pursuant to this Issue.



\* Kavos Capital Limited and Standard Chartered Private Equity (Mauritius) III Limited are the Bodies Corporate. Kavos Capital Limited owns 19.58% and Standard Chartered Private Equity (Mauritius) III Limited owns 3.81% of the pre-Issue paid up capital of our Company

@ Standard Chartered Private Equity (Mauritius) II Limited is registered with SEBI as an FVCI bearing registration number IN/FVCI/05-06/22 and it holds 6.33% of the pre-Issue paid up capital of our Company

\*\* 2,50,000 shares of our Company held in physical form by Mr. Chandu Chavan have been pledged with Central Bank of India, Camp Branch, Pune in order to enable Opal Luxury Time Products Private Limited to avail credit facilities from Central Bank of India.

#### 8. Details of transactions in Equity Shares by the Promoter, Promoter Group, directors of the Promoters and our Directors

The following are the Equity Shares that have been sold or purchased by the Promoter, Promoter Group, directors of our Promoters and our Directors during the period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

Date of transaction	Transferor	No. of Equity Shares	Transferee	Price per share (Rs.)
April 23, 2010	Axis Bank Limited*	100	Mr. Chandu Chavan	10.00
	Ms. Shubhangi Jadhav**	8,30,787	Mr. Ajay Yervadekar	18.71
	Mr. Ravindra Katre	3,84,623	Mr. Ajay Yervadekar	18.71
	Mr. Sanjay Waghulade	3,07,699	Mr. Ajay Yervadekar	18.71
	Mr. Shivaji Katke	1,07,695	Mr. Ajay Yervadekar	18.71
September 26, 2010	Mr. Sanjay Bhade	1,46,157	Mr. Ajay Yervadekar	18.71
	Mr. Parag Mulye	1,46,157	Mr. Ajay Yervadekar	18.71
	Ms. Mrunal Katre***	3,84,563	Mr. Ravindra Katre	Gift
	Ms. Kavita Dhupkar****	6,25,000	Mr. Parag Mulye	Gift
	Ms. Vishakha Bhade#	6,25,000	Mr. Sanjay Bhade	Gift
	Ms. Smita Katke##	4,75,000	Mr. Shivaji Katke	Gift
February 8, 2011	Mr. Ajay Yervadekar@	15,63,223	Standard Chartered Private Equity (Mauritius) III Limited	99.67

\* Axis Bank Limited bought 100 Equity Shares of face value Rs.10 along with 500 warrants (face value of Rs. 10,00,000) of our Company from Deutsche Bank AG, on November 27, 2009. The said shares and warrants were subscribed by Deutsche Bank AG, pursuant to 'Subscription and Shareholders Agreement' ("the Shareholder Agreement") executed on December 05, 2007 for the total consideration of Rs. 5000/- with balance being payable upon exercise of conversion of warrants into shares of our Company. Axis Bank Limited transferred the said 100 Equity Shares on April 23, 2010, 150 warrants on February 19, 2010 and 150 warrants on February 26, 2010 to Mr. Chandu Chavan. By virtue of this transfer, Axis Bank Limited has ceased to be a shareholder in our Company. Pursuant to the letter dated September 24, 2010 both Axis Bank Limited and Mr.Chand Chavan intimated to our Company that they were not desirous of converting the Equity Warrants held by them into Equity Shares. The Board of Directors of our Company cancelled the entire 500 Warrants in their meeting held on September 26, 2010. As on the date of this Red Herring Prospectus there are no outstanding warrants.

Axis Bank Limited is not a shareholder in the Issuer Company and as such, Regulation 21 A of the Merchant Banker Regulations does not apply.

\*\* Mr. Chandu Chavan transferred 5,88,300 Equity Shares to his wife, Ms. Shubhangi Jadhav through a gift on February 12, 2005. The transfer of the said Equity Shares was approved by our Company's Board of Directors on the same date as the transfer. Ms. Shubhangi Jadhav was allotted 2,699,013 Equity Shares on September 18, 2010 as part of the bonus issue. Subsequently, Ms. Shubhangi Jadhav transferred 830,787 Equity Shares on September 24, 2010 for a price of Rs. 18.71 per equity share and the same was confirmed by our Company's Board of Directors on September 26, 2010.

\*\*\*Ms. Mrunal Katre acquired 350,000 Equity Shares through a gift from Mr. Chandu Chavan May 8, 2003. She was further allotted 1,750,000 equity shares through the Bonus Issue made by our Company on

September 18, 2010. Ms. Mrunal Katre further transferred 384,563 equity shares to Mr. Ravindra Katre on September 26, 2010.

\*\*\*\*Ms. Kavita Dhupkar acquired 125,000 Equity Shares from Mr. Chandu Chavan through a gift on May 08, 2003. Ms. Kavita Dhupkar was further allotted 625,000 equity shares through the Bonus Issue made by our Company on September 18, 2010. She transferred 625,000 shares to Mr. Parag Mulye through a gift on September 26, 2010.

#Ms. Vishakha Bhade acquired 125,000 Equity Shares from Mr. Chandu Chavan through a gift on May 08, 2003. Ms. Vishakha Bhade was further allotted 625,000 equity shares through the Bonus Issue made by our Company on September 18, 2010. She transferred 625,000 shares to Mr. Sanjay Bhade through a gift on September 26, 2010.

##Ms. Smita Katke acquired 95,000 Equity Shares from Mr. Chandu Chavan through a gift on May 08, 2003. Ms. Ms. Smita Katke was further allotted 475,000 equity shares through the Bonus Issue made by our Company on September 18, 2010. She transferred 475,000 shares to Mr. Shivaji Katke through a gift on September 26, 2010.

@ Mr. Ajay Yervadekar acquired 384,623 Equity Shares from Mr. Ravindra Katre, 307,699 equity shares from Mr. Sanjay Waghulade, 107,695 Equity Shares from Mr. Shivaji Katke, 146,157 equity shares from Mr. Sanjay Bhade, 146,157 Equity Shares from Mr. Parag Mulye, 830,787 Equity Shares from Ms. Shubhangi Jadhav aggregating to 1,923,118 Equity Shares for a consideration of Rs. 18.71 per Equity Share.

## 9. Particulars of the top ten shareholders

### (a) Particulars of the top ten shareholders as on the date of filing of this Red Herring Prospectus

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of Total Paid-Up Capital
1	Mr. Chandu Chavan	1,29,70,500	31.59
2	Kavos Capital Limited	80,38,632	19.58
3	Mr. Sanjay Waghulade	32,92,361	8.02
4	Ms. Shubhangi Jadhav	26,99,013	6.57
5	Standard Chartered Private Equity (Mauritius) II Limited	26,00,000	6.33
6	Mr. Ravindra Katre	21,00,000	5.11
7	Innoventive Group Employees Welfare Trust	19,23,117	4.68
8	Ms. Mrunal Katre	17,15,437	4.18
9	Standard Chartered Private Equity (Mauritius) III Limited	15,63,223	3.81
10	Mr. Parag Mulye	12,28,903	2.99
	<b>TOTAL</b>	<b>3,81,31,186</b>	<b>92.86</b>

### (b) Particulars of top ten shareholders ten days prior to the filing of this Red Herring Prospectus

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of Total Paid-Up Capital
1	Mr. Chandu Chavan	1,29,70,500	31.59
2	Kavos Capital Limited	80,38,632	19.58
3	Mr. Sanjay Waghulade	32,92,361	8.02
4	Ms. Shubhangi Jadhav	26,99,013	6.57
5	Standard Chartered Private Equity (Mauritius) II Limited	26,00,000	6.33
6	Mr. Ravindra Katre	21,00,000	5.11
7	Innoventive Group Employees Welfare Trust	19,23,117	4.68
8	Ms. Mrunal Katre	17,15,437	4.18
9	Standard Chartered Private Equity (Mauritius) III Limited	15,63,223	3.81
10	Mr. Parag Mulye	12,28,903	2.99
	<b>TOTAL</b>	<b>3,81,31,186</b>	<b>92.86</b>

**(c) Particulars of the top ten shareholders two years prior to the date of filing of this Red Herring Prospectus**

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of Total Paid-Up Capital
1.	Mr. Chandu Chavan	21,61,650	43.23
2.	Mr. Sanjay Waghulade	6,00,010	12.00
3.	Ms. Shubhangi Jadhav	5,88,300	11.77
4.	Mr. Ravindra Katre	3,50,010	7.00
5.	Ms. Mrunal Katre	3,50,000	7.00
6.	M/s. Kavos Capital Limited	2,50,000	5.00
7.	Mr. Parag Mulye	1,25,010	2.50
8.	Mr. Sanjay Bhade	1,25,010	2.50
9.	Ms. Kavita Dhupkar	1,25,000	2.50
10.	Ms. Vishakha Bhade	1,25,000	2.50
<b>TOTAL</b>		<b>47,99,990</b>	<b>96.00</b>

**10. None of our Directors hold any Equity Shares in the Company, except as stated below;**

Sr. No.	Name of shareholder	Number of Equity Shares held	Pre Issue %	Post Issue %
<b>Directors</b>				
1.	Mr. Chandu Chavan	1,29,70,500	31.59	[●]
2.	Mr. Sanjay Waghulade	32,92,361	8.02	[●]
3.	Mr. Ravindra Katre	21,00,000	5.11	[●]

**11. None of our Key Managerial Personnel hold any Equity Shares in the Company, except as stated below;**

S. No.	Name of shareholder	Number of Equity Shares held	Pre Issue %	Post Issue %
<b>Key Managerial Personnel</b>				
1.	Mr. Parag Mulye	12,28,903	2.99	[●]
2.	Mr. Sanjay Bhade	12,28,903	2.99	[●]
3.	Mr. Shivaji Katke	9,97,365	2.43	[●]

**12.** Our Directors and the BRLMs have not entered into any buy-back, standby or similar arrangements for the purchase of Equity Shares from any person.

**13.** None of the BRLMs and their associates hold any Equity Shares as on the date of filing of this Red Herring Prospectus.

**14.** Our Company will ensure that as on the date of filing of the Red Herring Prospectus with the Registrar of Companies there will be no outstanding Warrants, options or rights to convert debentures, loans or other financial instrument into Equity Shares.

**15.** As per RBI regulations, OCBs are not allowed to participate in this Issue, sub accounts of FIIs who are foreign corporates or foreign individuals are not QIBs, and hence cannot Bid in the QIB Portion in the Issue.

**16.** All the Equity Shares of our Company are fully paid up as on the date of filing of this Red Herring Prospectus. Further, since the entire money in respect of the Issue is being called on application, all the successful applicants will be issued fully paid-up equity shares.

**17.** 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 QIBs, of which 5% shall be available for Allocation on a proportionate basis to Mutual Funds only and the remaining QIB portion shall be available for allocation

to the QIB bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Price on a discretionary basis, out of which at least one-third will be available for allocation to domestic Mutual Funds only. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to QIBs, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the Net QIB Portion and allocated proportionately to the QIBs in proportion to their Bids.

18. Oversubscription, if any, to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allotment'. Consequently, the Allotment may increase by a maximum of 10% of this Issue, as a result of which the post-Issue paid-up capital would also increase by the excess amount of Allotment so made. In such an event, the Equity Shares to be locked-in towards the Promoter's Contribution shall be suitably increased, so as to ensure that 20% of the post-Issue paid-up capital is locked in.
19. Undersubscription in any category would be allowed to be met with a spill over from any other category at the discretion of our Company and the BRLMs in consultation with the Designated Stock Exchange.
20. The total number of members of our Company as on the date of filing this Red Herring Prospectus is 16 (Sixteen).
21. Our Company has not raised any bridge loan against the proceeds of this Issue.
22. Except as disclosed in the Red Herring Prospectus, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing of the Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges. Further, our Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of this Issue, by way of split / consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise.
23. There shall be only one denomination of Equity Shares, unless otherwise permitted by law.
24. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
25. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
26. Our Company in the year 2002 has revalued its free-hold by Rs. 65,63,983/-. Our Company has not issued any Equity Shares out of its revaluation reserves.
27. Our Company has not made any public issue since its incorporation.
28. Our Company does not have any employee stock option plan or scheme.
29. No payment, direct or indirect in the nature of discount, commission, and allowance or otherwise shall

be made either by us or our Promoters or Directors to the persons who receive allotments, if any, in this Issue.

30. Except as stated below, there has been no allotment of Equity Shares that may be at a price lower than the Issue Price within the last 12 months from the date of filing this Red Herring Prospectus.

Date of Allotment	No. of Equity Shares	Face Value	Issue Price (in Rs.)	Reasons	Allottees
July 30, 2010	3,79,280	10	NIL	Bonus Issue	Bonus Issue of Equity Shares to Kavos Capital Limited only
August 16, 2010	7,10,492	10	492.62	Preferential Allotment	Issue of Equity Shares to Kavos Capital Limited
September 18, 2010	3,04,49,360	10	NIL	Bonus Issue	Bonus Issue to all existing Equity Shareholders of the Company
September 28, 2010	19,23,117	10	10	Preferential Allotment	Innoventive Group Employees Welfare Trust
February 8, 2011	26,00,000	10	117	Pre-IPO Placement	Standard Chartered Private Equity (Mauritius) II Limited

31. The Company shall ensure that transactions in the Equity Shares by the Promoters and the Promoter Group between the date of registering this Red Herring Prospectus with the RoC and the Bid/Issue Closing Date shall be reported to the Stock Exchanges within twenty-four hours of such transactions.
32. There are certain restrictive covenants in the facility agreements entered into by our Company with certain lenders. For details in relation to such restrictive covenants, see the section titled “*Financial Indebtedness*” on page number 319. Further, all the lenders mentioned in the section titled “*Financial Indebtedness*” have consented to this Issue.
33. The Equity Shares forming part of Promoters’ contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or through any intermediary.

## OBJECTS OF THE ISSUE

The proceeds of the Issue, after deducting the Issue related expenses (the “**Net Proceeds of the Issue**”), are estimated to be approximately Rs. [●] lakhs. The Net proceeds of the Issue are proposed to be utilised by our Company for the following activities

- Capacity Expansion of Manufacturing Facility
- Repayment of Term Loan; and
- General Corporate Purpose

(Collectively referred to herein as the “**Objects**”)

In addition our Company expects to achieve the benefits of the listing of the Equity Shares on the Stock Exchanges.

The main objects clause of our Memorandum of Association and the objects incidental to the main objects enable our Company to undertake existing activities and the activities for which the funds are being raised by us through this present Issue. Further we confirm that the activities we have been carrying on until now are in accordance with the objects clause of our Memorandum of Association.

### Issue Proceeds, Issue Related Expenses and Net Proceeds

The details of the proceeds of the Issue are summarized in the table below:

Particulars	Amount (Rs. Lakhs)
Gross Proceeds of the Issue	21,958
Less: Issue related expenses*	[●]
Net Proceeds of the Issue*	[●]

*\* To be incorporated after finalization of the Issue Price*

### Utilization of Net Proceeds of Issue and Deployment of Fund

The fund requirement and deployment is based on management estimates, vendor quotations and has not been appraised by any bank or financial institution or any other independent agency. Our funding requirements for the Objects and the deployment schedule of the Net Proceeds are based on current conditions and are subject to change in light of external circumstances or costs or changes in our financial condition, business or strategy. On the basis of our current estimates, details of our requirement of funds towards the Objects and the proposed deployment are set forth in the table below:

Sr. No.	Particulars	Total Estimated Cost (Rs. Lakhs)
I	Capacity Expansion of Manufacturing Facility	16,306.35
II	Repayment of Term Loans	5,000.00
III	General Corporate Purpose	[●]

### Estimated Schedule of Implementation and Deployment of Funds

Sr. No.	Particulars	Estimated Schedule of Deployment (FY2011-12) (Rs. Lakhs)				Total Amount to be financed from the Net Proceeds of the Fresh Issue (Rs. Lakhs)
		Q1	Q2	Q3	Q4	
I	Capacity Expansion of Manufacturing Facility	4,949.77	5,850.03	3,359.23	2,147.31	16,306.35
II	Pre-Payment of loans	5,000.00	[●]	[●]	[●]	5,000.00

III	General Corporate Purpose	[●]	[●]	[●]	[●]	[●]
<b>TOTAL</b>		[●]	[●]	[●]	[●]	[●]

Any expense incurred towards the Objects would be recouped from the Net Proceeds of the Issue. In the event estimated utilization of the Net Proceeds of the Issue in any given fiscal is not completely met, the same shall be utilized in the next fiscal.

### Means of Finance

We propose to meet the entire requirement of funds for the Objects entirely from the Net Proceeds of the Issue. No amount is required to be raised through means other than this Issue for financing the Objects. Accordingly, the requirement of Regulation 4(g) of the SEBI ICDR Regulations for firm arrangements of finance through verifiable means for 75% of the stated means of finance excluding the Issue Proceeds and existing identifiable internal accruals does not arise.

### Variation in fund requirements and Shortfall of Net Proceeds

Our Company operates in a highly competitive, dynamic market environment, and may have to revise our estimates from time to time on account of new initiatives that it may pursue including any potential acquisition opportunities. Consequently, our Company's funding requirements are dependent on a number of factors which may not be in the control of our management, including variations in interest rate structures, changes in our financial condition and current commercial conditions. Such factors may entail rescheduling and/or revising the planned expenditure and funding requirement and increasing or decreasing the expenditure for a particular purpose from the planned expenditure, at the discretion of our management.

In case of any shortfall of the Net Proceeds of the Issue for the Objects or cost overruns, our Company may explore a range of options including utilizing our internal accruals, seeking additional debt from existing and future lenders, or raising equity capital, subject to necessary consents and approvals.

### Details of the expenditure to be incurred towards the Objects of the Issue:

#### I. Capacity Expansion of Manufacturing Facility

In order to achieve our growth strategy of expanding our customer base and tapping the domestic and global markets for precision tubes and other value added products, we would require significant expansion of our CEW precision tubes manufacturing capacity. We intend to expand the capacity of our manufacturing facility at Pimple Jagtap by procuring new equipments like pilger machines and other balancing equipments for manufacturing CEW precision tubes. The detailed break-up of the said Object is provided below:

Sr. No.	Particulars	Total Estimated Amount (Rs. Lakhs)
A	Land	737.86
B	Civil Works	2,430.26
C	Plant & Machinery	12,107.40
D	Furniture & Fixtures	59.10
E	IT - Hardware & Software	65.41
F	Electricals	906.31
	<b>TOTAL</b>	<b>16,306.35</b>

#### A. Land

We propose to purchase about 7 acres (approx. 28,328 sq.mtrs) of land around our existing manufacturing facility at Pimple Jagtap which will be used to consolidate our operations, optimize our plant layout & design and aid future capacity expansion. We have identified the land adjoining our existing manufacturing facility at Pimple Jagtap for this purpose but we are yet to enter into any

definitive agreements for the purchase of the same and any failure to do so could adversely affect our business and financials (please refer to Risk Factor number 21 on page number 25).

The details of proposed investment in purchasing and developing land around Unit II are as follows:

Sr. No	Particular	Unit	Quantity	Total Cost (Rs. in lakhs)	Quotation
1	Land	Sq. Mtrs	28,328	700.00	Certificate from Sanjay Agarwal (Consultant) dated Sep 22, 2010
2	Land Development	Sq. Mtrs	28,328	28.33	Ubikuitous Infra dated Sep 23, 2010
3	Boundary	Cu. Mtrs	203	6.62	
<b>TOTAL</b>				<b>737.86</b>	

#### B. Civil Work & Building

In order to install the plant and machinery at our manufacturing facility, we need to perform civil work such as erection of shed area, laying foundation for equipment base, utilities, access road and car parking. The detailed estimates of the costs for these activities are as provided below:

Sr. No	Particular	Unit	Quantity	Total Cost (Rs. in lakhs)	Quotation
<b>a)</b>	<i>Factory Building &amp; Other Areas</i>				
1	Shed Area – Base	Sq. Mtrs	17,820	849.77	Ubikuitous Infra dated Sep 23, 2010
2	Shed Area – Fabrication	Sq. Mtrs	17,820	753.18	Interarch Bldg Prod dated Sep 21, 2010
3	Power House & DG Set	Sq. Mtrs	500	42.11	Ubikuitous Infra dated Sep 16, 2010
4	Scrap Yard	Sq. Mtrs	500	42.11	
5	Utility & Water	Sq. Mtrs	200	16.84	
6	Road & Car Parking	Sq. Mtrs	10,000	84.38	
	<b>Sub Total</b>			<b>1,788.38</b>	
<b>b)</b>	<i>Equipment Foundation Preparation</i>				
1	Pilger Machines	Nos	85	597.27	Ubikuitous Infra dated Sep 16, 2010
2	Non Destructive Testing (NDT) Machines	Nos	4	4.93	
3	Induction Furnaces	Nos	5	9.63	
4	Weigh Bridge	Nos	1	2.15	
5	Straightening	Nos	6	12.02	
6	Tanks for Surface Treatment Plant	Nos	19	15.89	
	<b>Sub Total</b>			<b>641.88</b>	
	<b>TOTAL</b>			<b>2,430.26</b>	

#### C. Plant & Machinery:



An amount of Rs. 12,107.40 lakhs is proposed to be invested in the plant and machinery for the proposed expansion. We are planning to add 85 pilgering machines of various capacities in order to expand our CEW tubes manufacturing capacity. These machineries have been sourced through various suppliers and include imported machineries.

Our company does not intend to utilize the net proceeds of the Issue to procure any second hand equipment. The Promoters or the Directors or the Promoter Group entities do not have any interest in the proposed procurement of any equipment as stated above or any of the entities from whom the issuer company have obtained quotations.

The detailed estimates for the necessary plant & machinery and other equipments are as provided below:

Sr. No	Particular	Unit	Quantity	Total Cost (Rs. in lakhs)	Quotation
<b>a)</b>	<i>Pilgering Machines</i>				
1	Pilger Machines	Nos	85	3,937.23	Beijing Guo Mao dated Sep 16, 2010
2	Oil for Pilger (First Fill-up)	Litres	307,500	257.28	Asian Oil Company dated Sep 15, 2010
3	Installation of Pilgers	MT	2,065	55.76	Great India dated Sep 16, 2010
4	Semi Auto Feeding System for New Pilger machines	Nos	85	1,001.25	Ansha Engineers dated Sep 16, 2010
5	Semi Auto Feeding System for Existing Pilgers	Nos	22	202.50	Ansha Engineers dated Sep 16, 2010
6	Spare Die Shaft Assembly	Nos	30	44.35	Varun Engineers dated Sep 18, 2010
	<b>Sub Total</b>			<b>5,498.36</b>	
<b>b)</b>	<i>Other Machinery &amp; Equipments</i>				
1	Induction Furnace	Nos	5	757.72	Inductotherm dated Jun 07, 2010
2	Induction Coil for Induction Furnace	Nos	70	283.91	
3	Ventilators	Nos	500	24.18	Verve Enterprises dated Jun 07, 2010
4	Crane 5T	Nos	6	283.27	Demag dated Aug 03, 2010
5	Crane 6.4T	Nos	6	402.29	Demag dated Aug 30, 2010
6	Fork Lift	Nos	4	81.90	Trinity Techserve dated Aug 18, 2010
7	Straightening Machine	Nos	6	86.83	ITL Industries dated Jun 12, 2010
8	Hydraulic Press - 100T	Nos	6	51.80	Hydropark India dated Jun 16, 2010
9	Hydraulic Jack - 250T	Nos	6	4.65	
10	Cutting Machine (500 Ex)	Nos	10	15.39	Matharoo and Matharoo dated Jun 15, 2010
11	Cutting Machine (750 Ex)	Nos	10	16.68	
12	Cutting Machine (1000 Ex)	Nos	10	17.91	
13	Cutting Machine (Sinico)**	Nos	5	873.47	Sinico dated Jun 16, 2010
14	Fire Hydrant System	Nos	1	50.09	Antifire Systems dated Sep 17, 2010
15	NDT – Offline	Nos	4	124.40	Techno Four dated Jun 13, 2010
16	Feeding Units for NDT	Nos	4	282.12	

17	Test Heads for NDT (8mm - 30mm)	Nos	28	8.04	Techno Four dated Jun 13, 2010
18	Test Heads for NDT (30mm - 100mm)	Nos	28	9.57	
19	Test Heads for NDT (100mm - 114mm)	Nos	24	10.39	
20	Compressor	Nos	15	226.87	Rajdeep Industrial Products dated Jun 12, 2010
21	Vertical Air Receiver for Compressor	Nos	15	14.33	
22	Oiling Station	MT	32	171.52	Great India dated Sep 17, 2010
23	Universal Testing Machine	Nos	4	39.46	Fuel Instrument & Eng dated Sep 18, 2010
24	Measuring Instruments for QA	Set	4	3.31	Shirke Gauges dated Sep 17, 2010
25	Hardness Tester	Nos	4	2.16	Fuel Instrument & Eng dated Sep 18, 2010
26	Packing System	Nos	4	669.15	Garepa Engineers dated Jun 01, 2010
27	Fabrication of Mill, Motor Bed & other	Nos	1	5.91	Ansha Engineers dated Sep 16, 2010
28	Reconditioning of Draw Bench 5T	Nos	4	14.58	Atulya Udyog dated Sep 12, 2010
29	Reconditioning of Draw Bench 20T	Nos	4	33.62	Atulya Udyog dated Sep 12, 2010
30	Fume Extraction System	Nos	1	114.76	Arvind Anticor dated May 10, 2010
	<b>Sub Total</b>			<b>4,680.26</b>	
<b>c)</b>	<i>Tool Room Machines</i>				
1	CNC Cylindrical Grinder	Nos	1	63.00	Berlin Machine Corp dated Jun 16, 2010
2	Surface Grinder	Nos	1	15.53	
3	Milling Machine	Nos	2	21.52	
4	Slotting Machine	Nos	2	6.28	
5	Lathe Machine	Nos	4	43.66	
6	Tool & Cutter Grinder	Nos	2	17.66	
7	Saw Sharpening Machine***	Nos	1	50.74	Ravik Engineers dated Jul 01, 2010
8	Radial Drilling Machine	Nos	2	17.82	Berlin Machine Corp dated Jun 16, 2010
9	CNC Lathe Machine	Nos	1	50.63	
10	CNC Lathe Machine	Nos	2	69.31	MacPower CNC Machines dated Sep 17, 2010
	<b>Sub Total</b>			<b>356.14</b>	
<b>d)</b>	<i>Surface Treatment Plant</i>				
1	Surface Treatment Plant	Nos	1	188.67	Arvind Anticor dated May 10, 2010
2	Fume Extraction System	Nos	1	114.76	Arvind Anticor dated May 10, 2010
3	Chemicals for STP				
i	Neutralizing Tank	Litres	4,658	2.88	Coro Chem dated Sep 20, 2010
ii	Phosphating Tank	Litres	3,105	2.52	
iii	Degreasing Tank	Litres	1,553	0.61	
iv	Soaping Tank	Litres	3,105	1.40	

v	Acid Rinsing	Litres	4,658	1.57	
	<b>Sub Total</b>			<b>312.40</b>	
e)	<i>Tool &amp; Die Material</i>				
1	Tool & Die Material (Metal)	MT	311	1,260.24	Bohler India Ltd dated Jun 04, 2010
	<b>Sub Total</b>			<b>1,260.24</b>	
	<b>TOTAL</b>			<b>12,107.40</b>	

**Conversion :**

\* 1 Remnibi = Rs.6.9144/ 1 Remnibi (source : [www.oanda.com](http://www.oanda.com) as on September 18, 2010)

\*\* 1 Euro = Rs.60.9445/ 1 Euro (source : [www.oanda.com](http://www.oanda.com) as on September 18, 2010)

\*\*\* 1 USD = Rs.46.5808/ 1 USD (source : [www.oanda.com](http://www.oanda.com) as on September 18, 2010)

**D. Furniture & Fixtures:**

The detailed estimates for furniture and fixtures required for shop floor and administration area are provided below:

Sr. No	Particular	Unit	Quantity	Total Cost (Rs. in lakhs)	Quotation
<i>Fixtures for Shop Floor &amp; Office</i>					
1	Aluminium Partitions	Sq. Mtrs	800	17.43	Rakesh Aluminium dated Sep 16, 2010
2	Aluminium Doors	Sq. Mtrs	150	4.09	
3	Aluminium Windows	Sq. Mtrs	500	10.59	
4	Bakelite Ceiling	Sq. Mtrs	800	9.21	
5	Aluminium Composite Panel	Sq. Mtrs	500	13.62	
6	Powder Coating for Fixtures	Sq. Mtrs	1,000	3.04	
7	Door Closures	Nos	100	1.13	
	<b>TOTAL</b>			<b>59.10</b>	

**E. IT Hardware and Software**

We need to set-up computer network at our manufacturing facility at Pimple Jagtap in order to achieve automation, interface with MIS and ERP systems and establish communication. This will help us determine MIS related production and inventory data on a real time basis and aid us with better planning and operations at our plants. The estimated cost for setting up the IT network is as below:

Sr. No	Particular	Unit	Quantity	Total Cost (Rs. in lakhs)	Quotation
<i>IT Network for Shop Floor &amp; Admin</i>					
1	Computer Network Set-up	Nos	1	65.41	Network Integrators India dated Jun 15, 2010
	<b>TOTAL</b>			<b>65.41</b>	

**F. Electricals**

The detailed estimates related to the necessary electrical works required for expansion of our manufacturing facility at Pimple Jagtap are as below:

Sr. No	Particular	Unit	Quantity	Total Cost (Rs. in lakhs)	Quotation
	<i>Electrification</i>				
1	HT Station	Nos	1	587.50	Aaditya Electricals & Eng dated Jun 14, 2010
2	LT Station to Distribution Panel Cabling	Nos	1	199.91	
3	MSEB Line Straightening	Nos	1	33.20	
4	Building Lighting and Electrification	Nos	1	58.64	
5	Street Lighting	Nos	1	27.06	
	<b>TOTAL</b>			<b>906.31</b>	

## II. PRE PAYMENT OF TERM LOANS AVAILED FROM VARIOUS BANKS

We have availed of debt facilities from certain banks and financial institutions. For details of our indebtedness, please see the section “*Financial Indebtedness*” beginning on page number 319 of this Red Herring Prospectus. We intend to utilize an amount of Rs. 5,000.00 lakhs out of the Net Proceeds of the Issue to pre pay the aggregate outstanding amount of Rs. 7,876.88 lakhs (as of February 28, 2011) under the loan availed by us from these banks within 12 months from the date of Issue proceeds available to use by our Company. Any balance amount left on account of these loans will be pre paid through our internal accruals.

The details of the loan proposed to be prepaid out of Net Proceeds of the Issue are provided in the table below:

(Rs. in lakhs)

Name of Bank /Financial Institution	Central Bank of India	UCO Bank	IDBI Bank Ltd	Oriental Bank of Commerce	Total
Nature of loan facility	Term Loan	Term Loan	Term Loan	Term Loan	
Date of sanction letter / facility agreement	November 23, 2009	April 19, 2007	March 22, 2007	November 26, 2009	-
Amount of Sanctioned Facility	3,500.00	1,250.00	2,050.00	3,500.00	<b>10,300.00</b>
Amount Disbursed	3,500.00	1,250.00	2,050.00	3,500.00	<b>10,300.00</b>
Amount Outstanding as on February 28, 2011	3,336.19	809.74	1,450.78	2,280.17	<b>7,876.88</b>
Estimated Amount Outstanding as of March 31, 2011	2,898.69	752.74	1,348.28	1,842.67	<b>6,842.38</b>
Purpose for which loan availed*	Prepayment of high cost debt of Rs. 2,000 lakhs availed from IL&FS and additional capital expenditure of the company and augmenting long term resources for improving	Acquisition of Fixed Assets	Acquisition of Fixed Assets	Augmenting liquidity, meeting working capital requirements and Business Purpose.	

	current ratios of the Company				
<b>Break up of above purpose-</b>					
Repayment of Loan from ILFS	2,000.00				
Purchase of Plant and Machines	972.62	526.36	826.12		
Foundation & Construction	527.38	723.64	1,223.88	923.67	
Towards Working Capital Requirement				2,576.33	
<b>Total Utilisation (Rs. in lakhs)</b>	<b>3,500.00</b>	<b>1,250.00</b>	<b>2,050.00</b>	<b>3,500.00</b>	
Rate of Interest	BPLR + 1% p.a.	BPLR – 2% p.a.	BPLR + 1% p.a.	PLR	
Tenor	2.5 years	7 years	7 years	2 years	
Repayment Schedule	8 Quarterly Instalments	20 Quarterly Instalments	20 Quarterly Instalments	8 Quarterly Instalments	
Prepayment Penalty, if any	NIL	NIL	NIL	NIL	
Security	1 <sup>st</sup> charge on Pari-passu basis on the entire fixed assets (present & future). Pari Passu charge on sales tax refund receivable from Govt of Maharashtra, along with the Oriental Bank of Commerce	1 <sup>st</sup> charge on Pari-passu basis on the entire fixed assets (present & future).	1 <sup>st</sup> charge on Pari-passu basis on the entire fixed assets (present & future).	1 <sup>st</sup> charge on Pari-passu basis on the entire fixed assets (present & future). Pari Passu charge on sales tax refund receivable from Govt of Maharashtra, along with the Central Bank of India	

*\* A certificate dated March 11, 2011, from independent Chartered Accountants Pankaj P. Singhi & Co.. has been obtained by our Company certifying that the aforementioned loans were utilized for the purpose for which they were sanctioned.*

We believe our repayment of interest bearing debt will help us to reduce our costs towards 'Interest and Finance Charges' and will improve our net earnings in the future. Further, it will help us to improve our ability to leverage equity for our future needs towards any of our existing operations.

#### **Capacity utilisation vis-à-vis business growth:**

The Capacity utilization of the company for FY 2008, FY 2009 and FY 2010 and estimated for FY 2011, FY 2012 and FY 2013 are as under :-

Year ended March 31,	ACTUALS			PROJECTIONS		
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>Production (in MT)</b>						

ERW	55,081	53,083	51,473	54,090	60,112	75,459
CEW	5,841	5,989	8,822	21,000	39,804	59,939
<b>Normal Capacity<sup>(1)(2)</sup> (in MT)</b>						
ERW	64,800	64,800	64,800	71,280	81,000	85,000
CEW	7,920	12,105	23,265	28,785	76,701	76,701
<b>Available Capacity<sup>(1)(3)</sup> (in MT)</b>						
ERW	64,800	64,800	64,800	71,280	81,000	85,000
CEW	7,920	8,811	19,759	25,766	55,316	76,701
<b>Utilization on Normal Capacity</b>						
ERW	85.0%	81.9%	79.4%	75.9%	74.2%	88.8%
CEW	73.8%	49.5%	37.9%	73.0%	51.9%	78.1%
<b>Utilization on Available Capacity</b>						
ERW	85.0%	81.9%	79.4%	75.9%	74.2%	88.8%
CEW	73.8%	68.0%	44.6%	81.5%	72.0%	78.1%

(ERW tubes are used as raw material for manufacturing CEW tubes.)

**NOTE:**

1. Installed capacities can vary significantly from the Rated Capacity for equipments depending on size (Diameter & Thickness) of the tubes produced in case of Cold drawn Electric Welded (CEW) tubes and depending upon the size/nature of product required in case of Electric Resistance Welded (ERW) tubes.
2. **Normal Capacity:** is defined as the capacity achieved for production of optimum mix of products based on the nature and size (thickness and diameter) of tubes. This capacity can vary with any change in production mix and improvements in efficiency through de-bottlenecking. Normal capacity is calculated as on last day of the financial year i.e. 31<sup>st</sup> March
3. **Available Capacity:** is determined by multiplying Normal Capacity with the availability factor which is ratio of number of days since Commercial Operation Date for the equipment to the total number of days in a year (i.e. 365).

**Rationale for Capacity Utilization:**

Period	Rationale
<b>FY2010</b>	The capacity utilization (based on available capacity) for CEW tubes dropped from 68.0% in FY2009 to 44.6% in FY2010. Our Company added 16 pilgers in FY2010 (in addition to 7 pilgers in FY2009 of which 6 were installed in Q4 FY2009) to almost double the CEW tubes capacity from 12,105 MT in FY2009 to 23,265 MT in FY2010. However, the production of CEW tubes could not be increased owing to initial teething problems in adapting the pilgering process to run the machines at desired level of utilization. Our Company invested significant effort in trying to stabilize the pilgering operations to achieve desired quality and volumes.
<b>FY2011</b>	The 23 pilgering machines that were installed over a period of last two years have become stable in terms of production and utilization. Since these machines are available for entire period of FY2011, we expect a high utilization on these machines. Additionally, we are planning to add 9 pilger machines in third and fourth quarter for FY2011, which will become stable after few months of operation. These will lead to less than optimal capacity utilization for the entire CEW set-up.
<b>FY2012</b>	We are planning to install 85 pilger machines throughout FY2012 by utilizing the Net Proceeds from the Issue, as a part of our Objects. This will increase our available capacity to 55,316 MT in FY2012 (and normal capacity to 76,701 MT). Since a majority of our pilger machines (85) will require sufficient period to stabilize the

	production, we are expecting a drop in capacity utilization at 72.0% of available capacity.
<b>FY2013</b>	The pilger machines added over FY2012 will become stable and will be available for entire fiscal period leading to an available capacity of 76,701 MT in FY2013. Hence, we expect a higher capacity utilization of 78.1% for our CEW manufacturing set-up.

Further, it should be noted that our capacity utilization can vary significantly if we decide to change the production mix (nature/size) of our products. Our Company will determine the optimal production mix from time to time, in order to achieve desired revenue and margin growths, in accordance with our strategy. For further details on our future plans, please refer to the paragraph “*Our Strategy*” on page number 302 of this Red Herring Prospectus.

#### **CAPACITIES AFTER EXPANSION:**

<b>Activity</b>	<b>Existing Capacity (MT)</b>	<b>Addition due to Ongoing expansion (MT)</b>	<b>Capacity under Expansion through IPO Proceeds (MT)</b>	<b>Capacity post Expansion (MT)</b>
<b>ERW</b>				
De-bottlenecking	64,800	20,200*	nil	85,000
<b>CEW</b>				
Capacity Addition	16,437	5,520**	47,916	76,701

\* Our ERW tube production capacity will be increased through de-bottlenecking of the manufacturing set-up by adding/upgrading certain auxiliary equipments. This will be achieved out of internal accruals.

\*\* Our Company has already procured 3 pilger machines which are at various stages of installation. Further, we will be ordering additional 6 pilger machines which will be commissioned before 31<sup>st</sup> March 2011. The aforementioned pilger machines are being funded from internal accruals.

### **III. GENERAL CORPORATE PURPOSE**

We propose to use the balance amount of the Net Proceeds of the Issue, approximately Rs. [●] lakhs, towards general corporate purposes including but not limited to funding cost overruns of our projects (if any), repayment of term loans, strategic initiatives, acquisitions, brand building exercises, strengthening of our marketing capabilities and meeting exigencies which we may face in the ordinary course of our business. Our management, in accordance with the competitive and dynamic nature of our business and the policies of the Board, will have the flexibility to revise its business plan from time to time and in utilizing the sum earmarked for general corporate purposes and any surplus amounts from the Net Proceeds of the Issue.

#### **Issue expenses**

The estimated issue related expenses are as follows:

<b>Activities</b>	<b>Amount (Rs. in lakhs)</b>	<b>Percentage of total issue expenses</b>	<b>Percentage of Issue Size</b>
Lead management fee*	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission*	[●]	[●]	[●]
Registrar’s fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distributions expenses*	[●]	[●]	[●]
IPO Grading expenses*	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Issue*	[●]	[●]	[●]
Others (including Monitoring Agent fees, SEBI filing fees, bidding software expenses, depository charges,	[●]	[●]	[●]

listing fee etc:)*			
<b>Total</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

*\*Will be incorporated after finalisation of Issue Price.*

## **Appraisal**

The fund requirement and deployment of the funds mentioned above are based on internal management estimates and vendor quotations. Further, the same have not been appraised by any bank or financial institution or any other independent third party.

## **Bridge Financing Facilities**

We have not raised any bridge loan against the Net Proceeds.

## **Working Capital Requirement**

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals and availability of working capital facilities to meet our existing working capital requirements. However, in the event that there is surplus of funds after deployment from the Net Proceeds of the Issue, the funds may be utilized towards reducing our reliance on working capital facilities.

## **Interim use of Net Proceeds**

Our Company, in accordance with the policies established by the Board, will have flexibility in deploying the Net Proceeds. The particular composition, timing and schedule of deployment of the Net Proceeds will be determined by our Company based upon the implementation of the Identified Projects. Pending utilisation for the purposes described above, our Company intends to temporarily invest the funds from Net Proceeds in high quality interest/dividend bearing liquid instruments including deposits with banks and investments in mutual funds and other investment grade interest bearing securities. Such investments would be in accordance with investment policies approved by the Board from time to time. We confirm that pending utilization of the Net Proceeds; we shall not use the funds for any investments in the equity markets.

## **Monitoring of utilisation of funds**

As this is an Issue of less than Rs. 50,000 lakhs, there is no requirement for the appointment of a monitoring agency, in terms of Regulation 16(1) of the SEBI ICDR Regulations.

The Board or a committee of the Board will monitor the utilisation of the Net Proceeds. The Company will disclose the utilisation of the Net Proceeds, including interim use under a separate head in its financial statements for such fiscal periods as required under the ICDR Regulations, the Listing Agreements with the Stock Exchanges and any other applicable law or regulations, clearly specifying the purposes for which the Net Proceeds have been utilized. Our Company will also, in its financial statements for the applicable fiscal periods, provide details, if any, in relation to all such Net Issue Proceeds that have not been utilized.

Pursuant to clause 49 of the listing agreement with the Stock Exchanges, our Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the Net Proceeds. On an annual basis, our Company shall prepare a statement of Net Proceeds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Disclosure shall be made until such time that all the Net Proceeds have been fully utilised. Further, in terms of Clause 43A of the Listing Agreement, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the Objects stated in the Red Herring Prospectus. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the Listing Agreement and published in the newspapers simultaneously with the interim or annual financial results, after placing it before the Audit Committee in terms of Clause 49 of the Listing Agreement.



In the event we are unable to utilize the Net Proceeds for the Objects we shall with the approval of the shareholders of our Company deploy the funds for other business purposes.

**Other Confirmations**

There are no material existing or anticipated transactions in relation to the utilization of the Net Proceeds of the Issue or estimated cost as above with the Promoter, the Directors, the Company's Key Managerial Personnel or companies promoted by the Promoter. Further, no part of the Net Proceeds will be paid by us as consideration to our Promoter, Directors, Promoter Group companies or Key Managerial Personnel except in the usual course of business.

## BASIS FOR ISSUE PRICE

The Issue Price has been determined by the Company, in consultation with the BRLMs, on the basis of the demand from investors for the Equity Shares through the Book Building Process and is justified based on the below accounting ratios. Please see the section "*Risk Factors*" beginning on page number 17 of this Red Herring Prospectus and the Restated Summary Statements as set out in the section "*Financial Information*" beginning on page number 214 of this Red Herring Prospectus to have a more informed view. The trading price of the Equity Shares of the Company could decline due to the factors mentioned in the section "Risk Factors" and you may lose all or part of your investment. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value.

### Qualitative Factors

We believe that we have the following principal competitive strengths:

- Proven project execution capabilities and demonstrated track record
- Strong research & development capabilities
- Ability to identify new business opportunities and scale businesses in high growth sectors
- In-house engineering capabilities and strong quality management systems
- Qualified and experienced management and motivated employee base

For more details on qualitative factors, refer to section "*Our Business*" beginning on page number 128 of this Red Herring Prospectus.

### Quantitative Factors

Information presented in this section is derived from the Restated Summary Statements included in this Red Herring Prospectus.

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

#### 1. Earning per Share (EPS)<sup>(1)(2)</sup>:

As per the Company's restated unconsolidated summary statements:

Year ended	Basic EPS (in Rs.)	Diluted EPS (in Rs.)	Weight
March 31, 2010	9.64	9.64	3
March 31, 2009	3.25	3.25	2
March 31, 2008	0.92	0.92	1
Weighted Average	6.06	6.06	
For the nine months period ended December 31, 2010	8.62	8.62	

(1) Earnings per share represents basic earnings per share calculated as net profit attributable to equity shareholders as restated divided by a weighted average number of shares outstanding during the year.

(2) Face value per share is Rs. 10.

#### Note:

- a) The earnings per share has been calculated on the basis of the restated profits and losses of the respective years.
- b) The denominator considered for the purpose of calculating the earnings per share is the weighted average number of Equity Shares outstanding during the year.

- c) The earnings per share calculations have been done in accordance with Accounting Standard 20- "Earning per share" notified by the Companies (Accounting Standards) Rules, 2006, [as amended].

## 2. Price Earning Ratio (P/E ratio)

The Price/Earning (P/E) ratio, on the basis of an Issue Price of Rs. [●] per share is as set forth below:

- a) As per the Company's restated unconsolidated summary statements:

- (i) for the year ended March 31, 2010: [●]
- (ii) for the year ended March 31, 2009: [●]

- c) Peer Group P/E - \*

- a. Highest: 33.72
- b. Lowest: 6.74
- c. Industry composite:
  - (i) Cycles and Accessories – 16.50
  - (ii) Auto Ancillaries – 17.50
  - (iii) Steel medium / small - 12.70

*Source: Capital Market, Volume XXVI/02, March 21-April 3, 2011.*

*\* Peer group includes Tube Investments of India Limited, Lumax Auto Technologies and Gandhi Special Tubes*

## 3. Return on Net Worth:

Return on net worth as per the Company's restated unconsolidated summary statements:

Year Ended	RONW (%)	Weight
March 31, 2010	48.72	3
March 31, 2009	31.99	2
March 31, 2008	13.33	1
Weighted Average	37.25	
For the nine months period ended December 31, 2010	23.13	

## 4. Minimum Return on Increased Net Worth required to maintain pre-issue earning per share for the year ended March 31, 2010:

- a. Based on basic earning per share:

At the Floor Price: [●]%

At the Cap Price: [●]%

## 5. Net Asset Value:

- a. Net Asset Value per per Equity Share as of March 31, 2010 (unconsolidated) : Rs. 19.79

- b. Net Asset Value per Equity Share for the nine months period ended December 31, 2010 :  
Rs. 35.71
- c. Issue Price per Equity Share : [●]\*
- d. Net Asset Value per Equity Share after the issue : Rs. [●]

\*Issue Price per Share will be determined on conclusion of the Book Building Process.

Net asset value per Equity Share represents the net worth, as restated, divided by the weighted average number of Equity Shares outstanding at the end of the period.

## 6. Comparison with Industry Peers:

Name of the Company	Face Value (Rs.)	EPS (Rs.)	NAV (per share) (Rs.)	P/E Multiple	RONW (%)
<b><i>Cycles and Accessories</i></b>					
Tube Investments of India Limited	2	4.39	44.22	33.72	9.94
<b><i>Auto Ancillaries</i></b>					
Lumax Auto Technologies	10	5.82	33.45	25.14	17.41
<b><i>Steel medium / small</i></b>					
Gandhi Special Tubes	5	17.24	69.06	6.74	24.95
Innoventive Industries Limited*	10	8.62	37.26	[●]	23.13

Source: The above accounting ratios have been calculated from the annual report of the above companies for Financial Year 2010 which are on standalone basis and stock prices as on April 6, 2011 have been taken from [www.bseindia.com](http://www.bseindia.com) for calculation of P/E.

\* Nine month result for the period ended 31<sup>st</sup> December 2010

Subsequent to March 31, 2010 there have been bonus issuances by our Company, along with issuance of further Equity Shares as well as termination of the warrants which were outstanding. For further details kindly refer to the chapters titled 'Capital Structure' and 'History and Certain Corporate Matters' on page numbers 78 and 154 respectively, of this Red Herring Prospectus.

The Issue Price has been determined by the Company in consultation with the BRLMs and on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with "Risk Factors" and "Financial Information" beginning on pages 17 and 214, respectively, of this Red Herring Prospectus, to have a more informed view.

## STATEMENT OF TAX BENEFITS

The Board of Directors,  
Innoventive Industries Ltd.  
(Erstwhile Arihant Domestic Appliances Pvt. Ltd.)  
601 – 602 Nucleus Mall,  
1 Church Road, on to the invero  
Camp, Pune – 411 001

Dear Sirs,

### **Statement of Possible Tax Benefits available to Innoventive Industries Limited and its shareholders**

We report that the enclosed statement states the possible tax benefits available to Innoventive Industries Limited ('the **Company**') and to the shareholders of the Company under the Income Tax Act, 1961 and Wealth Tax Act, 1957 presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

1. The Company or its share holders will continue to obtain these benefits in future; or
2. The conditions prescribed for availing the benefits have been / would be met with.

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

For PCK & Associates  
Chartered Accountants

Partner  
Amit R. Munot  
Membership No.: 118754

Place: Pune, India  
Date: March 8, 2011

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil.

The following tax benefits shall be available to the Company and the prospective shareholders under Direct Tax.

**1) To the Company - Under the Income-tax Act, 1961 ('the Act')**

**Special Tax Benefits**

1.1 Currently, the company is not claiming any special tax benefits.

**1.2 General Tax Benefits**

- (a) Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after April 1, 2003 by domestic companies) received from a domestic company shall be exempt from tax in the hands of the company.
- (b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. capital asset held for a period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax. However, long term capital gains of a company shall be taken into account in computing tax payable under section 115JB.
- (c) As per section 48 of the Act, income chargeable under the head capital gains shall be computed by deducting from the full value of consideration, the expenses incurred in connection with the transfer of the capital asset along with the cost of acquisition and cost of improvement of the capital asset. Further, in case of long term capital gain arising from transfer of a long term capital asset, the company shall be eligible to avail the benefit of indexed cost of acquisition and cost of improvement and factor in the impact of inflation on cost.
- (d) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds redeemable after three years and issued by -
  - (i) National Highways Authority of India ("NHAI") constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section; and
  - (ii) Rural Electrification Corporation Limited ("RECL"), a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section.

The maximum amount permitted to be invested in the aforesaid bonds is Rs. 5 million per investor. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

- (e) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act @ 15% (plus applicable surcharge for corporate assessee and education cess).
- (f) Under Section 32 of the Act, the company can claim depreciation allowance at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets such as patent, trademark, copyright, know-how, licenses etc (on intangible assets acquired after March 31, 1998).

- (g) In terms of sub section (2) of 32 of the Act, the company is entitled to carry forward and set off the unabsorbed depreciation arising due to absence / insufficiency of profits or gains chargeable for the previous year. The amount is allowed to be carried forward and set off for the succeeding previous years until the amount is exhausted without any time limit.
- (h) Under Section 35D of the Act, the company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as under writing commission, brokerage and other charges, as specified in the provision, by way of amortization over a period of 5 successive years, beginning with the previous year in which the business commences, subject to the stipulated limits.
- (i) As per the provisions of Section 56(2)(viiia) the company shall be taxed in respect of shares received of a company in which the public are not substantially interested either without consideration or for a consideration which is less than the aggregate fair market value of the such shares provided the fair market value of such shares exceeds fifty thousand rupees. Such income shall be taxed in the hands of the company as "Income from other sources".
- (j) Where the tax liability of the company as computed under the normal provisions of the Act, is less than 18.5% of its book profits after making certain specified adjustments, the company would be liable to pay Minimum Alternate Tax ("MAT") at an effective rate of 20.4841% (including applicable surcharge and education cess) of the book profits. For the purpose of computation of MAT, the book profits are subjected to certain adjustments as prescribed.  
  
MAT paid in one year shall however be available as credit against the normal income tax liability in subsequent years. Such credit can be carried forward upto 10 years for set off against normal tax liability.
- (k) As per provisions of section 72 of the Act, the company is entitled to carry forward business losses for a period of 8 consecutive assessment years commencing from the assessment year when the losses were first computed and set off such losses from income chargeable under the head "Profits and gains from business or profession".
- (l) As per provisions of section 74 of the Act, the company is entitled to carry forward losses arising from the transfer of capital assets for a period of 8 consecutive assessment years commencing from the assessment year when the losses were first computed and set off such losses from income chargeable under the head "Capital Gains". However, losses arising from long term capital assets may be set off only against long term capital gains arising to the company in future.
- (m) The company is entitled to deduction under section 80G of the Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that section, subject to fulfillment of conditions specified therein.

## **2) To the Members of the Company - Under the Income Tax Act**

### **2.1 Resident Members**

#### **General Tax Benefits**

- (a) Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income-tax in the hands of the shareholders.
- (b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. capital asset held for a period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax. However, long term capital gains of a company shall be taken into account in computing tax payable under section 115JB.

- (c) In terms of Section 36 (1)(xv) of the Act, the Securities Transaction Tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.
- (d) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds redeemable after three years and issued by -
  - i. National Highways Authority of India ("NHAI") constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section; and
  - ii. Rural Electrification Corporation Limited ("RECL"), a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section.

The maximum amount permitted to be invested in the aforesaid bonds is Rs. 5 million per investor. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

- (e) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act @ 15% (plus applicable surcharge for corporate assesseees and education cess).
- (f) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under Section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge for corporate assesseees and education cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge for corporate assesseees and education cess on income-tax) (without indexation), at the option of the Shareholders.

### **Special Tax Benefits**

There are no special tax benefits available to the resident members.

## **2.2 Non Resident Indians/Members other than Foreign Institutional Investors and Foreign Venture Capital Investors**

### **General Tax Benefits**

- (a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the Act, is exempt from tax in the hands of the recipients.
- (b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented mutual fund (i.e. capital asset held for a period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.
- (c) In terms of Section 88E of the Act, the Securities Transaction Tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.
- (d) Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control



regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- (e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38) of the Act] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by -
  - i. National Highways Authority of India ('NHAI') constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section; and
  - ii. RECL, a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section.
- (f) The maximum amount permitted to be invested in the aforesaid bonds is Rs. 5 million per investor. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.
- (g) Under the provisions of section 90(2) of the Act, an assessee may choose to be governed by the provisions of the Act or the double taxation avoidance agreements entered into by India with the country of residence of the assessee, whichever is more beneficial.
- (h) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act @ 15% (plus education cess).
- (i) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under Section 10(38) of the Act] arising on transfer of shares in the company, if shares are held for a period exceeding 12 months, shall be taxed at applicable rates.
- (i) Taxation of Income from investment and Long Term Capital Gains [other than those exempt u/s 10(38)]
- (j) A non-resident Indian, i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. "Special Provisions Relating to certain incomes of Non-Residents".
  - (i) Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under Section 10(38) of the Act] be concessionaly taxed at a flat rate of 10% (plus education cess) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to Section 48 of the Act.
  - (ii) Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
  - (iii) Under provisions of Section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
  - (iv) Under Section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139

of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act.

### **Special Tax Benefits**

There are no special tax benefits available to the non resident members.

### **2.3 Foreign Institutional Investors General Tax Benefits**

- (a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the Act, is exempt from tax in the hands of the institutional investor.
- (b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. capital asset held for a period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.
- (c) In terms of Section 36 (1) (xv) of the Act, the Securities Transaction Tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.
- (d) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act at the rate of 15% (plus applicable surcharge for corporate assesseees and education cess).
- (e) Under Section 115AD capital gain arising on transfer of long term capital assets, being shares in a company (other than those mentioned in point b) above), are taxed at the rate of 10% (plus applicable surcharge for corporate assesseees and education cess). Such capital gains would be computed without giving effect to the first and second proviso to Section 48 of the Act. In other words, the benefit of indexation, direct or indirect, as mentioned under the two provisos would not be allowed while computing the capital gains. Further gains arising from the transfer of short term capital assets may be taxed at the rate of 30% (plus applicable surcharge for corporate assesseees and education cess) or 15% (plus applicable surcharge for corporate assesseees and education cess) in case of equity shares in a company which have been subject to Securities Transaction Tax.
- (f) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38) of the Act] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by -
  - (i) National Highways Authority of India ('NHAI') constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section; and
  - (ii) RECL, a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section.

The maximum amount permitted to be invested in the aforesaid bonds is Rs. 5 million per investor. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

### **Special Tax Benefits**

There are no special tax benefits available to the Foreign Institutional Investors.

### **2.4 Venture Capital Companies / Funds General Tax Benefits**

As per the provisions of section 10(23FB) of the Act, income of

- Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and fulfilling such conditions as may be notified in the Official Gazette, set up for raising funds for investment in a Venture Capital Undertaking,

which is set up to raise funds for investment in a venture capital undertaking is exempt from income tax. As per the provisions of Income tax Act, "venture capital undertaking" means a domestic company whose shares are not listed in a recognized stock exchange of India and which is engaged the business of:

- Nanotechnology;
- Information technology relating to hardware and software development;
- Seed research and development;
- Bio-technology;
- Research and development of new chemical entities in the pharmaceutical sector;
- Production of bio-fuels;
- Building and operating composite hotel-cum-convention center with seating capacity of more than three thousand; or
- Developing or operating and maintaining or development, operating and maintaining any infrastructure facility as defined in the Income Tax Act; or
- Dairy or poultry industry.

### **Special Tax Benefits**

There are no special tax benefits available to the Venture Capital Companies / Funds.

### **3. Wealth Tax Act, 1957**

Shares in a company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

### **4. Benefits available under the Gift Tax Act, 1958**

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

### **5. Tax Treaty benefits**

In accordance with section 90(2) of the Act, a non resident investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

### **Notes**

- a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.
- b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

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

## SECTION IV – ABOUT THE COMPANY

### INDUSTRY OVERVIEW

*The information in this section has been extracted from the websites of and publicly available information, data and statistics of various sources, including, but not limited to, government and industry websites and publications, including reports that have been prepared by Frost & Sullivan. The data may have been re-classified by us for the purpose of presentation. Our Company accepts responsibility for accurately reproducing such data, information and statistics. Neither we nor any other person connected with the Issue has verified the information provided in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based on such information.*

*Except for where otherwise stated, information in this Industry Overview has been derived from the Frost and Sullivan report - “Precision Tubes Market in India”, dated June 2010.*

#### **Indian Economy**

According to the estimates by the Ministry of Statistics and Programme Implementation, the Indian economy has registered a growth of 7.4 per cent in 2009-10, with 8.6 per cent year-on-year (y-o-y) growth in its fourth quarter. The growth is driven by robust performance of the manufacturing sector on the back of government and consumer spending. GDP growth rate of 7.4 per cent in 2009-10 has exceeded the government forecast of 7.2 per cent for the full year. According to government data, the manufacturing sector witnessed a growth of 16.3 per cent in January-March 2010, from a year earlier. (Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 17, 2010)

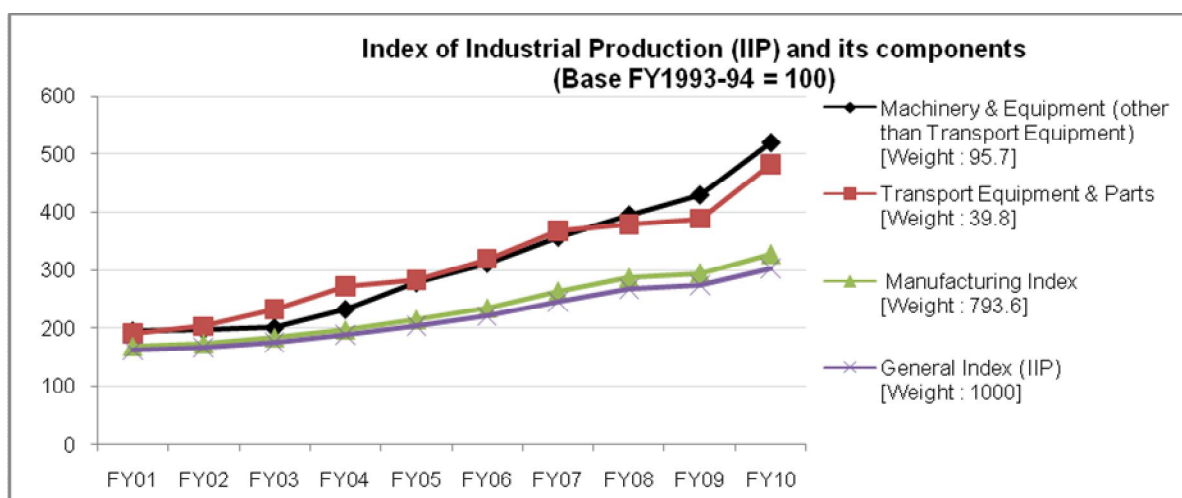
#### **Indian Manufacturing Industry**

India is fast emerging as a global manufacturing hub. India has all the requisite skills in product, process and capital engineering, thanks to its long manufacturing history and higher education system. India's cheap, skilled manpower is attracting a number of companies, spanning diverse industries, making India a global manufacturing powerhouse. Moreover, India has the largest number of companies, outside of Japan, that have been recognised for excellence in quality. As many as 21 companies have received the Deming Excellence awards; 153 companies have achieved Total Productive Maintenance (TPM) Excellence Award for their total productivity management practices by the Japan Institute of Plant Maintenance (JIPM) committee. (Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 17, 2010)

According to a United Nations Industrial Development Organisation's (UNIDO) 'International Yearbook of Industrial Statistics 2010', India ranks among the top ten producers of manufacturing output in 2009. While the US and China occupy the first two places, India is in the ninth place followed by Brazil. India surpassed Canada, Brazil and Mexico in 2009 to reach the ninth position from the twelfth position it held in 2008. (Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 17, 2010)

According to the report, India is among the global top ten in the following sectors: basic metals; electrical machinery and apparatus; transport equipment, other than motor vehicles, trailers and semi-trailers; textiles; leather, leather products and footwear; coke, refined petroleum products, nuclear fuel; chemicals and chemical products.

The annual growth in the Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors during April-March, 2009-10 over the corresponding period of 2008-09 have been 9.8%, 10.9% and 6.0% respectively, which moved the overall growth in the General Index to 10.4%. (Source: Central Statistical Organization (CSO) data as per Press Note dated June 11, 2010)



Source: Central Statistical Organization (CSO) data as per Press Note dated June 11, 2010

Within the IIP, the index of manufacturing grew at a CAGR of 8.8% during FY 2004-05 to FY 2009-10, which was faster than the CAGR of 8.2% for IIP during the same period. Within the index of manufacturing, components for “Machinery & Equipment other than Transport Equipment” grew at a CAGR of 13.2% and “Transport Equipment & Parts” grew at a CAGR of 12.4% during the same period. (Source: Central Statistical Organization (CSO) data as per Press Note dated June 11, 2010)

### Pipes and Tubes

In common usage the words pipe and tube are usually interchangeable, but in industry and engineering discipline the terms are uniquely defined. Depending on the applicable standard to which it is manufactured, pipe is generally specified by a nominal diameter with a constant outside diameter (OD) and a schedule that defines the thickness. Tube is most often specified by the OD and wall thickness, but may be specified by any two of OD, inside diameter (ID), and wall thickness.

PIPE	TUBE
▪ Primarily used only for fluid transfer	▪ Can be also used as a structural component other than fluid transfer
▪ Pipes do not transfer heat	▪ Tubes transfer heat
▪ Pipe material is suitable only for limited bending	▪ Tube material is amenable for close bending
▪ Sizes up to 1000 mm OD	▪ Sizes generally up to 125 mm OD
▪ Large tolerance on thickness/OD	▪ Smaller tolerances on thickness/OD
▪ Lower engineering and surface finish	▪ Better engineering and surface finish

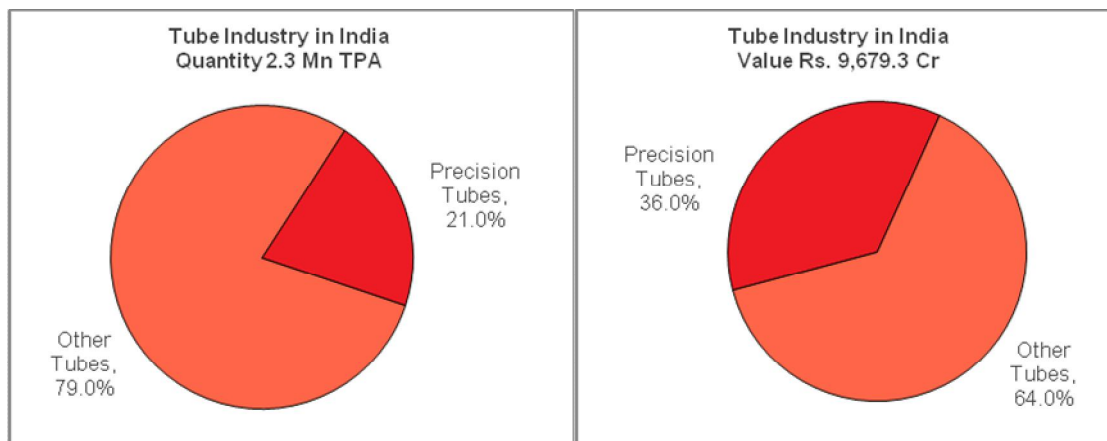
Source: “Precision Tubes Market in India”, June 2010, Frost & Sullivan

Pipe is generally manufactured to one of several international and national industrial standards. While similar standards exist for specific industry application tubing, tube is often made to custom sizes and a broader range of diameters and tolerances. Many industrial and government standards exist for production of pipes and tubes.

The term "tube" is also commonly applied to non-cylindrical sections (i.e. square or rectangular tubing). Depending on the engineering standards and manufacturing process tubes can be divided into variety of categories such as:

- Commercial tubes: These include tubes finding application in plumbing (usually domestic) related activities, minor irrigation works (water transfer between farms) and few other applications
- Structural tubes: These include scaffolding and other similar tubes used as a part of construction activity
- Precision tubes: These are tubes with close tolerances i.e. clearly defined inner and outer diameter and superior physical/mechanical properties.

The total market for tubes in India amounted to 2.3 million tonnes in FY 2009-10, of which precision tubes accounted for 21.0% of the total volume. In terms of value the overall tubes market stood at Rs. 9,679.3 Cr. of which the precision tubes account for 36.0% market share by value.



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

### Precision Tubes

Precision tubes are tubes with close tolerances i.e. clearly defined inner and outer diameter and superior physical/mechanical properties. Precision tubes are usually used as a part of equipment like boilers, heat exchangers, valves, automobiles, exhaust piping, pumps and other equipment categories. Precision tubes can be categorized based on manufacturing process, raw material used, size and end usage applications amongst others.

Precision tubes category –

3. Based on manufacturing process:
  - a. Welded tubes –
    - i. Electric Resistance Welded (ERW) tubes
    - ii. Draw Over Mandrel (DOM) or Cold Drawn Electric Welded (CEW) tubes
  - b. Seamless tubes
    - i. Hot Rolled seamless tube
    - ii. Cold Drawn seamless tube
4. Based on raw material used:
  - a. Ferrous tubes –
    - i. Carbon/mild steel
    - ii. stainless steel
  - b. Non-ferrous tubes –
    - i. Aluminium
    - ii. brass
    - iii. copper
    - iv. other non-ferrous metals/alloys

### Welded Tubes

Welded tubes are generally made by rolling a strip of metal into a circular or other cross section and welding the seam along the length of the tube using electric resistance welding. The finished tubes, also known as ERW tubes, can be further cold drawn to reduce the diameter, improve dimensional accuracy and increase structural strength. Tubes are often machined to provide accurate dimensions as required by end usage applications. The following are the major categories of welded tubes:

#### ERW tubes

ERW precision tubes are products that directly rolled from the steel strip to the corresponding cross section and welded by electrical resistance welding. After removing the outer welding burr and de-cooling, annealing and pickling; the produced hollow sections are machined to certain precise dimensions and formed into

precision tubes. ERW tubes need to conform to various engineering standards depending on the end application.

#### *CEW tubes*

Cold drawing of tubes is a manufacturing process which reduces the diameter of existing ERW tubes (pre material) for improving the structural strength and dimensional accuracy. The cold drawing of tubes begin with the pickling of the pre-material followed by other treatment processes and drying. These pre-material tubes are then pointed for in-take into the drawing tools. There are variety of drawing techniques and benches available for tube drawing, namely:

- Tube sinking – also known as free tube drawing, reduces the diameter of the tube without using a mandrel inside the tube. It is used for low cost drawing but doesn't provide best surface finish.
- Over bar - draws the tube with a mandrel inside the tube; the mandrel is drawn with the tube. It provides good surface finish and has quick set-up time; however, the length of tube that can be drawn is limited and a second operation is required to remove the mandrel.
- Drawing over mandrel - uses a mandrel at the end of the die to shape the ID of the tube. It provides best inner surface finish, but the overall process is slow and cross-section reductions are limited.
- Floating mandrel drawing – uses a mandrel that is not anchored whatsoever to shape the ID of the tube. This method can be used for drawing extremely long lengths of tubes; however it requires precise design to get adequate results.
- Cold pilgering - uses ring dies and a tapered mandrel to reduce tube cross sections. It helps to achieve higher cross-section reductions, lower conversion cost and better mechanical properties; however, the process is complex.

Welded tubes are primarily used in automotive, railways, power and hydraulic equipment, infrastructure, domestic applications and general engineering amongst others.

#### **Seamless Tubes**

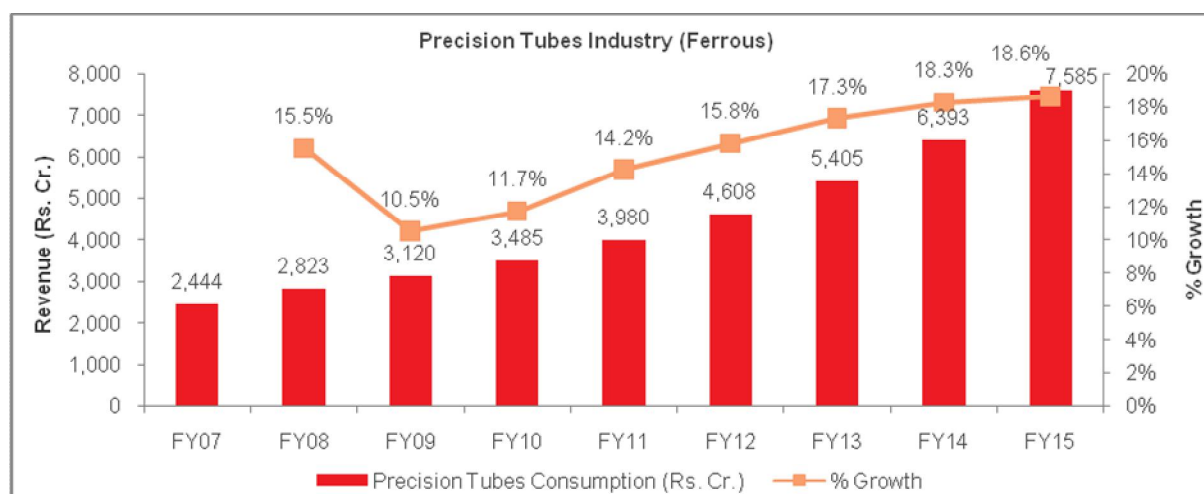
Seamless tubes are often produced via extrusion or rotary piercing technique. In extrusion, the tube material is pushed or drawn through a die of the desired cross-section. This process can yield complex cross sections and can be used to work on brittle materials. Rotary piercing is a hot metal working process for forming thick-walled seamless tubing. A heated cylindrical blank is fed between two rollers and a tapered mandrel is set inside to pierce the blank. The rollers push the blank over the mandrel to form a uniform inner diameter. Seamless tubes can be further cold drawn to reduce diameter and to gain the desired yield strengths.

Seamless tubes have a higher capacity to handle pressure and are used for a variety of applications in oil & gas, automotive, power and hydraulic equipment among others.

#### **Precision Tubes Industry in India**

The precision tubes industry in India is dominated by mild/carbon steel and stainless steel grade tubes which accounted for 87.0% of the total domestic production in FY 2009-10. The domestic production of precision tubes industry in India was about 558,760 tonnes in FY 2009-10, of which domestic sales amounted to 433,857 tonnes and exports amounted to 124,903 tonnes. Exports are also dominated by mild/carbon and stainless steel grade precision tubes and these accounted for more than 80.0% of the total exports in FY10. The import of precision tubes during FY10 was about 47,500 tonnes. Thus the overall domestic consumption of precision tubes in India comprising of domestic sales and imports, amounted to 481,357 tonnes in FY 2009-10. The seamless grade precision tubes dominated the imports during this period whereas the import of mild/carbon steel grade ERW precision tubes was negligible.

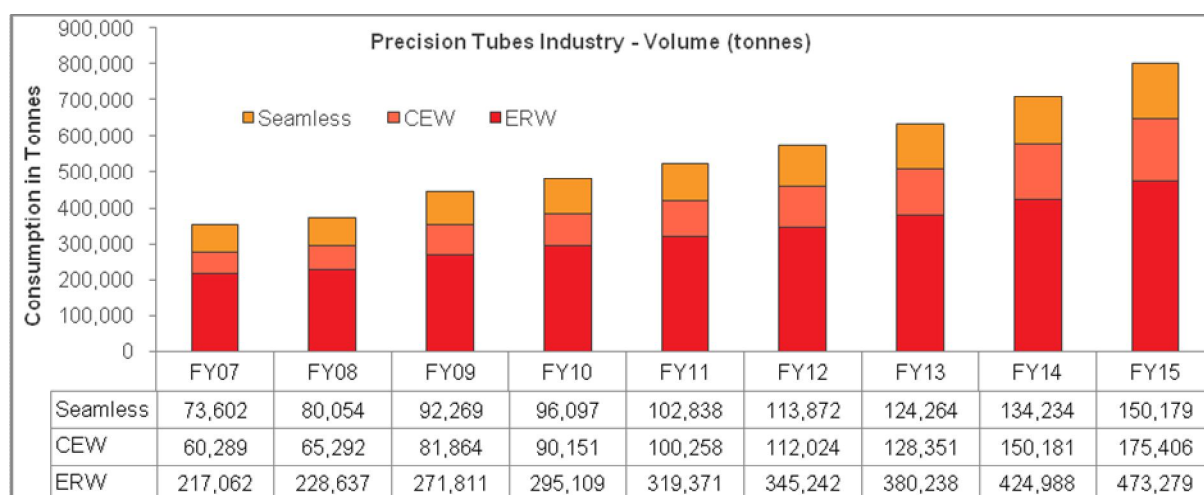
In terms of value, the domestic consumption (domestic sales and imports) of precision tubes amounted to Rs. 3,484.6 Cr. in FY 2009-10 and exports worth Rs. 575.2 Cr. were made during the same period. The mild/carbon and stainless steel grade precision tubes accounted for a revenue share of 75.0% of this market.



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

In terms of revenue, the precision tubes market in India is forecasted to grow at a CAGR of 16.8% from FY 2009-10 to FY 2014-15.

In terms of volumes, the domestic consumption of precision tubes amounted to 481,357 tonnes in FY 2009-10. From FY 2009-10 to FY 2014-15, the overall precision tube market is projected to grow at a CAGR of 10.7% in terms of volume. The ERW, CEW and Seamless tube segments are projected to grow at a CAGR of 9.9%, 14.2% and 9.3% respectively over the same period.



Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

### **Welded (ERW and CEW) Tubes Industry in India**

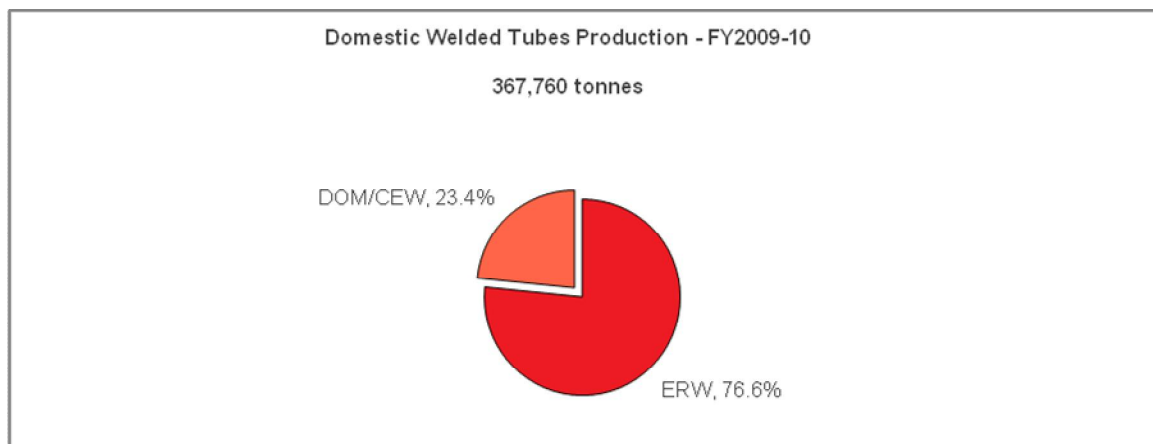
The domestic production of welded precision tubes in FY 2009-10 amounted to 482,760 tonnes, of which 115,000 tonnes was exported and 367,760 tonnes of tubes were sold domestically. In addition, 17,500 tonnes of welded precision tubes were imported primarily from countries like European nations, Japan and Korea. Hence, the overall domestic consumption of welded tubes in FY 2009-10 amounted to 385,260 tonnes.

Mild/carbon and stainless steel grade welded tubes dominate the total production and comprise about 87.5% of the total domestic production of welded tubes in India. Exports are dominated by mild and carbon steel grade welded tubes whereas stainless steel grade welded tubes exports are minimal. On the other hand, stainless steel grade welded tubes dominate the imports. Import of mild and carbon steel grade welded tubes was negligible. The domestic sales of mild and carbon steel grade welded tubes amounted to 321,790 tonnes in FY 2009-10 and stainless steel grade welded tubes amounted to 45,970 tonnes in the same period.



In terms of value, the domestic consumption (domestic sales and imports) of welded precision tubes amounted to Rs. 2,619.7 Cr. in FY 2009-10 and the exports worth Rs. 490.0 Cr. were made during this period. Of the total domestic consumption, mild and carbon steel grade welded tubes accounted for revenues of Rs. 1,702.8 Cr. in FY 2009-10 and stainless steel grade welded tubes amounted to Rs. 916.9 Cr. With revenue share of about 65.0% the mild and carbon steel grade welded tubes dominate the market both in terms of value and volume.

Of the total domestic production of welded tubes, ERW tubes amounted to 281,704 tonnes in FY 2009-10 and accounted for 76.6% share. CEW tubes amounted to 86,056 tonnes and accounted for 23.4% share during the same period.

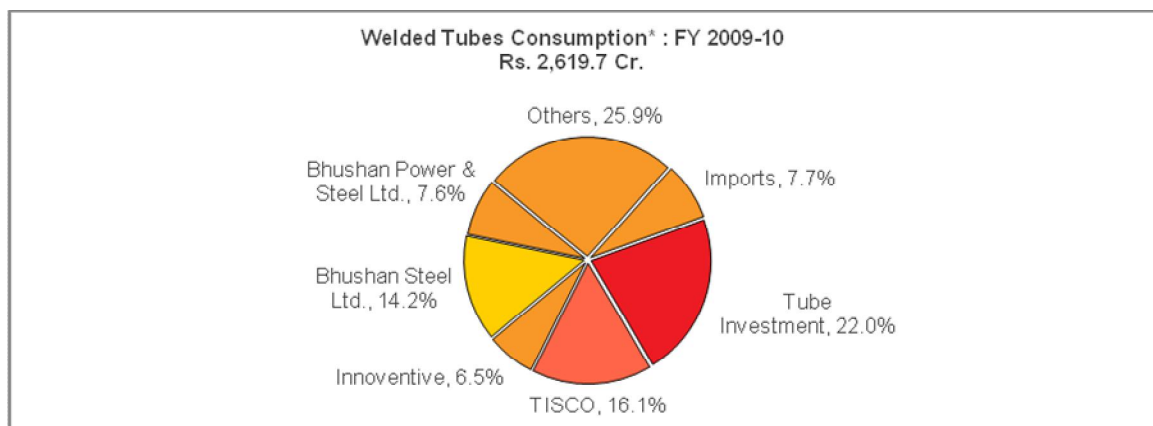


Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

The average price per ton of CEW precision tubes can range from 1.2 – 1.7 times the price per ton of similar grade ERW precision tube. Mild and carbon steel range of tubes dominates the volume of CEW segment.

The mild and carbon steel range of welded precision tubes market is infested with a large number of manufacturers forming part of the unorganized market segment. Relative abundance of raw material and ease of manufacturing are considered to be the reasons for the presence of large number of unorganized manufacturers. Stainless steel precision tubes are sold at a premium compared to precision tubes of other steel grades. Domestic production of stainless steel grade precision tubes is limited to a few Indian manufacturers and substantial imports help meet the demand supply gap.

Tube Investments of India, TISCO, Innoventive Industries Limited, Bhushan Steel Limited and Bhushan Power and Steel Limited are amongst the major manufacturers of ERW precision tubes in India. Tube Investments of India dominates the CEW market segment and has more than 50% market share in this segment. Other manufacturers of CEW tubes are Bhushan Steel Ltd, TISCO, Bhushan Power & Steel Ltd and Innoventive Industries Ltd.

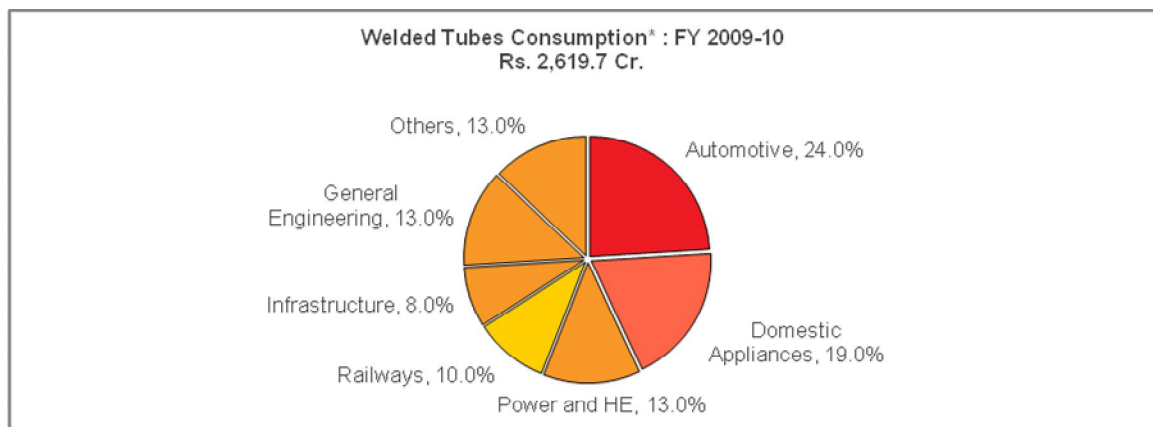


\* includes domestic sales and imports

Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

Due to commodity nature of product, companies that source the raw material at a cheaper price have an edge in offering better prices than their competitors, especially within the ERW precision tubes segment. Apart from price, product innovation, by developing tubes for new applications help these precision tube companies to increase their addressable market and grow in this competitive market.

Welded precision tubes find application in various sectors such as automotive, railways, power and hydroelectric equipment, infrastructure, domestic appliances (including decorative & furniture), general engineering and others. Automotive sector accounted for 24.0% of total domestic consumption of welded tubes in FY 2009-10 and domestic appliances accounted for 19.0% domestic consumption during this period.



\* includes domestic sales and imports

Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

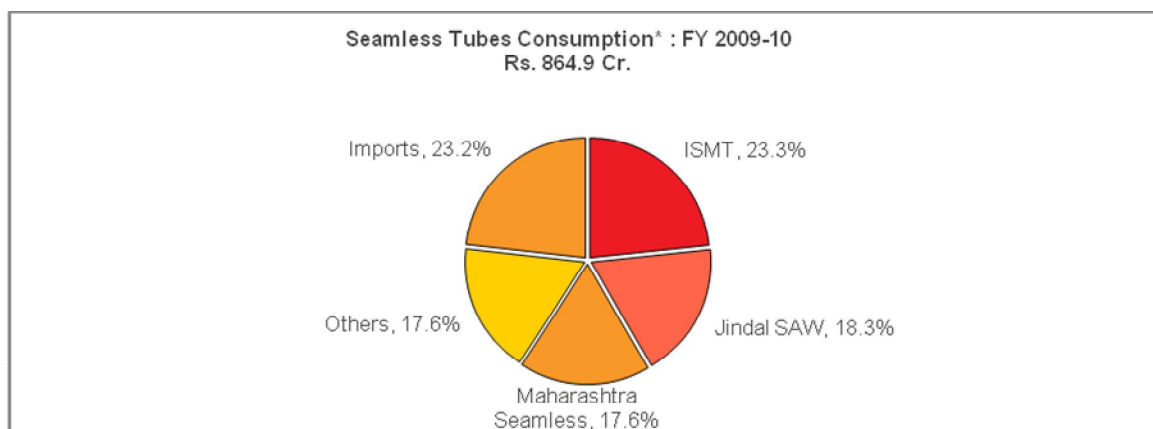
### Seamless Tubes Industry in India

The domestic production of seamless precision tubes in FY 2009-10 amounted to 76,000 tonnes, of which 9,903 tonnes was exported and 66,097 tonnes of tubes were sold for domestic consumption. In addition, about 30,000 tonnes of seamless precision tubes were imported primarily from countries like European nations, Japan and Korea. Import of seamless tubes is relatively higher than the import of welded tubes. Hence, the overall domestic consumption of seamless tubes in FY 2009-10 amounted to 96,097 tonnes.

Mild/carbon and stainless steel grade seamless tubes dominate the total production and comprise about 85% of the total domestic production of seamless tubes in India. Exports are dominated by mild and carbon steel grade seamless tubes whereas stainless steel grade seamless tubes exports are minimal. On the other hand, stainless steel grade seamless tubes dominate the imports. The production mild and carbon steel grade seamless tubes amounted to 56,183 tonnes in FY 2009-10 and stainless steel grade seamless tubes amounted to 9,914 tonnes in the same period.

In terms of value, the domestic consumption (domestic sales and imports) of seamless precision tubes amounted to Rs. 864.9 Cr. in FY 2009-10 and the export sales amounted to Rs. 85.2 Cr. during this period. Of the total domestic consumption, mild and carbon steel grade seamless tubes accounted for revenues of Rs. 518.9 Cr. in FY 2009-10 and stainless steel grade seamless tubes amounted to Rs. 346.0 Cr. With revenue share of about 60% the mild and carbon steel grade seamless tubes dominate the market both in terms of value and volume.

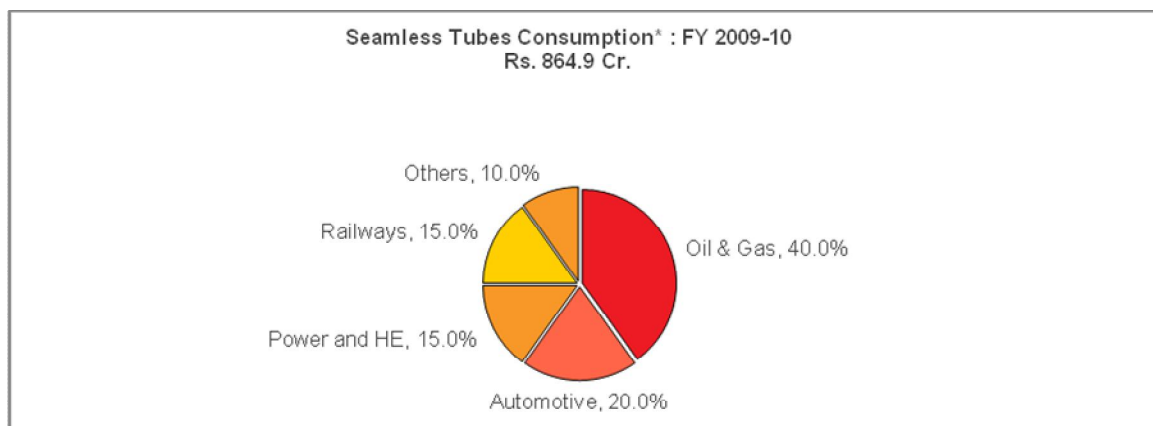
The seamless precision tube market is relatively structured when compared to the welded precision tube market. Top three manufacturers hold more than 50% of the market share and are expected to continue their dominance. ISMT, Jindal SAW and Maharashtra Seamless are some of the major manufacturers of seamless tubes in India.



\* includes domestic sales and imports

Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

Seamless precision tubes find application in various sectors such as automotive, oil & gas, railways, power and hydroelectric equipment and others. Oil & gas sector accounted for 40.0% of total domestic consumption of seamless tubes in FY 2009-10 and automotive sector accounted for 20.0% domestic consumption during this period.



\* includes domestic sales and imports

Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan

The application of precision tubes is usually as a part of equipments like automotive components, heat exchangers, valves and bearings, exhaust piping, pumps, instrumentation, heating elements, digesters and condensers among others.

The precision tubes can be sold through various sales channels like –

- *Projects*: These include precision tubes purchases for new projects. Precision tubes replacement related purchase also are part of this category
- *Original Equipment Manufacturers (OEMs)*: this includes sales to manufacturer of equipments like automobiles, heat exchangers, domestic appliances etc.
- *Distributors, dealers and stockists*: Standard sizes and certain inventory leftovers are sold through this channel.

### Precision Tubes Production

The following is the summary of precision tube production of some select manufacturers in India for FY 2009-10 –

Welded	Seamless	Company Name	FY 2009-10 Production (tonnes)	Mild/ Carbon Steel	Stainless Steel
✓		Tube Investments of India	85,000 – 90,000	✓	
✓		TISCO	67,000 – 71,000	✓	
✓		Bhushan Steel	45,000 – 55,000	✓	
✓		Innoventive Industries	40,000 – 46,000	✓	
✓		Bhushan Power & Steel	28,000 – 35,000	✓	
	✓	ISMT	20,000 – 24,000	✓	
	✓	Maharashtra Seamless	15,000 – 17,000	✓	
	✓	Jindal SAW	14,000 – 17,000	✓	
✓	✓	KLT Automotive & Tubular Products	15,000 – 17,000	✓	
✓	✓	Suraj Stainless	9,000 – 10,000	✓	
✓	✓	Ratnamani	11,000 – 12,000	✓	✓
✓	✓	Prakash Steelage	8,000 – 12,000	✓	✓

Source: “Precision Tubes Market in India”, June 2010, Frost & Sullivan

### Growth Drivers

- Increasing Investments in Oil & Gas & Infrastructure sectors will drive the demand for precision tubes
- Buoyant growth expected in the passenger car / automotive segments is expected to fuel increased consumption
- Discovery of large reserves of natural gas in K G basin will fuel the growth of gas pipelines
- Government initiatives on power industry development to result in increased demand for precision tubes
- Continued investments in the railway up-gradation are expected to spur greater purchase of precision tubes.

### Market Restraints

- Dominant unstructured nature of the ERW precision tubes market, results in intense price rivalry
- Volatile raw material prices leads to varied supply-demand scenarios
- Uncertainty prevailing in the European, Japanese and Chinese economies is expected to impact the exports market
- Capacity/Technology constraints for domestic manufacturing of Power and Heat-Exchange equipment leads to import of equipments and hence confines Precision Tubes demand

### End User Industry

#### Oil & Gas

(Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 23, 2010)

- The oil and gas industry has been instrumental in fuelling the rapid growth of the Indian economy
- India has total reserves of 775 million metric tonnes (MMT) of crude oil and 1074 billion cubic metres (BCM) of natural gas as on April 1, 2009, according to the basic statistics released by the Ministry of Petroleum and Natural Gas. Petroleum exports during 2008-09 were USD 26.2 billion
- In the eighth round of the New Exploration Licensing Policy (NELP-VIII), 1.62 sq km area will be covered comprising 70 blocks. Out of 70 blocks, 36 have been awarded under NELP-VIII, according to the Economic Survey 2009-10. The ninth round of NELP is likely to be launched in the third quarter of 2010
- Moreover, the government is planning its first ever offer of shale gas exploration in 2012. Shale gas (gas locked in sedimentary rocks) is an emerging area. It has become an important source of energy in a few countries that have been able to commercially exploit this resource
- By the end of the XI<sup>th</sup> Plan, the refinery capacity is expected to reach 240.96 million metric tonnes per annum (MMTPA)

- As per the Ministry of Petroleum, demand for oil and gas is likely to increase from 186.54 million tonnes of oil equivalent (mmtoe) in 2009-10 to 233.58 mmtoe in 2011-12
- India's natural gas demand is expected to nearly double to 320 million metric standard cubic metres per day (mmscmd) by 2015. The current demand of 166 mmscmd—made up of nearly 132 mmscmd supplies from domestic fields and the rest from imported liquefied natural gas (LNG)—is likely to rise to at least a minimum of 230 mmscmd and a maximum of 320 mmscmd by 2015
- In January 2010, Gas Authority of India Ltd (GAIL) said that gas availability in India is expected to grow at 23 per cent compounded annual growth rate (CAGR) to 312 mscmd by 2013-14, buoyed by trebling of domestic production to 254 mscmd and doubling of regasified liquefied natural gas imports to 58 mscmd
- To capture the opportunity presented by the impending gas surge in India, GAIL is investing significantly in its pipeline network. Over the next three years, it will invest USD 660.7 million-USD 770.8 million, expanding its transmission capacity from the current 150 mscmd to 300 mscmd.
- Moreover, GAIL which has signed a Memorandum of Understanding (MoU) with the Karnataka government will spend US\$ 423.6 million this year to lay the 800-km pipeline to transport gas from the LNG terminal in Dabhol to Bidadi near Bangalore. GAIL expects the project to be completed by March 2012

#### *Automotive*

(Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 23, 2010)

- The growth of the Indian middle class along with the growth of the economy over the past few years has attracted global auto majors to the Indian market. India provides trained manpower at competitive costs making India a favoured global manufacturing hub
- In recent times, India has emerged as one of the favourite investment destinations for automotive manufacturers
- According to the Society of Indian Automobile Manufacturers (SIAM), overall vehicle sales grew 30% in May 2010 to 1,208,851 units, and 8% over the previous month of April 2010. Two wheeler sales rose 29 %, with motorcycle sales increasing 26 per cent to 725,311 units, and scooter sales rising 45% to 157,509 units in May 2010. Commercial vehicle sales rose 58% in May 2010
- According to SIAM, the medium and heavy commercial vehicle (M&HCV) segment registered a growth of 33.5% at 245,058 units and total commercial vehicle (CV) sales went up by 38.3% to 531,395 units in 2009-10. At an estimated 25% growth, while the M&HCV segment would be about 306,000 units, total CV sales would be about 664,000 units in 2010-11
- Passenger vehicles sales alone grew by 33.93% in the month of April 2010 as per SIAM report. The growth within this segment was largely driven by a 39.48% growth witnessed in passenger car sales whereas exports continue to grow stronger for the industry as overall exports posted a growth of 87.61% as reported by SIAM
- Furthermore, the three wheelers segment witnessed a sales increase of 20.41% in April 2010 over April 2009. Two wheeler segment also continued the growth trend registering an upswing of 22.07% at 8,55,670 in April 2010 compared with 7,00,987 in the corresponding period of last year
- According to the Society of Indian Automobile Manufacturers (SIAM), total commercial vehicle (CV) sales is estimated to grow to 664,000 units in 2010-11, while the medium and heavy commercial vehicle (M&HCV) segment would be about 306,000 units
- The Indian automotive industry is all geared up for a roller coaster journey of growth and there is every reason to remain positive about the Indian auto sector in the future

#### *Auto Components*

(Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 23, 2010)

- The Indian auto component industry is one of India's sunrise industries with tremendous growth prospects. From a low-key supplier providing components to the domestic market alone, the industry

has emerged as one of the key auto components centres in Asia and is today seen as a significant player in the global automotive supply chain. India is now a supplier of a range of high-value and critical automobile components to global auto makers such as General Motors, Toyota, Ford and Volkswagen, amongst others.

- Further the segment has created a niche by diversifying its portfolio into aerospace, power segments and prosthetics. The strategy and plan to look into newer markets outside the country also helped the auto component manufacturers to survive the global recession. The evolution of the Euro emission norms also made the manufacturers rethink their business plans to meet the demand for improved products.
- The entry of new generation vehicles and demand for genuine spare parts also helped in adding to the sales for the companies. Industry experts opine that growing demand for genuine spare parts would strengthen the sector.
- As per a report by the Automotive Component Manufacturers Association of India (ACMA), the turnover of the auto component industry is being estimated at around USD 19.2 billion in 2009-10. The report states that 31% of the auto component industry is dominated by engine parts, 19% by drive transmission and steering parts, and 12% each by suspension & braking parts and body & chassis, while equipments and electrical parts capture 10 and 9%, respectively
- The potential compounded annual growth rate (CAGR) of the auto component industry is estimated to be around 19.2% in the period 2009-10. Exports from the auto component industry are estimated to be worth USD 3.2 billion in 2009-10, according to the ACMA report
- Europe accounted for 40.4 per cent of India's auto components exports in 2009-10, followed by Asia with 23.8% and North America with 22.6%
- The industry has witnessed a shift in the composition of exports over the years, with the original equipment manufacturer (OEM/TIER 1) segment accounting for 80% of exports in 2009-10. The share of the aftermarket segment in auto component exports stood at 20% in the same year
- Investments in the auto component industry are estimated at USD 7.4 billion in 2009-10, according to ACMA
- According to the Investment Commission of India, India is among the most competitive manufacturers of auto components in the world. India is also becoming a global hub for research and development (R&D). Companies like Daimler Chrysler, Bosch, Suzuki and Johnson Controls have set up development centres in India. Many international auto-component majors including Delphi, Visteon, Bosch and Meritor have set up operations in India. Auto manufacturers including GM, Ford, Toyota, etc. as well as auto component manufacturers have set up International Purchasing Offices (IPOs) in India to source their global operations
- Further, increased demand for the passenger vehicles in the country created positive impact for the auto component manufacturers. The component manufacturers registered 55 per cent growth on a year-on-year basis during the quarter ending March 2010. The growth was attributed to the increasing demand of the original spare parts by the customer. On an overall basis, 30 component makers saw rise in revenue in spite of global slowdown in the auto sector. Major players like Bosch, Motherson Sumi and Amtek Auto reported nearly 50 per cent growth in topline, with double-digit surge in profit
- The Ministry of Heavy Industries and Public Enterprises has envisaged the Automotive Mission Plan 2006-2016 to promote growth in the sector. It targets to:
  - Increase turnover to USD 122 billion – USD 159 billion by 2016 from USD 34 billion in 2006
  - Increase export revenue to USD 35 billion by 2016
  - Provide employment to additional 25 million people by 2016
  - The automotive sector is expected to contribute 10% of the country's GDP by 2016
- The auto component industry welcomed the government's announcement of excise duty rollback being limited to 2% during the Union Budget 2010. The government also announced the increase of the deduction limit for Research and Development (R&D) in the sector from 150% to 200%

## *Energy*

(Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan)

- India is facing a huge power deficit, with demand constantly outstripping the supply. To achieve a GDP growth target of 8 to 10%, the power generation capacity needs to be increased by 10% Y-o-Y.
- The XI<sup>th</sup> five year plan has a planned capacity addition of 78,577 MW, out of which 75% will be contributed by thermal power. However, revisions have been made recently to the targets, making the total capacity increase in the period of the XI<sup>th</sup> plan to be 62,488 MW at the present rate of capacity addition.
- The XII<sup>th</sup> five year plan is expected to add capacity in excess of 70,000 MW
- With the increasing power generation capacity, boiler demand is also increasing. The XI<sup>th</sup> five year plan has seen the introduction of super-critical boiler technology (660 & 800 MW boilers). 27 projects will be based on super critical technology with 54 plants of 660 MW and 10 plants of 800 MW
- Larger projects, namely the Ultra Mega Power Projects (UMPP) have completely adopted the super-critical technology.
- The super-critical boilers are expected to completely replace the sub-critical boilers by the end of XIII<sup>th</sup> five year plan. The XIII<sup>th</sup> five year plan will have all super-critical sets only.

## *Railways*

(Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan)

- Indian Railways staged an impressive turnaround in the past few years, with freight and passenger traffic, on railways, growing at a five-year average rate of 7.9% and 5.5%, respectively, with revenues growing even faster at around 12.5% and 9.8%, respectively.
- Despite continued dominance of the roadways (>60% volume share) in the overall freight transport in India, railways dominate freight movement regarding several bulk products due to their better-cost economics over long distances. Presently, railways move around 32 % of the total bulk freight movement and carries about 20% of the passenger traffic. Freight accounts for 67% of total railway revenues.
- The railway working committee has proposed an investment of Rs. 2,510 billion (excluding MRTS) in various projects over the XI<sup>th</sup> plan period (2007-08 to 2011-12); close to three times the XI<sup>th</sup> plan outlay. Given the superior financial position and high internal accruals of railways, higher achievement rates for the proposed investments are expected.

## *Infrastructure*

(Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan)

- India's infrastructure sector grew by more than 5% in the last quarter of 2009, mainly due to growth in steel and cement productions during that period.
- The infrastructure sector in India is attracting major investments, with investment banking company Goldman Sachs envisaging an investment of USD 1.7 trillion over the next 10 years, in India's infrastructure sector.
- Expansion of existing ports, national highways, and airports as well construction of new ones is a major boost to the infrastructure sector.
- Apart from these projects, the most awaited Delhi, Mumbai and Bangalore Metro projects are expected to alleviate growing city transport problems.
- In the next 5-6 years, the aggregate metro rail length in India is expected to more than triple its existing length. The number of stations is expected to increase by at least three times the existing, with the total number of underground (UG) stations doubling by 2014-15.
- The capital expenditure required to accomplish this metro rail growth in India is estimated to be upwards of Rs. 50,000 Cr.

## *Steel*

(Source: India Brand Equity Foundation, [www.ibef.org](http://www.ibef.org) accessed on Sep 23, 2010)

- According to the Annual Report 2009-10 by the Ministry of Steel, India has emerged as the fifth largest producer of steel in the world and is likely to become the second largest producer of crude steel by 2015-16
- Steel production rose 4.2% to reach 60 million tonnes (MT) in 2009-2010, according to the Ministry of Steel. The National Steel Policy 2005 had projected an annual steel consumption growth of 7% based on GDP growth rate of 7-7.5% and production of 110 MT of crude steel by 2019-2020. Nonetheless, with the current rate of ongoing greenfield and brownfield projects, the Ministry of Steel has projected that these growth trends are likely to be exceeded and it is envisaged that in the next five years demand will grow at higher annual average growth rate of over 10% as compared to around 7% growth achieved between 1991-92 and 2005-06
- Moreover, according to the ministry, the crude steel production capacity in the country by 2011-12 will be nearly 124 MT
- India's steel consumption rose 8% in the year ended March 2010, over the same period a year ago on account of improved demand from sectors like automobile, infrastructure and housing. The country's steel consumption increased to 56.3 MT in the 12 months to March 2010 from 52.3 MT in the previous year, as per the Ministry of Steel
- According to the Ministry of Steel, 222 memorandum of understanding (MoUs) have been signed with various states for planned capacity of around 276 MT. Major investment plans are in Orissa, Jharkhand, Chattisgarh, West Bengal, Karnataka, Gujarat and Maharashtra

### *Ship Building*

(Source: "Precision Tubes Market in India", June 2010, Frost & Sullivan)

- Globally the ship building industry has seen a gradual shift from Europe to Asia. India has largely benefited from this shift with India's share in world market rising from meagre 0.1% at the beginning of X<sup>th</sup> plan period, to 1.3% in 2006. Realizing the potential in the ship building industry, Government of India has set a target of 8% of the world share by 2017.
- Indian ship building industry, which has gained a strong foothold in the niche offshore segment, is expected to grow at a CAGR of 30% by 2020.
- The Indian ship building industry has been dominated by public sector companies, with private players gaining entry after 1991.
- India has an edge in the ship building industry with long coast lines, deep water ports, ship builders with required expertise, and ancillary industries.
- Carefully crafted industrial policies and administrative guidance and support from the government will propel the Indian ship building industry to new heights.



## OUR BUSINESS

*In this section unless otherwise stated, any reference to “Innovative”, “IIL”, “we”, “us”, “our” or “the company” refers to Innovative Industries Limited along with its subsidiaries.*

### Company Overview

We are a multiproduct engineering company engaged in the manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products which find application in diverse industrial sectors such as transportation, oil & gas, power, farm equipments and general engineering. We have six manufacturing facilities located across Pune and Silvassa. We sell our products in the domestic as well as in export markets.

Our Promoters, first generation technocrats, acquired the company in 2002 under the leadership of Mr. Chandu Chavan.

We manufacture a wide range of precision steel tubes and other value added products mentioned as below:

- **ERW Precision Tubes:** We manufacture Electric Resistance Welded (ERW) precision steel tubes from mild and carbon steel alloys that conform to various industrial standards as desired by our customers from transportation, power and general engineering sectors.
- **CEW Tubes:** Cold drawn Electric Welded (CEW) tubes are value added products manufactured by cold drawing ERW tubes using draw benches and/or cold pilgering respectively. We also machine these tubes to manufacture tubular components. Our CEW tubes and components find applications in power, farm equipments, transportation and general engineering sectors.
- **Auto Components:** We manufacture a variety of machined components, press fabricated parts, welded components and assemblies catering to the transportation and farm equipments sector
- **Power Equipment Components:** We manufacture membrane strips and energy tubes that are used for boilers and heat exchangers.
- **Oil Country Tubular Goods (OCTG):** We manufacture, through our subsidiary, fully machined ready-to-assemble parts such as machined tubing, couplings, casing couplings, pup joints, cross-overs, open-die and closed-die forgings which are used in the oil & gas sector.
- **Other Steel Products:** We manufacture, through our subsidiaries, cold rolled (CR) sheets, metal wires, laminates and stampings. These products are used in transportation, consumer durables, energy and general engineering sectors.

For further details on our products, see “*Our Principal Products*” on page number 133.

Our in-house R&D efforts have helped us develop processes, tools and technology to make our manufacturing process more efficient and broaden our product range. We have innovated the use of cold pilgering process to make CEW tubes directly from ERW tubes without the use of draw bench. This process results in energy, labour and process-related conversion cost saving and provides tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. We have made an application to obtain a patent for this process. We have developed an in-house capability to slit steel coils into narrow width strips which are used as membrane strips in boilers and heat exchangers. Currently these membrane strips are largely being imported in India owing to technical complexities. We have also developed hydraulic cylinder tubes, rubber to metal products and profiled tubes in house.

We market our products domestically and also exported to 10 countries across the globe. In USA, we sell our CEW tubes under the brand of ARIDOM™ through a long term arrangement with Salem Steel North America, LLC. We cater to over 475 customers worldwide.

Our major customers include Bajaj Auto Limited, Bharat Heavy Electricals Limited, Thermax Limited, John Deere India, Sundram Industries Limited, Gabriel India Limited and Alstom Projects Limited.

We source our primary raw material through our long term established relationship with Essar Steel Limited, Ispat Industries Limited and other major steel manufacturers.

Our subsidiaries provide further diversification and value addition to our business model. Our subsidiaries carry on the business activities as under –

<b>Key Subsidiaries</b>	
<p>Sankalp Forgings Private Limited (“Sankalp” or “SFPL”)</p> <p><i>IL stake – 51%</i></p>	<ul style="list-style-type: none"> <li>Engaged in manufacturing fully machined ready to assemble parts such as machined tubing, coupling, casing couplings, pup joints, cross overs etc, which are used in oil rigs/ oil wells</li> <li>Engaged in manufacturing open die and closed die forgings, castings used in precision engineering components, oil fields and automobile components</li> </ul>
<p>Saicon Steel Private Limited (“Saicon” or “SSPL”)</p> <p><i>IL stake – 51%</i></p>	<ul style="list-style-type: none"> <li>Engaged in converting Hot Rolled Steel Coils (“HR coils”) to Cold Rolled Steel Coils (“CR coils”) and selling the finished product to diverse industries for various applications</li> <li>Engaged in manufacturing and selling laminates and stampings, primarily to electrical industries</li> </ul>
<p>Arihant Steel and Metal Wires Private Limited (“ASMWPL”)</p> <p><i>IL stake – 100%</i></p>	<ul style="list-style-type: none"> <li>Engaged in manufacturing of steel wires using steel scrap generated in our various manufacturing plants</li> </ul>

Our consolidated revenue for the nine month period ending December 31, 2010 is Rs. 45,701.78 lakhs. Our consolidated revenue has increased from Rs. 37,109.88 lakhs in FY 2009 to Rs. 42,515.05 lakhs in FY 2010, and our profit after tax has increased from Rs. 1,413.71 lakhs to Rs. 3,434.07 lakhs during this period.

Our vision is to evolve globally as value creator for customers by specializing in Total Engineering Solutions and Supply Chain Management.

## STRENGTHS AND STRATEGIES

### Our Competitive Strengths

We believe the following are our primary competitive strengths:

#### *Diversified product portfolio for catering to high growth segments of the economy*

We manufacture a wide range of products comprising ERW and CEW precision steel tubes, tubular, auto, machined components and assemblies. Our products find variety of applications in the transportation, oil & gas, power, farm equipments and general engineering sectors. The following table provides break-up of our sales amongst various industries:

(Rs. in lakhs)

Particulars	For the Year ended							
	Apr-Dec, 2010	%	FY 2010	%	FY 2009	%	FY 2008	%
Transportation	22,347.63	49.30	20,098.00	47.68	19,190.60	53.02	20,200.60	62.53

Oil & Gas	5,475.72	12.10	4,389.00	10.41	3,746.70	10.35	458.00	1.42
Power	5,187.20	11.40	5,265.60	12.49	3,964.90	10.95	3,650.20	11.30
Farm Equipments	1,224.10	2.70	1,239.70	2.94	488.20	1.35	-	-
General Engineering	11,082.23	24.50	11,155.21	26.47	8,805.61	24.33	7,997.19	24.75
<b>Total Sales</b>	<b>45,316.89</b>	<b>100.0</b>	<b>42,147.51</b>	<b>100.00</b>	<b>36,196.31</b>	<b>100.00</b>	<b>32,305.99</b>	<b>100.00</b>

The FY 2005 – FY 2010 CAGR of Index of Industrial Production (“IIP”) for Transport Equipment & Parts and Machinery & Equipment (Other than Transport Equipment) was 11.2% and 13.2% respectively as compared to 8.2% CAGR for overall IIP in the same period. (Source: CSO data as per Press Note dated June 11, 2010)

### ***Strong focus on R&D and Product Innovation***

Our continuous R&D efforts have helped us develop processes, tools and technology to make our manufacturing process more efficient and broaden our product range. We have innovated the use of cold pilgering process to make CEW tubes directly from ERW tubes without the use of draw bench. This process results in energy, labour and process-related conversion cost saving and provides tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. We have made an application to obtain a patent for this process. We have developed an in-house capability to slit steel coils into narrow width strips which are used as membrane panel strips in boilers and heat exchangers. Currently these membrane strips are largely being imported in India owing to technical complexities. We have also developed hydraulic cylinder tubes, rubber to metal products and profiled tubes in house. Further, we have 11 products under various stages of development and commercialization.

### ***Well positioned to tap the global CEW tube market***

In 2008 we managed to successfully implement cold pilgering technology for manufacturing CEW tubes directly from ERW tubes without the use of draw bench. This process results in energy, process-related conversion cost saving and tubes with enhanced mechanical properties like better surface finish, dimensional accuracy and strength, compared to typical CEW tubes. As per the study was conducted by the Indian Institute of Technology, Mumbai, the process saves energy costs up to 80% and also has significant environmental advantages. The usage of chemicals is greatly minimized and the wastage of steel is reduced by 7% without comprising on the quality of the product. Our company has made necessary application for obtaining patent for this process.

With this cost saving on account of pilgering process, we have a significant advantage in pricing our products in the competitive global markets. Our CEW tubes have found acceptance by 93 customers worldwide and we are selling our CEW tubes under the brand name of ARIDOM™ in the USA.

### ***Eligible for benefits under the Package Scheme of Incentives 2007 granted to the “Mega Projects”***

Our new plant at Pimple Jagtap has been granted ‘the Mega Project’ status by the Government of Maharashtra under the "Package Scheme of Incentives 2007" which entitles our Company to the following benefits and translates into cash inflow and the overall business growth:

- 1) Electricity Duty exemption for the period of 7 years ending November 30, 2015;
- 2) 100% exemption from payment of Stamp Duty;
- 3) Industrial Promotion Subsidy (IPS) equivalent to 75% of the eligible investment in the plant made with effect from March 28, 2007.
  - The IPS will however be limited to 75% of the eligible investments less the amount of benefits availed as mentioned in serial number 1 and 2 for the period from December 1, 2008 till November 30, 2015; or

- to the extent of taxes paid to the State Government within a period of 7 years, whichever is lower

As at November 30, 2010, an overall investment of Rs. 26,245.76 lakhs has been made by our Company; of which Rs. 9,453.69 lakhs has been sanctioned as eligible investment, on March 17, 2009; and the balance investment amounting to Rs. 16,792.07 lakhs is in the process of validation. Further, the Government of Maharashtra, Directorate of Industries has disbursed an amount of Rs 38.78 lakhs towards our first claim, for the period December 1, 2008 to March 31, 2009.

#### ***Long term relationships with multiple customers***

Customer satisfaction is the focus of our product development and process improvement. Our product development team gets involved with the customers at the product conceptualization stage to help customers achieve desired quality and cost parameters. Our ability to satisfy our customers' requirements helps us to expand business from our existing customers as well as attract new customers.

We have long established relationship with our customers like Bajaj Auto Limited, Salem Steel North America, LLC, Bharat Heavy Electrical Limited, Thermax Limited, Lindsay International, Alstom Projects Limited amongst others.

Our lower dependence on few customers increases our competitive position and thus reduces the volatility of our revenues and margins. The following table shows the revenue contribution in percentage terms from top customers on a consolidated basis:

	<b>Apr-Dec, 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>
Top Customer	20.10%	21.71%	22.03%	25.18%
Top 5 Customers	39.40%	36.61%	38.18%	39.47%
Top 10 Customers	49.80%	46.80%	43.76%	44.29%

#### ***Contribution to our total sales by some of our long term clients***

<b>Customer Name</b>	<b>Sales Amount in Rs Lacs</b>	<b>Share in Total Sales</b>
Bajaj Auto Ltd.	9,109.23	20.1%
Bharat Heavy Electrical Ltd.	792.98	1.7%
Lindsay International	1,044.31	2.3%
Salem Steel North Amercia LLC	1,764.81	3.9%
Thermax Ltd.	271.34	0.6%

#### ***Experienced technocrat promoters and professional management team***

Our Chairman Mr. Chandu Chavan and promoters and promoter group acquired our Company along with Mr. Sanjay Waghulade Mr. Ravindra Katre, Mr. Sanjay Bhade and Mr. Parag Mulye in 2002. Our Promoters are first generation entrepreneurs with experience in the precision steel tubes and auto components business.

Most of our senior management and core teams have been with us since the acquisition of our Company by our Promoters and have successfully executed our growth strategy. Our net revenue for the nine month period ending December 31, 2010, is Rs. 38,150.20 lakhs on a standalone basis. Our net revenue increased from Rs. 11,722.18 lakhs in FY 2005-06 to Rs. 39,222.27 lakhs in FY 2009-10 on standalone basis. As of March 7, 2011 our management team has 53.13% shareholding in our Company.

Our management team shares the vision of our Promoters and has the requisite expertise to continue to expand our businesses. Our management team is in charge of execution, operation, marketing, quality management and delivery at each of our plants as independent business units.

#### ***Consistent Growth in Operations***

We have achieved consistent growth in our business, customer base, and market penetration over last few years. For the period of five years from FY 2006 to FY 2010, we have CAGR of 35.2% in total sales, 66.8% in EBITDA and 28.9% in Net profit after Tax as restated on a standalone basis. Our customer base has increased from 447 in FY 2006 to over 700 in FY 2010.

## **KEY BUSINESS STRATEGIES**

### ***Focus on technology based innovative products and cost efficient processes***

We shall continue to focus on developing technology based innovative products which will result in significant cost saving for our customers with improved quality and performance. We see significant opportunities in certain applications where seamless tubes, bars and non-ferrous tubes and tubular components can be replaced with our CEW tubes and machined components. We are also expanding our product portfolio by designing new products such as hydraulic cylinders, bearing spacers and drag linkages amongst others, where our lower cost and comparable quality/performance provides a superior value proposition to our customers. We believe that these efforts and initiatives will help us expand our addressable market.

### ***Expand customer base and focus on high growth segments***

We continue to expand our customer base by acquiring new customers for our existing products. We have developed several products that are at various stages of approval with our existing customers and we will leverage this approved product portfolio to acquire new customers and develop new products.

We intend to expand into various geographies such as North America, Europe, Middle East and Latin America apart from the domestic market. We want to widen our OEM and distributors base in these geographies; leverage our direct relations with the OEMs to secure long term contracts, broaden our product offerings and develop new products through close collaboration. We intend to target segments such as railways, farm equipments, material handling, off-highway vehicles, marine and infrastructure.

We seek to become a preferred supplier to our key customers across industry sectors. Our endeavour is to continue to provide cost efficient, high quality and timely delivery of products to retain and attract customers.

### ***Expansion of our manufacturing capacity for CEW tubes and other value added products***

We see a significant potential in the market for CEW tubes and tubular products manufactured by us. We are currently investing in our manufacturing facility at Pimple Jagtap, Pune. The current CEW facility expansion is expected to get fully operational by FY 2011 which will increase our CEW manufacturing capacity from 23,265 MT to 28,785 MT and through IPO proceeds, we will further expand the capacity to 76,701 MT by 2012. This facility will be utilized for manufacturing CEW tubes, tubular components and assemblies. Further we intend to reduce the concentration of ERW tubes by focussing on selling more CEW tubes and other value added products like strips and machined components, which provide higher realization and profitability.

### ***Pursue selective strategic acquisitions and investments***

Our Company has steadily grown its business through a combination of organic and inorganic growth strategies. We have been acquiring businesses which offer opportunity to grow and expand our capabilities and range of products that can be manufactured from the existing product range. Our acquisition of Sankalp resulted in our entry into high end products like couplings required in the oil & gas industry primarily meant for the export markets with a strong customer base in the international market. We continually seek new growth and acquisition opportunities in our existing line of business as well as related businesses to expand our geographic presence, product offerings and technological expertise, including investment in or acquisition of minority or majority stakes in companies which support our business.

### ***Maintenance of performance and competitiveness of existing business***

Our Company has a track record of successfully introducing and establishing new products in new and existing segments. Our Company is committed to maintaining modern manufacturing facilities, which we believe improves the quality of our products, improves the efficiency in the production processes and reduces operational costs. There exists immense potential in our existing line of business and our Company intends to maintain competitiveness of its existing business and achieve growth by capitalizing on its efficient and strong execution and implementation skills which shall help us realize our vision is to evolve globally as value creator for customers by specializing in Total Engineering Solutions and Supply Chain Management.

### **Our Principal Products**

**ERW Precision Tubes:** Electric Resistance Welded (ERW) tubes are basic precision steel tubes used for a variety of engineering and structural applications. ERW tubes are formed by rolling HR coils and welding along the length of the tube. ERW tubes can be further processed into CEW tubes in order to improve the mechanical properties of the tube, namely ductility, tensile strength, dimensional accuracy and surface finish amongst others.

**CEW Precision Tubes:** Cold drawn Electric Welded (CEW) tubes are prepared from ERW tubes through various processes like drawing, pilgering and their variants. The resulting CEW tubes have closer/stringent dimensional control, higher mechanical properties, improved surface finish, non-standard sizes and profiles other than circular section.

In case of drawing, an ERW tube is drawn over a mandrel using a draw bench. The tube collapses on the mandrel and takes its shape. This process is repeated multiple times (multiple pass) in order to manufacture tube with desired thickness and shape.

Pilgering has many variations and the usual method is to use a single or multiple pass CEW tube and passing it through a cold pilger mill wherein the tube is rolled between a pair of rollers achieve desired shape and dimensional accuracy. We have innovated the use of pilgering process wherein ERW tubes can be directly pilgered and made into CEW tubes without passing them through a draw bench. This results in significant energy and cost saving.

Our precision tubes (ERW and CEW) are used in various applications usually as a part of equipments like automotive components, heat exchangers, valves and bearings, exhaust piping, pumps, instrumentation, heating elements and condensers among others.

**Membrane Strips:** Membrane strips are manufactured by passing HR/CR coils through slitting machines that cut the coils into strips of desired thickness. We have developed an in-house capability to slit steel coils into narrow width strips with desired dimensional accuracy. We can manufacture membrane strips with width below 22 mm in 6 mm thickness. These membrane strips are used for making various components and sub-assemblies used in boiler, heat exchangers and other industrial applications.

**Auto components:** We manufacture a variety of machined components, press parts & welded components for transportation and farm equipment sectors. In most cases, the raw material used for these components are ERW and CEW tubes manufactured by us.

The product range for the auto division include Swing Arm Assembly, Main Stand, Side Stand, Main Foot Step, Pillion Foot Step, Engine Mounting Brackets, Head Lamp Mounting Brackets, Brace Fender, Guide Kick for the two wheelers; Trailing Arm Assemblies for the three wheelers (Components are supplied to all the Premium, Executive & Economy Segment models of Bajaj Auto). We intend to focus on the existing products lines and are also looking to expand the product base by constant innovation and development.

**Machined components and forgings:** Our subsidiary Sankalp manufactures fully machined ready to assemble parts such as machined tubing, coupling, casing couplings, pup joints, cross overs etc, which are used in oil rigs and oil wells. It also manufactures open die and closed die forgings and castings used in precision engineering components, oil fields and auto components.

**CR Coils:** Our subsidiary Saicon is engaged in manufacturing Cold Rolled (CR) coils from Hot Rolled (HR) steel coils by passing them through cold rolling mills. CR coils have better mechanical properties compared

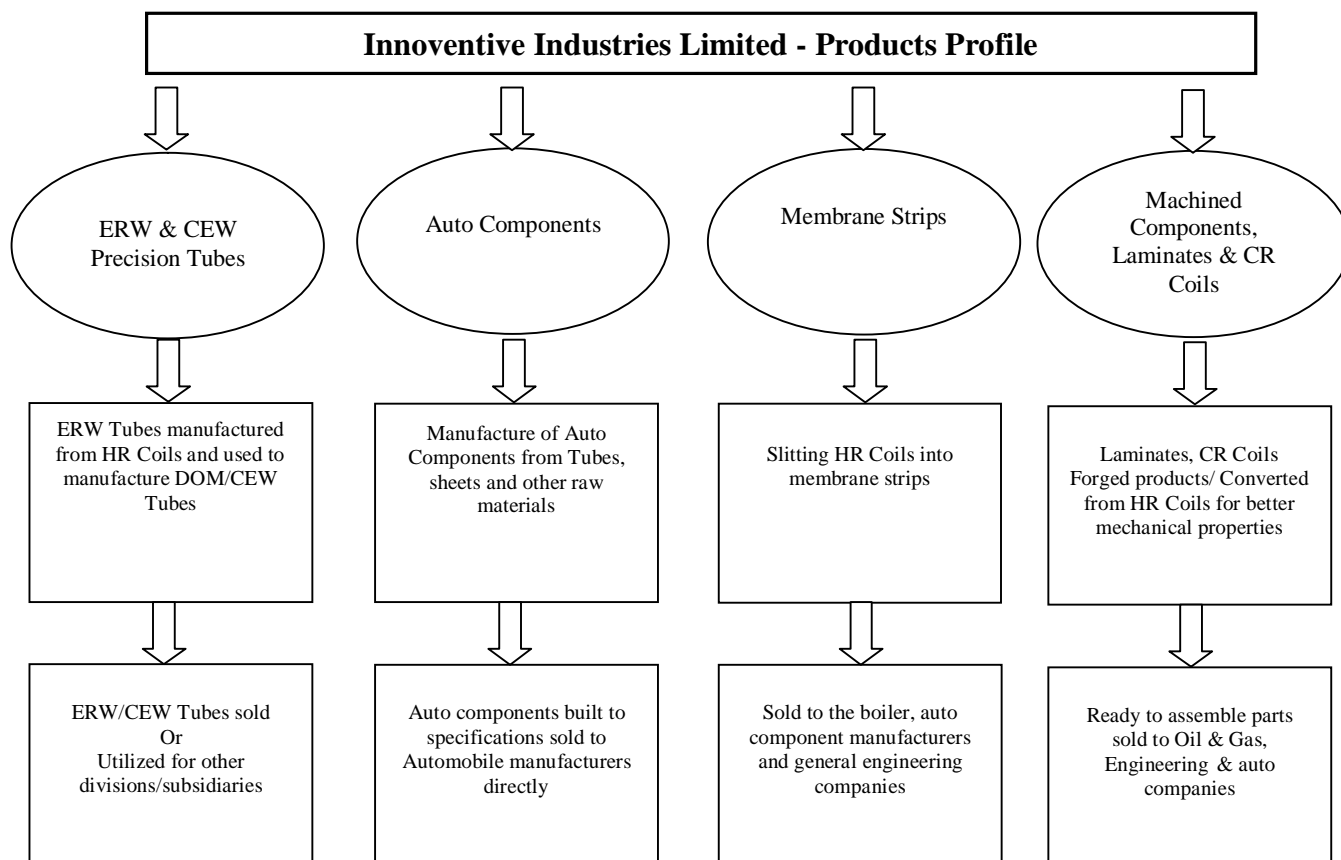
to HR coils and are used for various applications like panels, vehicle bodies and electrical appliance casings amongst others.

**Laminates and Stampings:** Our subsidiary Saicon is engaged in manufacturing laminates made from steel coils. These are used primarily in the electrical industry for applications like transformer cores.

**Steel Wire:** Our subsidiary Arihant Steel and Metal Wires is engaged in manufacturing of steel wires using steel scrap generated in our various manufacturing plants.

## Our Operations

*Brief overview of product profile of Innoventive Industries Limited*



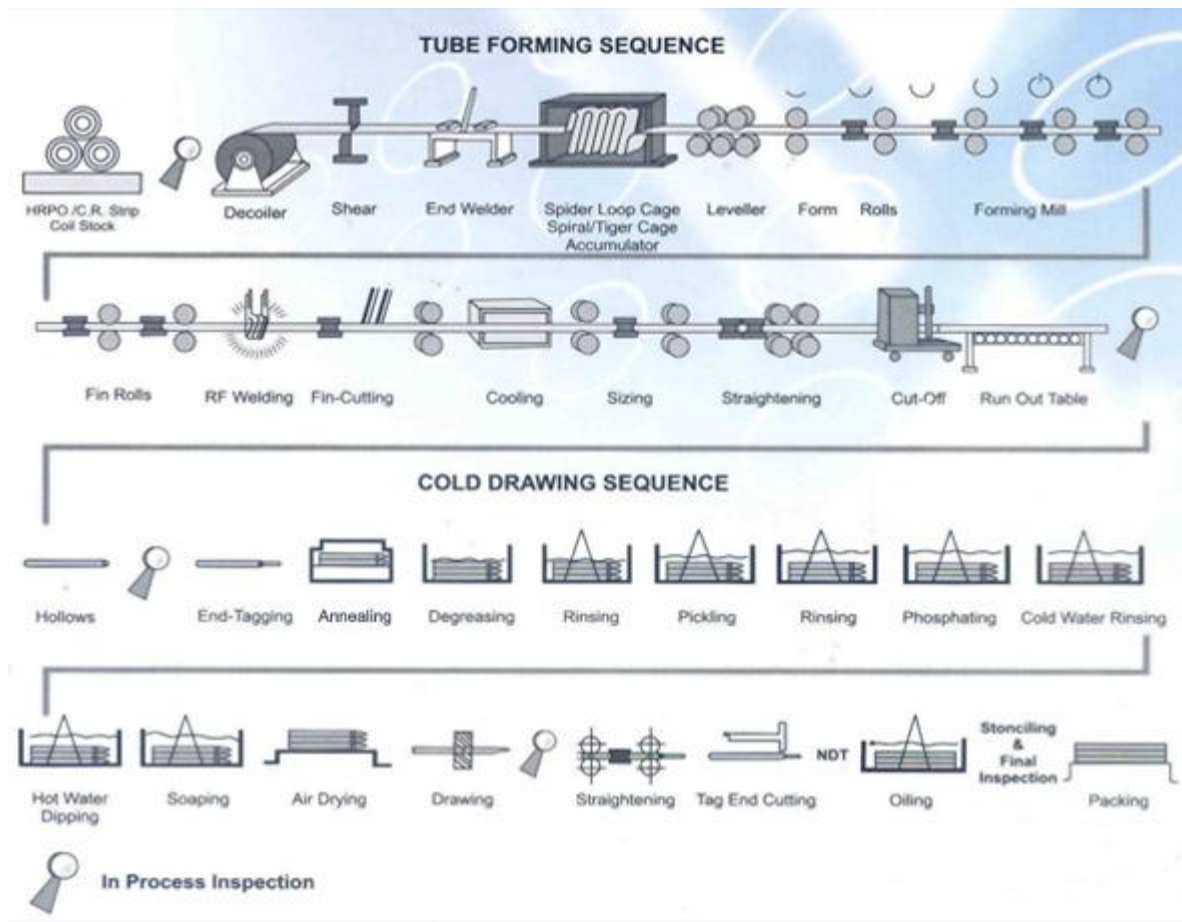
## Manufacturing of Precision tubes

The basic raw material used for manufacturing the precision tubes is HR steel coil which is sourced from reputed steel makers including Essar Steel Limited, Ispat Industries Limited, among others. The HR coils are converted into ERW tubes, which can be sold in the market or further processed into CEW tubes through draw benches or cold pilgering.

## ERW and CEW Tube Manufacturing

The following process flow describes the various steps involved in manufacturing ERW tubes from HR coils and subsequent cold drawing of ERW tubes to manufacture CEW tubes.

*Process flow*



### *ERW tube forming*

The tube making starts with the loading of the HR coil in the decoiler reel which facilitates uncoiling and subsequently it is slit using a shearer along the length. The slit widths are quality mandated and controlled within a range of  $\pm 0.2\text{mm}$ . These slit coils are carefully identified and marked suitably for further processing.

The slit coils sections are then welded end to end for joining and made to pass through the cage looper and accumulator. The steel strip which comes out of the looper/accumulator in a controlled manner is then passed through a set of roller sets to gradually mould the flat strip into circular cross-sectional tube. The seam of the tube is then welded using electric resistance welding and an OD tool post is used to trim the outer weld flash. The tube is then cooled in a trough and passed through sizing rollers a straightening stand consisting of rollers. The tube, which is continuously produced, passes through a cut – off carriage, which grips the tube and travels with it to cut the required length by the high speed rotating circular saw. These cut tubes are then inspected using various non destructive testing (NDT) methods such as eddy current testing which is “on-line” in our ERW tube mill. The tubes, which are welded, are made to pass through the test head located “on-line” and generate signals controlled and monitored by the eddy current testing equipment. The defective tubes, if any, are marked and taken out.

### *Cold Drawing*

The ERW tube which is manufactured is used as parent hollow tube for subsequently cold - drawing to achieve CEW tubes of closer/stringent dimensional control, higher mechanical properties, improved surface finish, non-standard sizes and profiles other than circular section. The process starts with swaging/forming the ends carried out in roller forming machine or hydraulic end forming press. Depending on the requirements, the hollows can be given various surface or heat treatments like annealing, degreasing, pickling, phosphating and washing in order to provide desired properties to the hollows. Thereafter, these



hollows are drawn through dies and over a mandrel to the required dimensional and surface finish specifications.

Depending on the final size, the CEW tube may be drawn in a single pass or through multi-passes. The drawn tube is straightened using a six-roller tube-straightening machine. The tube is cut to the required length after cropping off the swaged ends. The tubes are inspected during various stages of manufacturing for dimensions, surface finish, mechanical properties, etc. Considering the value-added nature of the customer-specific CEW tubes, they are 100% inspected on the final inspection table for gauge/mandrel insertion and visual aspects.

### ***CEW Tube Manufacturing***

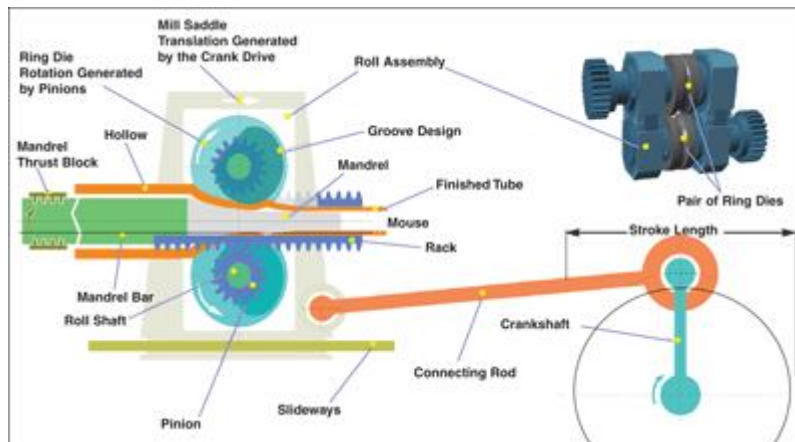
#### ***Cold Pilger process of CEW Tube Manufacturing***

Cold pilgering is a longitudinal cold-rolling process that reduces the diameter and wall thickness of metal tube in one process step. The cold mill pilgering process uses ring dies and a tapered mandrel to reduce tube cross sections by up to 90%. Because the process relies on large number of small forming steps, the result is tube that has nearly homogenous material characteristics. It is suitable for every metal.



***Figure 1: Cold Pilger Process***

Figure 1 shows the principle of the cold pilger process, and Figure 2 shows the arrangement of the machine components. The rolling tools in the cold pilger process comprise a pair of ring dies and a mandrel. The mandrel is located inside the tube in a fixed position and rotated by the mandrel thrust block. The mandrel itself is tapered in the rolling direction. The dies have matching grooves on their circumferences.



***Figure 2: Arrangement for Cold Pilger Process***

A connecting rod drives the mill saddle back and forth. This action causes the ring dies to rotate. This action is similar to a crankshaft driving a piston in an automobile engine. Pinions mounted on each roll shaft engage two racks that are fixed to the machine housing. This arrangement uses the mill saddle's oscillating motion to generate the ring dies' oscillating rotary motion. During the forward and backward strokes, the dies reduce the tube in the same way that a rolling pin rolls out pastry. The grooves' cross sections decrease along the circumference and are nearly circular. The cold pilger mill's forward and backward motion rely on the

tapered cross section between the dies and the mandrel to reduce the tube's diameter and wall thickness simultaneously.

Depending on the groove design, the forming process requires more than ten steps, feeding and rotating the tube to different positions in relation to the forming die pass. The large number of small forming steps helps to ensure a constant wall thickness and nearly homogeneous material characteristics in the rolled tube.

In some cases, the process can achieve variations smaller than 0.5 micro inches for medium ODs and wall thicknesses. The roughness value of the finished tube usually is less than that of a drawn tube.

This special forming process is indispensable for numerous applications, and cost-effective for many others, for a variety of reasons.

- The cross-section reductions attained are higher than those achieved by other processes. Because the cold pilgering process applies pressure from all sides, it can achieve reductions up to 90% for copper; 80% for stainless steel, nickel alloys and zircaloy; and 75% for high-strength titanium alloys.
- The large cross-section reductions help to limit process-related conversion costs, because cold pilgering eliminates additional processes such as cleaning, annealing, pickling, cutting, handling, and straightening between drawing operations.
- The homogenizing material flow in a circumferential direction facilitates substantial reductions in eccentricity. Experience has shown that the higher the eccentricity of the starting tube, the greater is the improvement in eccentricity by cold pilgering.
- The many forming steps improve roundness, stress homogeneity, and surface roughness. Surface defect depths decrease in proportion to the amount of the wall thickness reduction.
- During cold pilgering, practically no material loss occurs. Only the end faces of the finished tubes are out of shape and have to be cut off. The advantage of eccentricity improvements during cold pilgering is better material utilization. Reduced wall thickness deviations allow more footage of finished product to be produced from each ton of raw material.

### Business Operations - Location

Our Company has six manufacturing facilities located at:

- Gat No. 1261 and 1262, Sanaswadi Village, Tal – Shirur, Pune (“*Plant I*”)
- Gat No. 56/3, 56/4, 56/5, Pimple Jagtap village, Pune (“*Plant II*”)
- Gat No. 286, Village: Nanekarwadi, Chakan, Tal: Khed, Pune – 410501
- Gat No. 1264, Village: Vadhu Budruk, Tal. Shirur, Dist: PUNE
- 375/2, Village: Galonda, Kilvani Road, Silvasa, U.T. Dadra & Nagar Havelli – 396230
- Gat No. 1092, 1093/1 & 1093/2 at village Karandi, Tal: Shirur, Dist - Pune

The above mentioned manufacturing facilities of are located strategically to ensure availability of skilled manpower and connectivity by rail, road and air. Our plants are located in a well developed industrial area, having adequate industrial infrastructure like, power, water, transportation etc. Further, the location of our plants has made us eligible for subsidies which were earmarked for the area. Plant II, located at Pimple Jagtap has been accorded the status of “Mega Project” because of its location.

### Capacity Utilization

Particulars (in MT)	FY08	FY09	FY10
<i>Production</i>			
ERW	55,081	53,083	51,473
CEW	5,841	5,989	8,822

<b>Normal Capacity<sup>(1)(2)</sup></b>			
ERW	64,800	64,800	64,800
CEW	7,920	12,105	23,265
<b>Available Capacity<sup>(1)(3)</sup></b>			
ERW	64,800	64,800	64,800
CEW	7,920	8,811	19,759
<b>Utilization on Normal Capacity</b>			
ERW	85.0%	81.9%	79.4%
CEW	73.8%	49.5%	37.9%
<b>Utilization on Available Capacity</b>			
ERW	85.0%	81.9%	79.4%
CEW	73.8%	68.0%	44.6%

## Infrastructure Facilities

### *Procurement of Raw materials*

Our primary raw material is HR Coils and CR coils procured from steel manufacturing companies including Essar Steel Limited, Ispat Industries Limited, among others. Hot rolled coils are used in manufacturing of products where aesthetic appearance is not important and Cold rolled coils are used to manufacture products where aesthetic appearance is of paramount importance.

Our Company does not enter into any contracts for procuring the raw material and procures raw material on the basis of its monthly requirements as cost of the HR coils fluctuates on a monthly basis very frequently.

### *Power*

Our Company has received sanction from Maharashtra State Electricity Board (“MSEB”) vide letter dated July 09, 2008 bearing number SE/PRC/T/HT/SPL – 02 No. 6555 for installing a transformer of 1250KVA. This load will be enhanced in future up to 1600KVA. Total annual power consumption for FY 2010 was 99,72,998 KW. Total power consumption for the nine month period ending December 31, 2010 was 1,12,84,122 KW.

### *Water*

Total water consumption at present is around 50,000 litre per day at Plant I and Plant II. Our Company has private water connection at both the plants which suffices our regular water requirements.

### *Fuel*

Our Company makes necessary arrangements to ensure a steady fuel supply in all the plants.

## Effluent Disposal and Environment

Our Company has always been conscious of its responsibility towards the environment and our role in preserving the same. We have developed a “Green Belt” surrounding our plants in order to combat pollution. Further, our Company has in its team a panel of experienced consultants who help it to plan and execute pollution control programmes.

Our Company has Sewage Treatment Plant, Chimney Scrubber and Coolant Recycling Plant which treat industrial effluent and domestic water to ensure efficient effluent disposal. We further have an online

chlorine dosing system which disinfects the water and brings COD and BOD within permissible limits as per the norms of the pollution control board.

Our aim has always been to progress along with the benefit of the environment and not at the cost of environment.

### **Our Subsidiaries**

#### *Sankalp Forgings Private Limited (“SFPL”)*

Our subsidiary, SFPL manufactures fully machined and heat treated ‘ready to be assembled’ steel tube coupling which find application in auto sector, oil exploration, material handlings equipment and other general engineering industries. SFPL became a subsidiary of IIL in FY 2008-09 as IIL increased its stake to 51%.

As on March 31, 2010 SFPL operates with a total forging capacity of tubular products of 8,000 tonnes/annum and non tubular products of 8000 tonnes/annum including closed die and open die forging.

SFPL primarily procures its raw materials from Jindal Saw Pipe Limited and Maharashtra Seamless Limited.

SFPL’s products include bored bars, rings, forged ring, forged disc, step shafts, round bars, square blocks, casing heads, cross forging, tubing spool, hangers, gear blanks, rollers etc.

SFPL’s exports revenues account for 63.48% of its total revenues for the nine month period ending December 31, 2010. SFPL’s exports revenues account for 39.62% of its total revenues (as on 31st March, 2010) and they are exported to countries including USA, Canada Oman, Kuwait, Bahrain, Italy, UK, Romania and France.

SFPL segment wise sale of products used in different industries for the year ended December 31, 2010 is as follows:

- OCTG (Oil country tubular goods) product – 83.90%
- Non-tubular components – 13.40%
- Automotive components and assembly – 2.70%

The clients of SFPL include Lindsay International Private Limited among others.

#### *Saicon Steel Private Limited*

Saicon Steel Private Limited was incorporated on December 11, 2003 as a Private Limited Company with manufacturing facilities located at Silvassa and was acquired by Innoventive Industries Limited in 2006. It is primarily engaged in converting Hot Rolled Coils (Steel) to Cold Rolled Coils and selling the finished product to diverse industries for various applications. It also manufactures and sells laminates, primarily to electrical industries.

SSPL has manufacturing operations in Silvassa and by virtue of having its facilities in Silvassa, it is entitled to an exemption from payment of Central Sales Tax up to 2017

The total manufacturing capacity of SSPL is 38,400 metric tonnes per annum of Cold Rolled coils and the effective capacity utilization for the year ended 31st March 2010 is 45%.

#### *Arihant Steel and Metal Wires Private Limited (“ASMWPL”)*

ASMWPL was incorporated on 16th December 2005 to manufacture steel wires produced from the waste slits generated in our various manufacturing plants. The manufacturing process has evolved from the ERW manufacturing process used to manufacture tubes which is used for manufacturing of wires of lesser thickness. ASMWPL has innovated through research and development efforts of the company and is now able to convert these wires into automobile welding wires.

During the year ended FY 2010, the company clocked a turnover of Rs. 599.83 lakhs. The plant has started production in 2008.

For details of other subsidiaries namely Arihant Auto Components Private Limited and Seven Star Electrodes Private Limited please refer to the Chapter titled “*Our Subsidiaries*” beginning on page number 171 of this Red Herring Prospectus.

### **Marketing and Selling Arrangements**

We believe in the concept of direct marketing in the business to business (“B2B”) mode with high end servicing to the clients providing customization benefits and possible quality up gradation. Marketing and selling have been identified as the focus area within the organization and we have a separate team for managing the exports and domestic business. Our Company has evolved a model for the growth of tube business which guides the plans for exploring and actualizing various business expansion plans.

There are a lot of technicalities involved in the selling of the products and it involves engineered products customized to specifications and applications which are adopted in our product. We also provide advisory to the industrial consumers for product innovation which can be implemented at lower cost.

With regard to the expansion of the market we have a separate team which focuses on finding new business applications which is a horizontal requirement within the country as well as overseas market. Product innovation is also a constant endeavour and we look forward to products that can be taken over from the forging and casting methods and used via tubes. This leads to expansion of the market as well as reduction in the cost to the buyers.

Supply and distribution takes place directly from the plant or warehouses located in proximity locations of the buyers. In order to increase our accessibility and tap the markets across the country, we operate through five warehouses, two in Maharashtra (Nasik and Aurangabad), one in Karnataka (Bangalore), one in Tamil Nadu (Hosur) and one in Haryana (Gurgaon). While the warehouse in Aurangabad is owned by our Company, the four other warehouses have been taken on rent. Logistic is arranged by the company through its own sets of people for better service to the clients.

We export our products to 10 countries through our distributor network. In USA, we sell our CEW tubes under the brand of ARIDOM™ through a long term arrangement with Salem Steel North America, LLC.

### **Clientele**

Our client base is vast and ever expanding. Major clients of our Company include Bharat Heavy Electricals Limited, Bajaj Auto Limited, Thermax Limited, Alstom Projects Limited, John Deere India and Salem Steel North America LLC, amongst others.

### **Competition**

We face competition from other precision tube manufacturers and integrated steel manufacturing companies which have an in-house tube manufacturing division. Our auto division also faces competition from other OEMs and suppliers to OEMs which is a very fragmented market. Our major competitors include Tube Investments of India Limited, Suraj Stainless, Prakash Steelage Limited, Ratnamani Metals Limited and Tata Steel Limited, Bhushan Steel Limited and Bhushan Power & Steel Limited amongst the major steel manufacturers.

### **Quality Control**

Our Company is ISO 9001:2000 certified and has implemented TPM. Our Company has also received ISO/TS 16949:2002 certification. The quality control procedures at our plants are divided into 3 categories:

- 1) Quality Assessment and Control at the stage of procurement of raw material when the chemical composition is checked on spectra and issued for slitting

- 2) Quality Assessment and Control at the time of manufacturing of ERW tubes wherein online NDT is conducted on all the mills and in addition to the online inspection checking of frequency, flaring and flattening is done. The samples are checked for mechanical properties in Universal Testing Machine (“UTM”) and TC is given for the lot
- 3) Quality Assessment and Control at the time of manufacturing CDW tubes wherein online inspection as per the frequency specified is done for all dimensional parameters and finally checked for mechanical properties before issuing TC for the lot.

## **Research and Development**

Our company has always laid great importance to innovations and improvements in process, raw materials, products and testing. The innovations are vital to our business and some of the important development activities are detailed below.

### **A. Improvements in raw material**

A continuous thought is given to improve the existing product by making use of latest suitable raw material for all major products and products that enhance business potential.

For example, earlier for the two wheeler standard mild steel grade of tube was used. We thought of using high strength micro-alloyed steel (“HSLA”) for this application. We approached the customer and explained them possible weight saving and consequent cost saving of the component. We were able to reduce the thickness of material to get the same strength of the component. This reduced the vehicle weight, cost and gave a better quality product to the user.

### **B. Heat treatment**

*Electric resistance heating:* At Innoventive we have developed a novel heating method for heating for annealing of tubes. As such the concept of resistance heating has been being used since long time. But using the resistance of the tube itself for electrically heating it was a novel idea which we have successfully used and implemented. This concept was developed into a machine; with the active cooperation of a vendor at Bhosari. This novel tube annealing equipment is successfully working for more than a year and is giving good consistent results. The advantages are clean and efficient heating and more than 80% use of electricity for heating.

*Induction hardening:* We have been using induction heating for annealing of tubes but recently we made use of induction heating for hardening of steel tubes. By making use of special alloy steel (15B27) we have been able to get tensile strength of 140 kg /mm<sup>2</sup> in tubes; developed for impact beam application. These steel tubes were exported for use in four wheelers as impact beams.

The same heat treatment, developed by us is being used for developing Anti roll bar for a new four wheeler which is expected to be launched soon by a major auto group. This anti roll bar also employs another novel way of metal forming by progressive forward extrusion of tube to suit the end connections.

Presently we are also developing the tubular anti roll bar for a four wheeler by making use of not only the improved steel grade but also by making use of innovative idea of multiple forward extrusion process for end connections. This beam is also induction hardened to the tensile strength in excess of 130 Kg /mm<sup>2</sup>.

### **C. New testing methods & facilities**

In last few years many new modern testing and checking facilities have been added in our factory. These facilities have been added keeping in view future needs of customers and new applications,

*a. Spectrometer:* A new thirty channel optical emission spectrometer of **SpectroMaxx** make from West Germany has been procured and installed at our factory. This spectrometer is used to check incoming raw material and to ensure that correct material is used for the intended application.

*b. Metallography:* Metallurgical polishing, etching, and micro structural examination through metallurgical microscope -these facilities have been started and added in our quality set up. Regular metallographic analysis for grain size, cleanliness and microstructure is carried out for process control and failure analysis .The image storing facility connected with the computer helps in storing the data and transmitting it to concerned people.

*c. Micro hardness tester:* A sophisticated semi-automatic Shimadzu micro hardness tester has been commissioned and is used to check the effectiveness of the treatment carried out.

*d. Compression testing:* Certain specialized automotive applications demand a typical elasticity requirement under compression. Anti-Vibration mounts are subjected to continuous compressive loading and tubes used for them demand a control over maximum deformation under load. The testing for this needs a specialized compression testing facility with on time stress and strain measurement during compression testing. Our company has procured such special purpose machine of 250KN capacity and is under installation & commissioning .This facility will be helpful in testing the tubes for above intended application.

#### **D. Technical Collaborations**

Whenever necessary, we jointly study and check ways and methods of future improvement in our products.

#### **Enterprise Resource Planning (“ERP”)**

In April 2010, we have implemented an ERP software system developed by SAP, which integrates the management and allocation of resources for all segments of our business operations ranging from human resources to quality control. We believe that the ERP system, coupled with our strong internal mechanisms, will facilitate our management and personnel to take informed decisions in managing our inventories, supply chain and consignment status across all products, locations and divisions across the country in a more efficacious and efficient manner.

#### **Human Resources**

We have experienced Promoters and management whom we rely on to anticipate industry trends and capitalise on new business opportunities that may emerge. We believe that a combination of our reputation in the market, our working environment and competitive compensation programs allow us to attract and retain these talented people. Our senior management team consists of experienced individuals with diverse skills in manufacturing, marketing and finance. Our principal corporate office housed in Pune conducts the administrative and reporting activities for us.

#### **Manpower**

Our Company believes in the policy of “right man on right job”. Our manufacturing facilities are located in established industrial areas and therefore we do not foresee any difficulty in the availability of and recruitment of the requisite quality manpower. Further, Pune is the hub of automobile and auto ancillary companies and hence trained and skilled manpower is available in the region and the division of the labour is done is extreme astuteness in order to ensure optimum and judicious use of the manpower available with us.

As on February 28, 2011 the number of employees in our Company is as follows:

<b>Sr. No.</b>	<b>Strata of our human resource reservoir</b>	<b>Number</b>
1.	Top Management	6
2.	Senior Managers	13
3.	Managers and Assistant Managers	23
4.	Staff	634
5.	Workers and Trainees	408
6.	Women Folk	146
	<b>Total</b>	<b>1230</b>

#### **Health and Safety**

We are committed to protecting the health and safety of our workers and employees working in our factories, people who come in contact with our operations and the health and sustainability of the environment in which we operate. Our policies, procedures and training programs have all been developed in line with recognised industry standards, supplemented by input from management and employees.

### **Corporate Social Responsibility**

We believe that our corporate social responsibility (“CSR”) program achieves an integration of economic, environmental and social imperatives while simultaneously addressing shareholder expectations. We use CSR as an integral business process in order to support sustainable development and we constantly endeavour to be a better corporate citizen and enhance our performance in the triple bottom line.

### **Intellectual Property**

Our intellectual property consists primarily of industry know-how and trade secrets. We do not have any registered patents or trademarks. However, we have made necessary application for obtaining patent for the piling process. For further information with regards to the applications made by our Company, kindly refer to the chapter titled ‘*Government and other Approvals*’.

### **Insurance**

Our Company has insurance coverage which we consider reasonably sufficient to cover all normal risks associated with our operations and which we believe is in accordance with the industry standards. Further, our contractual obligations also require us to obtain specific insurance policies.

Apart from the above we have policies for our movable assets such as automobiles, our properties and for workmen’s compensation. We maintain insurance policies mostly through leading Indian insurance companies including New India Assurance Company, Future Generali Insurance Company, Bajaj Allianz General Insurance, Reliance Life Insurance Company, TATA AIG General Insurance Company, ICICI Prudential Life Insurance, United India Insurance Company Limited, the Oriental Insurance Company Limited, Apollo Munich Insurance Company Limited and the Life Insurance Corporation of India.

### **Our Properties**

*Our Company and our subsidiaries own and lease the following properties for conducting their operations:*

This section has been broadly segregated as under:

#### ***I. Brief details of free-hold land***

##### ***A. Land owned by our Company – used for industrial purpose***

- a. Gat No. 1261, 1262 Sanaswadi Village, Tal – Shirur, Pune
- b. Gat No. 56/3, 56/4, 56/5, Pimple Jagtap village, Pune
- c. Gat No. 58/1/2B, village Pimple Jagtap, taluka Shirur, district Pune
- d. Gat No. 627/2/1, village Kuruli, taluka Khed, district Pune
- e. Gat No. 286, Village: Nanekarwadi, Chakan, Tal: Khed, Pune – 410501

##### ***B. Land taken on perpetual lease by our Company – used for industrial purpose***

- a. Plot number K-165 in Maharashtra Industrial Development Corporation (MIDC), Waluj Industrial Area, village Rajangaon, taluka Gangapur, district Aurangabad,
- b. Plot No. D-36, Waluj MIDC, Taluka- Gangapur, District- Aurangabad

##### ***C. Land owned by our Subsidiaries – used for manufacturing facilities***



- a. Arihant Steel & Metal Wires Private Limited - Gat No. 1264, Village: Vadhu Budruk, Tal. Shirur, Dist: PUNE –
- b. Saicon Steels Private Limited - 375/1, 375/2, Village: Galonda, Kilvani Road, Silvasa, U.T. Dadra & Nagar Havelli – 396230
- c. Sankalp Forging Private Limited - Gat No. 1093/1 & 1093/2 at village Karandi, Tal: Shirur, Dist – Pune.

## **II. Brief details of the land/ property taken on leave & license / lease basis**

### **A. Land taken on lease by our Company**

- a. Survey number 88/1-A, village Vilholi, Taluka, district Nashik. – Used as a depot
- b. Office number 406, 407 4<sup>th</sup> floor, San Mahu Commercial Complex, situated at survey no. 156– A, Bund Garden Road, Pune – 411 001.- Used as a Marketing Office
- c. Office numbers 601 and 602, 6<sup>th</sup> floor, Nucleus Mall, 1 Church Road, Camp, Pune-411 001, Maharashtra – Used as Corporate Office
- d. Flat number 502, 503, fifth floor, building Toscana, plot number 110, survey no. 199, 204, 205, 206/1 and 209/1, village Lohegaon, Pune. – Used as a Guest House
- e. Building Number B – 7, SIDCO Industrial Estate, Village Zuzuvadi, Hosur, survey no. 18, part in the extent of Ac.0.57 and Survey Number 17 – Used as a Depot
- f. All the piece and parcel of ware house premises at Village Kadipur, Patodi Road, Umang Bhardawaj Choke, near Sector 10A, Gurgaon, - Used as a Depot
- g. R.C.C. Shop in Sy. No.13832-0500, Shop No. 2, Srinivas Murthy Complex, opposite to High School, Hosur Main Road, Attibele, Anekal Taluk, Bangalore -562 107 - Used as a Depot
- h. Plot No. W-26, Waluj MIDC, Taluka- Gangapur, District- Aurangabad – Used for Storage and cutting of manufactured goods.

### **B. Properties taken on lease by our Subsidiaries**

- a. Arihant Auto Components Private Limited – Industrial premises situated at Gat number 55/2 and Gat number 56/3, district Pune, taluka Shirur, village Pimple Jagtap – Used for industrial purpose
- b. Saicon Steels Private Limited - Flat No. 6, Building ‘A’, Pramukh, Vatika, Bhavisa Faliya Road, Silvasa, Dadra & Nagar Haveli, Silvasa. – Used for residential purposes by employees.
- c. Saicon Steel Private Limited, Agarwal Compound, (Jagannath Fatehpuria Compound), Nairwadi, Kherani Road Sakinaka, Andheri (East), Mumbai -4000072 – Used for commercial purpose.

## **III. Brief details of the land/ property taken on leave & license / lease basis from our Promoters and Promoter Group**

Property taken on lease by the Issuer Company from its Promoter, Mr. Chandu Chavan:

Sr. No.	Particulars of the Property	Plot Area (sq. ft.)	Date and Parties to the Agreement	Consideration Paid (In Rupees)	Period of Lease
1.	Plot No. K – 165, Ranjangaon Shenpunji, MIDC, Waluj, Aurangabad	6,458.4	Lease Agreement between Issuer Company and Mr. Chandu Chavan dated June 23, 2006	4,61,000	Perpetual

Properties taken on lease by the Issuer Company from Mr. Ajay Yervadekar (a member of the Promoter Group):

Sr. No.	Particulars of the Property	Plot Area	Date and Parties to the Agreement	Consideration / Rent (In	Period of Lease
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				(sq. ft.)		Rupees)	
1.	Plot No. D – 36, MIDC, Aurangabad			6,456.0	Memorandum of Understanding between the Issuer Company and Mr. Ajay Yerwadekar dated April 1, 2008	<i>Consideration:</i> 58,08,000	Perpetual
2.	Plot No. W-26, MIDC, Waluj, Aurangabad			7,906.0	Memorandum of Understanding between Issuer Company and Mr. Ajay Yerwadekar dated August 1, 2010	<i>Monthly Rent:</i> Rs. 30,000	5 years

## KEY INDUSTRY REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India, certain international treaties and conventions to which India is a signatory and the respective bye laws framed by the local bodies incorporated under the laws of India. The information detailed in this chapter has been obtained from the various legislations, international treaties and conventions, and the bye laws of the respective local authorities that are available in the public domain.*

### Intellectual Property

The nature of our business involves the generation and use of intellectual property for the protection of which we rely on the legal regime governing the acquisition and protection of intellectual property in India. Such laws are briefly summarised below:

#### Patents

Patent is a statutory right for the intellectual property relating to an invention, for a limited period granted by the Government to the patentee in exchange of full disclosure of his invention.

The grant of a product patent in India confer upon the patentee the exclusive right to prevent third parties from the act of making, using, offering for sale, selling or importing for those purposes the patented product in India; and in case of a process patent it confers upon the patentee the exclusive right to prevent third parties from using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India.

The patent right is territorial in nature and a patent obtained in one country is not enforceable in other country. At present, no world patents or international patents exist. In general, an application for a patent must be filed, and a patent shall be granted and enforced, in each country in which the applicant seeks patent protection for his invention, in accordance with the law of that country. In some regions, a regional patent office, for example, the European Patent Office (EPO) and the African Regional Intellectual Property Organization (ARIPO), accepts regional patent applications, or grants patents, which have the same effect as applications filed, or patents granted, in the member States of that region.

#### Indian patent system:

Patent registration and protection in India is governed by the Patents Act, 1970 as amended, and the Patents (Amendment) Rules, 2006 ('Patent Rules'). The invention to be patentable should satisfy the criterion of novelty, inventive step and industrial application. As per Section 2 (ja) of the Patents Act, 1970 "inventive step" means a feature of an invention that involves technical advance as compared to existing knowledge or having economic significance or both and that makes the invention not obvious to person skilled in the art. The Patents Act, 1970 excludes certain inventions from the purview of patentability. Such inventions *inter alia* include:

1. Frivolous or contrary to well-established natural laws;
2. Contrary to public order or morality or which causes serious prejudice to human, plant or animal life, health or environment;
3. Scientific principle, abstract theory or discovery of any living thing or non-living substance occurring in nature;
4. A method of agriculture or horticulture;
5. A mere scheme, rule or method of performing mental act or playing games;
6. A presentation of information; and
7. Topography of integrated circuits etc.

The grant of a patent involves various stages which are:

1. Making an application;
2. Publication and examination of the patent application

3. Term of the patent granted under the Patents Act, 1970 is 20 years from the date of filing of application for the patent, subject to payment of renewal fee.
4. Opposition
5. A resident in India cannot make or cause to be made any application for grant of a patent for an invention outside India without a written license/ permission from the Controller in the prescribed manner unless -(a) an application for a patent for the same invention has been made in India, not less than six weeks before the application outside India; and (b) either no direction has been given under sub-section (1) of section 35 (relating to inventions relating for defence purposes) in relation to the application in India, or all such directions have been revoked.

The Patents Act, 1970 deems that computer programmes per se are not 'inventions' and are therefore not entitled to patent protection. This position was diluted by the Patents Amendment Ordinance, 2004 which included as patentable subject matter:

- (a) Technical applications of computer programs to industry; and
- (b) Combinations of computer programs with the hardware.

However, the Patents Amendment Act, 2005 does not include this specific amendment and consequently, the Patents Act, 1970 as it currently stands, disentitles computer programs per se from patent protection.

### **International Patent Protection Mechanism**

The extent of patent protection granted by any national patent law is limited to the jurisdiction of the country of registration of the said patent. Therefore, the protection of patents on an international scale ordinarily requires that patent applications be filed and granted in multiple jurisdictions. In order to avoid multiplicity of applications, mechanisms under various international treaties have evolved providing for the effective filing of simultaneous patent applications in multiple jurisdictions by filing of a single international application. The Patent Co-operation Treaty, 1970, ("PCT") creates one such mechanism whereby filing an application under the treaty results in the effective filing of a separate application in each of several designated countries under the PCT.

PCT is an agreement for international cooperation in the field of patents. It is the most significant advancement in international cooperation in this field since the adoption of the Paris Convention itself. It is, however, largely a treaty for rationalization and cooperation with regard to the filing, searching and examination of patent applications and the dissemination of the technical information contained therein. The PCT does not provide for the grant of "international patents". The task and responsibility for granting patents remains exclusively in the hands of the Patent Offices of, or acting for, the countries where protection is sought (the "regional Offices"). PCT is a special agreement under the Paris Convention open only to states, which are members of the Paris convention and is administered by International Bureau (IB) under World Intellectual Property Organization ("WIPO"), Geneva. PCT makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries by filing a single patent application ("International Application") instead of filing several separate national or regional patent applications. The international application under the PCT mechanism is divided in to two phases: (a) International phase, and (b) national phase.

- (a) International Phase: The international application may be filed by anyone who is a national or resident of a contracting state. It may generally be filed with the national patent office of the contracting state of which the applicant is a national or resident or, at the applicant's option, with the International Bureau of WIPO in Geneva. If the applicant is a national or resident of a contracting state which is party to the European Patent Convention, the Harare Protocol on Patents and Industrial Designs (Harare Protocol), the revised Bangui Agreement Relating to the Creation of an African Intellectual Property Organization or the Eurasian Patent Convention, the international application may also be filed with the European Patent Office (EPO), the African Regional Industrial Property Organization (ARIPO), the African Intellectual Property Organization (OAPI) or the Eurasian Patent Office (EAPO), respectively.

The international application is then subjected to an "international search." International search is carried out by one of the major patent offices appointed by the PCT assembly as an International Searching Authority (ISA). The said search results in an "international search report," that is, a listing of the citations of such published documents that might affect the patentability of the invention claimed in the

international application. At the same time, the ISA prepares a written opinion on patentability.

The international search report and the written opinion are communicated by the ISA to the applicant who may decide to withdraw his application, in particular where the said report or opinion makes the granting of patents unlikely. If the international application is not withdrawn, it is, together with the international search report, published by the International Bureau.

- (b) National Phase: The granting of patents corresponding to International applications remains under the control of the national or regional patent offices through the “national phase” patent application. After the end of the International Phase, the applicant can start to pursue the grant of patents directly before the national (or regional) patent Offices of the countries of interest separately. Procedural and substantive requirements for the grant of patents as well as the amount of fees required are different from one country/region to the other. It is therefore advisable to consult a practicing lawyer who is specialized in patents in those countries in which the applicant is interested to get protection.

### **Convention Application:**

As per the Patents Act, 1970 where the applicant has made an application for a patent in respect of an invention in a convention country (“basic application”), the applicant can file applications under the Patents Act, 1970 within 12 months from the date of the basic application for the same invention. One of such international convention is the Paris Convention for the Protection of Industrial Property, 1883 (the “Paris Convention”). The Paris Convention applies to industrial property in the widest sense, including patents, trade marks, industrial designs, geographical indications, etc. The Paris Convention requires its member countries to guarantee to the citizens of the other countries the same rights in patent and trademark matters that it gives to its own citizens. In case of patent filings in multiple jurisdictions, Paris Convention, grants a right of priority to the applicant which means that the applicant who has filed an application in any contracting states, may apply for the patent protection in any other contracting states within 12 months and claim priority over other applications relating to the same inventions, which have been filed by other applicants during the said 12 month period.

### **Copyright Protection**

The Copyright Act, 1957 (“Copyright Act”) governs copyright protection and certain rights akin to copyright in India. Under the Copyright Act, copyright may subsist in original literary, dramatic, musical or artistic works, cinematograph films, and sound recordings. Software, both in source and object code, constitutes a literary work under Indian law and is afforded copyright protection. The Copyright Act also provides for special right to Broadcasting Organisations and Performers. Following the issuance of the International Copyright Order, 1999, subject to certain exceptions, the provisions of the Copyright Act apply to nationals of all member states of the World Trade Organisation.

While copyright registration is not a prerequisite for acquiring or enforcing a copyright in an otherwise copyrightable work, registration constitutes prima facie evidence of the particulars entered therein and creates a rebuttable presumption favoring the ownership of the copyright by the registered owner. Copyright registration may expedite infringement proceedings and reduce delay caused due to evidentiary considerations. Once registered, copyright protection of a literary, dramatic, musical or artistic work lasts for a 60-year period following the death of the author. However, in anonymous and pseudonymous work, in photographs, cinematograph films, works in which the government, public undertakings or international organisations are the first owner, the term of the copyright shall subsist until sixty years from the beginning of the calendar year in which the work is published.

Reproduction of a copyrighted work for sale or hire, issuing of copies to the public not being copies already in circulation, performance or exhibition in public, making a translation of the work, making an adaptation of the work or making a cinematograph film or sound recording of the work without consent of the owner of copyright are all acts which expressly amount to an infringement of copyright. With respect to computer software, in addition to the applicable provisions stated above, any unauthorised sale or commercial rental of software also amount to infringement of copyright. The Copyright Act also prescribes certain fair use exceptions which permit certain acts which are otherwise considered copyright infringement.

The remedies available in the event of infringement of copyright under the Copyright Act include civil

proceedings for damages, account of profits, injunction and the delivery of the infringing copies to the copyright owner.

The Copyright Act also provides for criminal remedies including imprisonment of the accused and the imposition of fines and seizures of infringing copies. A third set of remedies are administrative or quasi judicial remedies which are prosecuted before the Registrar of Copyright to ban the import of infringing copies into India.

### **International Treaties for Copyright Protection**

India is a signatory to the Convention of International Union for the Protection of Literary and Artistic Works (the “Berne Convention”), the Universal Copyright Convention, 1952, (the “UCC”) the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, 1961 and as a member of the World Trade Organisation is a signatory to the Agreement on Trade Related aspects of Intellectual Property Rights (the “TRIPS Agreement”). The TRIPS Agreement embodies a set of minimum standards that all signatories have to adhere to in respect of all forms of intellectual property protection, including copyright.

The Berne Convention requires that the signatory countries provide the same rights to foreigners from other member countries as to their own nationals and mandates automatic protection not subject to procedural formalities. It also provides for minimum substantive standards of protection, dealing with the duration of copyright and the exclusive rights which the author shall hold. While the Berne Convention does not prescribe what works are required to be protected under it, computer software has been brought under its purview by means of Article 10 of the TRIPS Agreement.

The UCC provides for similar protection, including national treatment and minimum substantive rights to be granted to copyright holders. The substantive provisions include the right of foreign national of a signatory country whose work was first published outside a signatory state to claim copyright protection in that signatory state under the UCC upon the printing of a copyright symbol and certain other information.

### **Trademarks**

The Trade Marks Act, 1999 (the “Trademark Act”) governs the statutory protection of trademarks in India. In India, trademarks enjoy protection under both statutory and common law.

Indian trademarks law permits the registration of trademarks for goods and services. Certification trademarks and collective marks are also registrable under the Trademark Act.

An application for trademark registration may be made by any person claiming to be the proprietor of a trademark and can be made on the basis of either current use or intention to use a trademark in the future. The registration of certain types of trade marks such as marks which contain or comprise of any matter likely to hurt the religious susceptibilities of any class or section of people or which consists exclusively of the shape of goods which result from the nature of the goods themselves are absolutely prohibited. However, marks which are not distinctive or which indicate the kind or quality of the goods may be allowed to proceed to registration if the proprietor is able to show that owing to the mark’s extensive and prolonged use, it has acquired distinctiveness or has attained a secondary meaning.

Applications for a trademark registration may be made for in one or more international classes. India recognises the NICE classification uptill Class 42 which is also as a residual class encompassing all the services beyond Class 42 uptill Class 45 as covered in other jurisdictions. The Trademark Act also provides for filing of applications claiming priority from convention countries. Once granted, trademark registration is valid for ten years unless cancelled. If not renewed after ten years, the mark lapses and the registration for such mark has to be obtained afresh.

While both registered and unregistered trademarks are protected under Indian law, the registration of trademarks offers significant advantages to the registered owner, particularly with respect to proving infringement. Registered trademarks are protected by means of an action for infringement, whereas unregistered trademarks may only be protected by means of the common law remedy of passing off. In case of the latter, the plaintiff must, prior to proving passing off, first prove that he is the owner of the trademark concerned and there is a misrepresentation on the part of the Opposite party. In contrast, the owner of a

registered trademark is prima facie regarded as the owner of the mark by virtue of the registration obtained.

### **Trade Secrets and Confidential Information**

In India, trade secrets and confidential information enjoy no special statutory protection and are protected under Common Law.

### **Labour laws**

There are various legislations in India which have defined 'employee' and 'workman' based on factors which *inter alia* include nature of work and remuneration. People who come under the definition of workman or employee are entitled to various statutory benefits including gratuity, bonus, retirement benefits and insurance protection. Termination of the employment of a non-workman is governed by the terms of the relevant employment contract.

As regards a 'workman', the IDA sets out certain requirements in relation to the termination of services. These include a detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations upon retrenchment. The applicability of such laws depends on the number of workers employed and their monthly remuneration.

### **Employees State Insurance Act, 1948**

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

### **Payment of Gratuity Act, 1972**

The Payment of Gratuity Act, 1972 provides for payment of gratuity to employees employed in factories, shops and other establishments who have put in a continuous service of 5 years, in the event of their superannuation, retirement, resignation, death or disablement due to accidents or diseases. The rule of '5 year continuous service' is however relaxed in case of death or disablement of an employee. Gratuity is calculated at the rate of 15 days wages for every completed year of service with the employer. Presently, an employer is obliged for a maximum gratuity payout of Rs. 1 million for an employee.

### **Employees Provident Fund and Miscellaneous Provisions Act, 1952.**

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (the "EPF Act") provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

### **The Maternity Benefit Act, 1961**

The purpose of the Maternity Benefit Act, 1961 is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, *inter alia*, for payment of maternity benefits, medical bonus and enacts prohibitions on dismissal, reduction of wages paid to pregnant women, etc.

### **The Contract Labour (Regulation and Abolition) Act, 1970**

The purpose of the Contract Labour (Regulation and Abolition) Act, 1970 is to regulate the employment and protect the interests of labourers who are hired on the basis of individual contracts. In the event that any aspect of the activity is outsourced and is carried out by labourers hired on a contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, 1970 will also be necessary.

### **The Workman Compensation Act, 1923**

The Workmen's Compensation Act, 1923 (the “WC Act”) aims at providing financial protection to employees (for their dependents in the event of fatal accidents) by means of payment of compensation by the employers, if personal injury is caused to them by accidents arising out of and in the course of their employment. The WC Act makes it obligatory for the employers brought within the ambit of the Act to furnish, to the State Governments/Union Territory Administrations, annual returns containing statistics relating to the average number of workers covered under the Act, number of compensated accidents and the amount of compensation paid.

### **The Payment of Wages Act, 1936**

The Payment of Wages Act, 1936 (the “Act”) is enacted to regulate the period and payment of wages, overtime wages and deductions from wages and also to regulate the working hours, overtime, weekly holidays of certain classes of employed persons. The Act contains provisions as to the minimum wages that are to be fixed by the appropriate governments for the employees, entitlement of bonus of the employees, fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.

### **State specific Shops and Commercial Establishments Acts as applicable**

Under various state laws dealing with shops and establishments, any shop or commercial establishment has to obtain a certificate of registration from the supervising inspector and has to comply with certain rules laid down therein. These statutes and rules and regulations framed thereunder regulate the opening and closing hours of shops and commercial establishments, daily and weekly work hours, closing dates and holidays, health and safety of persons working in shops and commercial establishments, payment of wages, maintenance of records and registers by the employers, among others.

### **The Water (Prevention and Control of Pollution) Act, 1974 (the “Act”)**

The Act provides for the prevention and control of water pollution and the maintaining or restoring of wholesomeness of water, for the establishment, with a view to carrying out the purposes aforesaid, of Boards for the prevention and control of water pollution, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. The Act defines “*pollution*” as such contamination of water or such alteration of the physical, chemical or biological properties of water or such discharge of any sewage or trade effluent or of any other liquid, gaseous or solid substance into water (whether directly or indirectly) as may, or likely to, create a nuisance or render such water harmful or injurious to public health or safety, or to domestic, commercial, industrial, agricultural or other legitimate uses, or to the life and health of animals or plants or of aquatic organisms. The Act envisages establishing a Central Board as well as State Board for Prevention and Control of Water Pollution.

Accordingly, the previous consent of the Board constituted under the Act must be obtained, for establishing or taking steps to establish operation or process, or any treatment and disposal system or any extension or addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land. Such previous consent is required for bringing into use any new or altered outlet for the discharge of sewage or for the new discharge of sewage. If at any place where any industry, operation or process, or any treatment and disposal system or any extension or addition thereto is being carried on, due to accident or other unforeseen act or event, any poisonous, noxious or pollution matter is being discharged, or is likely to be discharged into a stream or well or sewer or on land and, as a result of such discharge, the water in any stream or well is being polluted, or is likely



to be polluted, then the person in charge of such place shall forthwith intimate the occurrence of such accident, act or event to the Board constituted under the Act and such other authorities or agencies as may be prescribed.

### **The Air (Prevention and Control of Pollution) Act, 1981 (the“Act”)**

The Act provides for the prevention, control and abatement of air pollution, for the establishment, with a view to carrying out the aforesaid purposes of Boards for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith.

The Act envisages establishing a Central Board as well as State Pollution Control Boards in each State. The Central Board constituted under Water (Prevention and Control of Pollution) Act, 1974, shall, without prejudice to its powers and functions under this Act, shall also exercise the powers and perform the functions of the Central Board under the Prevention and Control of Air Pollution. Similarly if in any State, the State Government has constituted for that State, a State Board for the Prevention and Control of Water Pollution, then such State Board shall be deemed to be the State Board for the Prevention and Control of Air Pollution and exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution also.

As per the Act, no person operating any industrial plant, in any air pollution control area (so declared under Section 19 of the Act) shall discharge or cause or permit to be discharged the emission of any air pollutant in excess of the standards laid down by the Board constituted under the Act. Further, no person shall, without the previous consent of the Board constituted under the Act, establish or operate any industrial plant in an air pollution control area.

The Act further prescribes certain compliances with regard to the reporting and prevention of accidents. Thus, where in any area the emission of any air pollutant into the atmosphere in excess of the standards laid down by the Board constituted under the Act occurs or is apprehended to occur due to accident or other unforeseen act or event, the person in charge of the premises from where such emission occurs or is apprehended to occur shall forthwith intimate the fact of such occurrence or the apprehension of such occurrence to such Board and to such authorities or agencies as may be prescribed by the Act.

### **The Hazardous Wastes (Management and Handling) Rules, 1989**

The Hazardous Wastes (Management and Handling) Rules, 1989 require that the occupier and the operator of the facility that treats hazardous wastes, must properly collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. Moreover, they must take steps to ensure that persons working on the site are provided adequate training and equipment for performing their work. When an accident occurs in a hazardous site or during transportation of hazardous wastes, then the relevant State PCB has to be immediately alerted. If, due to improper handling of hazardous waste, any damage is caused to the environment, the occupier or the operator of the facility must pay the necessary remedial expenses.

### **The Environment (Protection) Act, 1986 (the “Act”)**

The Act provides for the protection and improvement of environment and for matters connected therewith and is in pursuance of India’s participation in the United Nations Conference on the Human Environment held at Stockholm in June, 1972.

In keeping with its mandate, the Act provides for the constitution of Boards to regulate pollution levels and protect the environment, the formulation of rules with regard to environmental standards and imposes certain obligations. It stipulates that no person carrying on any industry, operation or process shall discharge or emit or permit to be discharged or emitted any environmental pollutant in excess of such standards as may be prescribed. Further, no person shall handle or cause to be handled any hazardous substance except in accordance with such procedure and after complying with such safeguards as may be prescribed.

### **The Customs Act, 1962**

The Customs Act, 1962 (the “**Customs Act**”) is to consolidate and amend the laws related to customs. The Custom Act provides that all importers must file a bill of entry or a cargo declaration, containing the prescribed particulars for a customs clearance. Additionally, a series of other documents relating to the cargo are to be filed with the appropriate authority. After registration of the bill of entry, it is forwarded to the concerned appraising group in the custom house. This is followed by an assessment by the assessing officer in order to determine the duty liability which is on the basis of statement made in the entry relating thereto and the documents produced and information furnished by the importer or exporter. Further, all imported goods are examined for verification of correctness of description given in the bill of entry. Post- assessment, the importer may seek delivery of the goods from the custodians.

### **Central Excise**

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Additionally, the Central Excise Tariff Act, 1985 prescribes the rates of excise duties for various goods.

### **Value Added Tax**

Value Added Tax (the “**VAT**”) is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is essentially a consumption tax applicable to all commercial activities involving the production and distribution of goods, and each State that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register themselves and obtain a registration number.

### **Sales Tax**

The tax on sale of movable goods within India is governed by the provisions of the Central Sales Tax Act, 1956 or relevant state law depending upon the movement of goods pursuant to the relevant sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the Central Sales Tax Act, 1956. On the other hand, when the taxability of an arrangement of sale of movable goods which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/VAT legislations in place within such state.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as a private limited company *vide* a certificate of incorporation dated August 22, 1991, bearing registration number 11 – 63045 of 1991, issued by the Registrar of Companies, Mumbai in the name of Arihant Domestic Appliances Private Limited. Pursuant to conversion of our Company from a private limited company to public limited company our Company was issued fresh Certificate of Incorporation dated January 9, 2009 and the name of our Company was changed to Arihant Domestic Appliances Limited. Further *vide* Fresh Certificate of Incorporation dated March 24, 2010 issued by the Registrar of Companies, Pune, our Company's name was changed from Arihant Domestic Appliances Limited to Innoventive Industries Limited. The Corporate Identification Number of our Company is U29309MH1991PLC063045.

Our Company was originally promoted by Mr. Pravin Oswal, Mr. Manoj Oswal, Mr. Sachin Mehta and Mr. Mahendra Deval. On April 1, 2001, Mr. Vasant Mehta and Mr. Pravin Oswal, two of the original promoter directors, resigned from the Board of Directors of our Company and on March 5, 2002, Mr. Chandu Chavan, was appointed on the Board of our Company. Subsequently, on July 10, 2002, Mr. Manoj Oswal, one of the original promoter directors, resigned from the Board of Directors of our Company. Further, Mr. Sanjay Waghulade, Mr. Sanjay Bhade, Mr. Ravindra Katre, Mr. Parag Mulye and Mr. Shivaji Katke were appointed on the Board of our Company on November 1, 2002. Mr. Mahendra Deval resigned from the Board of Directors on May 1, 2003, thereby, resulting in the reconstitution of the Board of Directors of our Company. In the year 2002, Mr. Chandu Chavan was transferred 10,620 Equity Shares representing 90.76% of the then paid-up share capital of our Company. Prior to the acquisition of our Company by Mr. Chandu Chavan, Arihant Domestic Appliances Private Limited (as it was then known) was engaged in the manufacture and assembly of mixer, grinder, emergency lights and other domestic appliances.

Prior to acquisition of our Company, Mr. Chandu Chavan had set up his own business venture under the name of M/s. Phoenix Enterprises in 1997. M/s Phoenix Enterprises was engaged in the business of selling precision tubes to auto ancillary manufacturers till 2005, and it also began operation of wind mills, since 2002, which continues till date. Our Company acquired all the businesses of M/s. Phoenix Enterprises except the wind mill business vide agreement dated January 17, 2006.

In the year 2007 forward integration was achieved by investing in Seven Star Electrodes Private Limited, a company manufacturing auto components. Further, in the same year our Company, under the leadership of Mr. Chavan, ventured into a new line of business by acquiring 26% equity stakes in Sankalp Forgings Private Limited a company manufacturing oil well drilling couplings and other ancillary activities. Investments in Arihant Steel and Metal Wires Private Limited, a steel wires manufacturing concern, further provided avenues for new line of business. To achieve backward integration, our Company acquired 51% of the equity of Saicon Steels Private Limited, a company involved in the conversion of hot rolled coils to cold rolled coils.

### *Changes in the Registered Office of our Company*

Effective date	Changes in Registered Office address		Reason
	From	to	
April 1, 2001	Block-13, Asha Co-operative Housing Society, 290, Shukrawar Peth, Pune – 411 002.	Arihant Chambers, S.No. 29, Plot No. 1, Near Bharati Hospital, Dhankawadi, Pune – 411 043.	Administrative convenience.
April 2, 2002	Arihant Chambers, S.No. 29, Plot No. 1, Near Bharati Hospital, Dhankawadi, Pune – 411 043.	Gat No. 1261, Sanaswadi, Shirur District, Pune – 412 208.	Administrative convenience.

### *Our Shareholders*

As on the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 14 (fourteen). For further details in relation to our current shareholding pattern, please refer to the section titled 'Capital Structure' beginning on page number 78 of this Red Herring Prospectus.

### ***Changes in the activities of our Company during the last five years***

Except as otherwise stated in the sections titled 'Our Business' and 'Management's Discussion and Analysis of Financial Condition and Results of Operations', beginning on page numbers 128 and 301, there have been no changes in the activities of our Company during the last five years preceding the date of this Red Herring Prospectus, which may have had a material effect on our profits or loss, including discontinuance of our lines of business, loss of agencies or markets and similar factors.

### ***Major Events***

<b>Year</b>	<b>Key Events</b>
<b><i>Since incorporation, prior to acquisition by the current Promoters</i></b>	
1993	Commenced assembly of consumer durable appliances
<b><i>Post acquisition by our Current Promoters</i></b>	
2002	Transfer of 10,620 Equity Shares representing 90.76% of the share capital of our Company to Mr. Chandu Chavan, resulting in the takeover of our Company Stoppage of manufacturing of consumer durable appliances and commencement of manufacturing of ERW and CEW tubes.
2006	Commenced manufacturing of auto components
2007	Arihant Auto Components Private Limited became the subsidiary of our Company Arihant Steel and Metal Wires Private Limited became the subsidiary of our Company Arihant Steel Products and Services Private Limited became the subsidiary of our Company Seven Star Electrodes Private Limited became the subsidiary of our Company Saicon Steels Private Limited became the wholly owned subsidiary of our Company. Subsequently, we transferred part of our stake bringing it down to 50.99% Acquired 26% equity stake in Sankalp Forgings Private Limited
2008	Received 'Mega Project' status from the Government of Maharashtra, for the proposed project at Pimple Jagtap Raised our equity stake in Sankalp Forgings Private Limited from 26% to 51% Kavos Capital Limited acquired 5% stake in our Company, from Mr. Chandu Chavan
2009	Conversion of our Company into a public limited company Eligibility Certificate dated March 17, 2009, under the Package Scheme of Incentives 2007, granted for recognition of Mega Project status
2010	Change of our Company's name to Innoventive Industries Limited Kavos Capital Limited invested Rs. 3,500 lakhs in our Company through equity participation
2011	Standard Chartered Private Equity (Mauritius) II Limited was allotted 26,00,000 Equity Shares of Rs. 10 each at a price of Rs. 117 per Equity Share as a Pre-IPO Placement

### ***Awards, Achievements and Certifications***

<b>Year</b>	<b>Particulars</b>
2007	Accredited with ISO/ TS 16949: 2002 certification issued by UL DQS Inc. in respect of manufacture of forgings (Closed die and open die forgings) and machinated components on November 12, 2010, bearing number 20000187 TS09. The same is valid until November 11, 2013.

### ***Main objects of our Company***

The main object of our Company, as contained in our Memorandum of Association, is as set forth below:

1. To manufacture, trade, process, sell, purchase, import, export and deal in steel tubes, hot rolled, coils/sheets, motor vehicle components and press parts including footrests, tubes.

### *Changes in Memorandum of Association since Incorporation*

<b>Date of Shareholder's Approval</b>	<b>Changes in the Memorandum of Association</b>
March 20, 2002	<p>Amendment to the “Main Objects of the Company to be pursued by the Company on it Incorporation” Clause by deletion of the clause, <i>“To carry on the business as manufacturers, processors, merchants, traders, distributors, buying agents, selling agents, adatiyas, buyer, sellers, importers, exporters, dealers in and to import, export, buy, sell, pledge, distribute, mortgage, advance upon or otherwise trade and deal in marketing and distribution of domestic appliances made of ferrous/non-ferrous metals, plastic, acrylic and/or alloys using latest techniques in electronics or any other branch of Science”</i></p> <p>Amendment to the “Main Objects of the Company to be pursued by the Company on it Incorporation” Clause by insertion of the clause, <i>“To manufacture, trade, process, sell, purchase, import, export and deal in steel tubes, hot rolled, coils/sheets, motor vehicle components and press parts including footrests, tubes”</i></p> <p>Amendment to the “Other Objects” clause by insertion of the clause, <i>“To carry on the business as manufacturers, processors, merchants, traders, distributors, buying agents, selling agents, adatiyas, buyer, sellers, importers, exporters, dealers in and to import, export, buy, sell, pledge, distribute or otherwise trade and deal in marketing and distribution of domestic appliances made of ferrous/non-ferrous metals, plastic, acrylic and/or alloys using latest techniques in electronic”.</i></p>
April 5, 2002	The initial authorized share capital of Rs. 5,00,000 comprising of 50,000 Equity Shares of Rs. 10/- each was increased to Rs. 50,00,000 comprising of 5,00,000 Equity Shares of Rs. 10/- each
April 15, 2003	The authorized share capital of Rs. 50,00,000 comprising of 5,00,000 Equity Shares of Rs. 10/- each was increased to Rs. 5,00,00,000 comprising of 50,00,000 Equity Shares of Rs. 10/- each
August 16, 2003	The authorized share capital of Rs. 5,00,00,000 comprising of 50,00,000 Equity Shares of Rs. 10 each was increased to Rs. 5,10,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 1,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 10,00,000/-.
February 7, 2005	The authorized share capital of Rs. 5,10,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 1,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 10,00,000/- was increased to Rs. 9,00,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/-
June 13, 2007	Amendment to the “Objects Incidental or Ancillary to the Attainment of Main Objects” Clause by insertion of the clause, <i>“To lend and advance money or give credit to such persons or companies and on such terms and conditions which may seem expedient and in particular, to customers and others having dealing with the company and to guarantee the performance of any contract or obligation and the payment of money of or by such persons, companies and generally to give guarantees including corporate guarantees and indemnities”</i>
November 15, 2007	The authorized share capital of Rs. 9,00,00,000/- consisting of 50,00,000 Equity Shares of Rs.10/- each aggregating to Rs. 5,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/- was increased to Rs. 11,00,00,000/- consisting of 70,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 7,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/-
November 29, 2008	Change in the name of our Company from Arihant Domestic Appliances Private Limited to Arihant Domestic Appliances Limited pursuant to the change in status of our Company from a private limited company to a public limited company. The approval for the change of name was received from the Registrar of Companies, Pune, on January 9, 2009.
March 24, 2010	Change in the name of our Company from Arihant Domestic Appliances Limited to Innoventive Industries Limited. The approval for change in the name of our Company was received vide Fresh Certificate of Incorporation consequent upon change of name dated March 24, 2010 issued by the Registrar of Companies, Pune.
April 5, 2010	Alteration to the Object Clause of our Memorandum of Association by way of addition of new clauses 46 – 51 to the other objects to carry on the business as specified in new clauses as Main Objects of our Company.
September 18, 2010	The authorized share capital of Rs. 11,00,00,000/- consisting of 70,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 7,00,00,000/- and 40,00,000 12% redeemable, non cumulative, non participating preference shares of Rs. 10/- each aggregating to Rs. 4,00,00,000/- was increased to Rs. 75,00,00,000/- consisting of 7,50,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 75,00,00,000/-, 12%

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redeemable , non cumulative , non participating preference shares of Rs.10/- each aggregating to Rs.4,00,00,000 stands reclassified as equity shares

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### ***Subsidiaries***

Our Company has five Subsidiaries, namely, Arihant Auto Components Private Limited, Arihant Steel and Metal Wires Private Limited, Saicon Steels Private Limited, Sankalp Forgings Private Limited and Seven Star Electordes Private Limited . For further details on our Subsidiaries, please refer to the Chapter titled “*Our Subsidiaries*” beginning on page number 171 of this Red Herring Prospectus.

### ***Profile of Kavos Capital Limited***

Kavos Capital Limited is a Special Purpose Vehicle set up by “India 2020, Limited” a private Equity fund based in Mauritius, sponsored by Lighthouse Funds, LLC for the purpose of investing in our Company. The Registered Office of Kavos Capital Limited is located at Les Cascades, Edith Cavell Street, Port Louis, Mauritius. The fund is sponsored by Lighthouse Funds, LLC (the “sponsor”), a US based investment fund which specializes in providing long term, active capital to small and mid-sized companies.

The Fund has a size of over US \$100 million has invested in 10 companies in India. The fund focuses on robust, lower middle market segment, typically targeting companies with revenue in the range of USD 5.0 - 100 million. Kavos first become a shareholder in our Company in the year 2008.

Kavos has not been included as one of our Promoters or as one of our Promoter Group entities for the following reasons:

- (a) Our Company was incorporated in the year 1991, and it was acquired by our current Promoters in 2002 and Kavos came in as an investor in our Company in the year 2008;
- (b) Kavos is not involved in the day-to-day management of our Company;
- (c) Kavos does not have the right to (a) appoint majority of the directors or (b) control the management or policy decisions of our Company post listing and commencement of trading of the Equity Shares;
- (d) While entering into the shareholder’s agreement, Kavos was not intended to be considered as the Promoter of our Company and accordingly the same is also reflected in the shareholders’ agreement entered by our Company with Kavos. Further, Kavos has not been named in the past as a promoter of our Company;

Based on the foregoing, Kavos has not been named as a promoter of our Company.

Further, our Company’s Promoters Mr. Chandu Chavan, Mr. Ravindra Katre and Mr. Sanjay Waghulade or their immediate relatives or any of the body corporates in which they hold ten per cent or more of the equity share capital are not shareholders in Kavos Capital Limited. Hence, Kavos Capital Limited has not been disclosed as one of our promoter group entities.

### ***Capital raising activities through equity or debt***

For details regarding our capital raising activities through debt, kindly refer to the chapter titled ‘*Financial Indebtedness*’ on page number 319 of this Red Herring Prospectus.

### ***Shareholders Agreements***

- I. Share Purchase and Shareholders’ Agreement (“Agreement”) executed on February 21, 2008 by and between Arihant Domestic Appliances Private Limited (“Company”), Kavos Capital Limited (“Investor”) and Mr. Chandu Chavan (“Prior Shareholder”)***

Pursuant to a Share Purchase and Shareholders' Agreement dated February 21, 2008, Kavos Capital Limited agreed to purchase 2,50,000 equity shares having a face value of Rs. 10/- each amounting to 5% of the ownership and voting interest in the Company ('Sale Shares') from Mr. Chandu Chavan, for an aggregate consideration of Rs. 1,500.00 lakhs ('Sale Money')

**Management / Nominee Director:** The Company shall ensure that so long as the Investor holds any Sale Shares, the Investor shall have the right to appoint and remove from time to time, one directors on the Board at any time during the currency of this Agreement, who shall be a non – rotational director(s) and the presence of the Nominee Director, shall be mandatory to constitute a quorum, unless waived by the said Investor Nominee Director. A notice of such Board meeting shall be delivered to the Investor Nominee Director at least seven business days prior to the date of such a meeting. In addition, the Investor shall also be entitled to appoint an alternate director for the Nominee Director, whose appointment shall be as per the provisions of the Act and who shall be entitled to all the rights of the Investor Nominee Board.

**Tag Along Right:** If the Prior Shareholder proposes to sell/ transfer any or all of their shareholding in the Company to any third party, then the Prior Shareholder shall provide the Investor a tag along right in respect of its pro rata shareholding on a Fully Diluted Basis to sell the Shares held by it; provided however, that if the Prior Shareholder proposes to sell as many shares so as to reduce their shareholding in the Company to less than 51%, the Investor shall have the right to transfer its entire shareholding in the Company.

**Assignability:** None of the Parties shall be entitled to assign their rights and obligations under this Agreement to a third party without the prior written Consent of the other Parties.

**II. Share Subscription and Shareholders' Agreement dated August 3, 2010 among Kavos Capital Limited ("Investor") and Innoventive Industries Limited (the "Company"), Mr. Chandu Chavan, Mr. R.W. Katre, Mr. S.H.Waghulade, Mr. S.R. Katke, Mr. P.M. Mulye and Mr. S.T. Bhade (collectively referred to as the "Management")**

Pursuant to a Share Subscription and Shareholders' Agreement dated August 3, 2010, the Investor agreed to subscribe to 7,10,492 equity shares having a face value of Rs. 10/- each ('Subscription Shares') amounting to 10.3% of the share capital of the Company, for an aggregate consideration of Rs. 35,00,00,000 ('Subscription Amount').

**Key terms of the Agreement:**

**Management:** Investor has a right to appoint one person on the Board of Directors ("Board") of our Company, as a director ("Investor Director"). Investor and Our Company have the right to mutually appoint Independent Directors, who may also be removed at their discretion. Investor has the right to appoint one Director on the board of all or any of the subsidiaries of our Company. Further, Investor has the right to appoint an alternate director on the Board, who may attend all meetings and exercise all voting rights in the absence of originally appointed Investor Director.

**Further Issue of Shares:** Where Our Company proposes to issue shares to a third party (not being an IPO or employee stock grant), Investor, in accordance with the applicable laws and terms, shall have the right to purchase the shares in proportion to the offered securities. Further, if Our Company issues shares at a lower consideration (at a price lower than the per Equity Share price), all requisite steps shall be taken to issue the additional equity to Investor. Also where a person (not being a shareholder of Our Company) acquires or subscribes to the shares, all the benefits to which he is entitled shall also be conferred on Investor.

**Transfer of Shares:** From the closing date, till the time Investor's shareholding doesn't fall below the threshold stake, Our Management shall not without the prior consent of Investor be allowed to sell, dispose off, encumber or transfer the securities. Our Management and other shareholders shall collectively be entitled to transfer, unto 5 (five) percent of the Promoter Shareholding to any person subject to execution of a deed of adherence, to the satisfaction of Investor. Any further transfer of shares by promoters and other shareholders shall be subject to the written consent of Investor. Promoters and other shareholders shall, before finalising the transfer, submit all requisite details to Investor.

**Right of First Refusal:** Where Our Management, after having received an offer from a third party to sell off their shares (Offered Shares), the former shall provide a written notice (Offer Notice) to the Investor. The Investor shall acquire all or a part of the offered shares after providing a notice (Acceptance Notice) to Our Management within 30 days from the date of receipt of Offer Notice. If Investor serves an Acceptance Notice, it shall be bound to purchase and Our Management shall be bound to sell the Offered Shares. However if Investor does not offer to purchase the Offered Shares, Our Management shall be free to sell the shares to a Third Party within 30 days of the expiry of the Acceptance Notice Period.

**Tag Along Right:** Investor, upon receiving the Offer Notice from Our Management, shall have the right (after providing the tag Along Notice) to require Our Management to sell a proportionate number of its shares(Tag Along Shares) along with the Offered Shares.

**Transmission of Shares by Investor:** In the event of transmission of shares by Investor, the beneficiary to such shares shall not be registered as a Member unless such a beneficiary executes a Deed of Adherence, to the satisfaction of Investor.

**IPO:** Company and Our Management shall have the right to cause a qualified IPO of Our Company to occur. Investor shall have the right to offer any of the shares held by it. Our Company and Our Management shall ensure that the restrictions pertaining to Our Management, under the applicable laws, do not apply to Investor. Investor shall be indemnified against any loss, damage, claim, and liability relating to misstatements or omissions of Our Company. Where Our Company is unable to cause a qualified IPO, Investor shall be entitled to require Our Company and Our Management to undertake measures like: (a) Consummation of an IPO; (b) Buy-back by Our Company of all or any of the Securities held by Investor; (c) Purchase by Our Management of all or any of the Securities held by Investor etc.

“Qualified IPO” means an IPO of Equity Shares of the Company which satisfies all of the following conditions:

1. The IPO is consummated prior to the fourth anniversary of the Closing Date;
2. the IPO is a firmly underwritten public offering;
3. The IPO is consummated at an equity valuation which provides to the Investor (based on the lower end of the price band fixed by the merchant banker in connection with the filing of the DRHP) a minimum cumulative IRR of 25% per annum from the Closing date to the date of the Qualified IPO, provided that if the final IPO price (i.e. the lower end of the price band at which subscriptions are sought) is lower than the lower end of such price band and the final IPO price does not provide to the Investor the requisite IRR, the approval of the Investor shall be required to proceed with such Qualified IPO;
4. Subject to (5) and (6) below, the Investor having a right to make an offer for sale of all or any Equity Shares held by the Investor as is determined by the Investor at its sole discretion, simultaneously with the IPO.
5. If the IPO is consummated prior to the first anniversary of the Closing Date, the price at which Equity Shares of the Company is subscribed / purchased in the IPO is such that the value of the Investor's total shareholding in the Company at such price, is at least 1.35 times the Total Investment Amount and the Investor has the absolute right (in priority to the other shareholders) to sell one-third of its Equity Shares as an offer for sale in such an IPO;
6. If the IPO is consummated prior to the second anniversary of the Closing Date, the price at which Equity Shares of the Company is subscribed / purchased in the IPO is such that the value of the Investor's total shareholding in the Company at such price, is at least 1.75 times the Total Investment Amount and the Investor has the absolute right (in priority to the other shareholders) to sell one-third of its Equity Shares as an offer for sale in such an IPO;
7. the Shares offered in the IPO are listed on the National Stock Exchange and Bombay Stock Exchange in India, or (if the Investor has provided its prior written consent), on an international stock exchange;
8. the IPO is managed by merchant bankers/lead managers appointed by the Company in consultation with Investor and which are acceptable to the Investor.

**Buy Back:** Investor agrees that either the Promoter or the Company shall have the right to buy-back not more than one-third of Investor Shares. The Promoter shall have a right to call upon the Investor to sell not more than one-



third of Investor Shares. The Company shall be entitled to buy-back not more than 1/3<sup>rd</sup> (one third) of the Investor Shares then held by the Investor at an amount that shall provide the Investor with Investor Required Amount.

***Sale to Our Management & Drag Along Right:*** Investor shall have the “Sale Right”, to be exercised in the event of Our Company and Our Management having breached any representation, warranty, covenant. Upon exercise of the Sale Right, Our Management shall purchase the Sale Right Shares (the number of shares subject in the Sale Right Notice). Further, where Investor accepts an offer from any person to buy its shares, then such a sale shall be effective only upon a condition that the person shall buy a proportionate number of shares of Our Company.

If on the Sale Settlement Date, the Promoters do not pay the Sale Exercise Price in full for all Sale Right Shares and the Investor accepts an offer from any Person to buy the Shares held by the Investor, but such offer is conditional upon such Person being able to acquire the Promoters shareholding in the Company in part or in full, then in order to enable the Investor to sell their stake in the Company, the Promoters shall, at the direction of the Investor (“**the Drag Along Right**”), sell to such Person such portion of their shareholding in the Company, including the entire Shareholding, if required by the Investor, upon the same terms and conditions at which the Investor is selling its shareholding to such Person. The consideration per Share for the Equity Shares being sold by the Promoters shall be the same consideration per Equity Share being received by the Investor, if the Investor is selling any Equity Shares and if the Investor is selling any Securities other than Equity Shares, then the consideration per Equity Share to be received by the Promoters shall be arrived at by dividing the price per Security being sold by the Investor with the number of Equity Shares available to the Investor upon conversion of such Securities.

***III. Other Shareholders Agreement (the “Agreement”) executed on August 9, 2010 by and between Kavos Capital, Limited (the “Investor”) and Innoventive Industries Limited (the “Company”) and Mr. Chandu Chavan and Mrs. Shubhangi Jadhav and Mrs. Vishakha Bhade and Mrs. Mrunal Katre and Mrs. Kavita Dhupkar and Mrs. Smita Katke (the “Other Shareholders”)***

Pursuant to Other Shareholders Agreement dated August 9, 2010, the Investor has agreed to subscribe to 7,10,492 shares having a face value of Rs. 10/- each (‘Subscription Shares’) amounting to 11.7% of the share capital of the Company, for an aggregate consideration of Rs. 3,500 lakhs (‘Subscription Amount’) at the rate of Rs. 492.61/- per share.

***Key Terms of the Agreement:***

***Consideration:*** In consideration of the Investor agreeing to pay the Subscription Amount and subscribing to the Equity Shares, the Other Shareholders hereby agreed to abide by and adhere to the obligations contained hereunder in connection with exercise of their rights *vis-a-vis* the Equity Shares held by them in the Company.

***Transfer and Transmission of Shares:*** From the time the Company has issued and allotted the subscription shares to the Investor upon payment of the subscription amount by the Investor and till such time the Investor’s shareholding does not fall below 25% of the aggregate number of Shares held in the Company, the Other Shareholders shall not, without the prior written consent of the Investor, be entitled to sell, dispose off, encumber or in any other manner Transfer any Securities held by them. Any such transfer if allowed shall be chosen at the option of the Investor, and the Investor is not bound to provide its written consent for transfer of shares by the Other Shareholders.

The Other Shareholders and the Promoters shall collectively be entitled to Transfer, up to 5 percent of the Promoter Shareholding to any Person as the transferring Other Shareholder or the transferring Promoter deems fit subject to execution of a deed of adherence in a form to the satisfaction of the Investor. Any further transfer of shares by the Other Shareholders or any one or more Promoters, individually or collectively, shall require the prior written consent of the Investor.

***Right of First Refusal:*** At any point of time, if the Other Shareholders after having received written consent of the Investor to sell shares receive a firm offer from a third party to transfer such shares, the selling party shall provide a written notice to the Investor of the proposed transfer of the offered shares. The offer notice shall

include the price per Share offered by the third party the identity of the proposed transferee, payment mechanism and other conditions of sale.

Upon receiving such notice, the Investor may, either by itself or through its nominee(s), acquire all or part of the offered shares at the offer price by providing a written notice to the selling party within thirty 30 business days from the date of receipt of the offer notice by the Investor. On the event of the Investor serving the acceptance notice, it shall be bound to purchase, and the selling party shall be bound to transfer to the Investor (or its nominee(s)) the offered shares or such part thereof as is mentioned in the acceptance notice.

**Tag Along Right:** Upon receiving the offer notice from the Other Shareholders the Investor, instead of providing the acceptance notice, shall have the right to require the selling party, by notice in writing within 30 business days of the Investor's receipt of the offer notice to transfer a proportionate number of the shares held by the Investor along with the offered shares on the same terms and conditions as set out in the offer notice.

**Deed of Adherence:** The Other Shareholders and the Company agree that they shall cause such persons, to which any shares are issued by the Company or are transferred by the Other Shareholders, to execute a deed of adherence and has undertaken, to the satisfaction of the Investor, all the obligations of the Other Shareholders as stipulated under this Agreement.

**Drag Along Right:** In consideration of the Investor investing the subscription amount in the Company, the other shareholders grant to the Investor, the drag along right to be exercisable in the event the promoters or Other Shareholders or the Company have breached any representation, warranty or covenant contained in the Agreement herein or defaulted in complying with any of their obligations and/or duties in the Subscription and Shareholder's Agreement or hereunder.

The Drag Along Right has been defined as follows: If on the sale settlement date, the Promoters do not pay the sale exercise price in full for all sale right shares and the Investor accepts an offer from any person to buy the Shares/Securities held by the Investor, but such offer is conditional upon such person being able to acquire the Other Shareholders shareholding in the Company in part or in full, then in order to enable the Investor to sell its stake in the Company, the Other Shareholders shall, at the direction of the Investor sell to such Person such portion of their shareholding in the Company, including the entire shareholding, if required by the Investor, upon the same terms and conditions at which the Investor is selling its shareholding to such Person. The consideration per share for the Equity Shares being sold by the Other Shareholders shall be the same consideration per Equity Share being received by the Investor.

**Term and Termination:** As per the terms, this Agreement shall become effective from the time the Company has issued and allotted the subscription shares to the Investor upon payment of the subscription amount by the Investor and that this Agreement is co-terminous with the Share Subscription and Shareholders Agreement and shall automatically stand terminated with the termination of the Share Subscription and Shareholders Agreement.

**Transmission of Shares held by the Other Shareholders:** The Company has agreed that in the event of transmission of any Shares or Securities held by the Other Shareholders, it shall not register the beneficiary of such shares as a member of the Company unless and until such beneficiary has executed the Deed of Adherence and has undertaken, to the satisfaction of the Investor, all the obligations of the Other Shareholders as stipulated under this Agreement.

**IV. Amendment to the Shareholders Agreement (the "Agreement") executed on September 28, 2010 by and between Kavos Capital, Limited( the "Investor") and Innoventive Industries Limited (the "Company") and Mr. Chandu Chavan and Mr. R.W. Katre and Mr. S.H. Waghulade and Mr. S. R. Katke and Mr. P. M. Mulye and Mr.S.T. Bhade and Ms. Shubhangi Jadhav and Ms. Vishakha Bhade and Ms. Mrunal Katre and Ms. Kavita Dhupkar and Ms. Smita Katke (the "Promoters or Other Shareholders")**

The aforementioned parties had entered into a Share Purchase and Shareholders' agreement dated February 21, 2008 (the "First Agreement") and a Share Subscription and Shareholders Agreement dated August 3, 2010 ("Second Agreement") and Other Shareholders Agreement dated August 9, 2010 (the "Third Agreement"),

collectively known as the “Agreements”. The parties to the aforementioned Agreements have agreed to amend certain terms of the Agreements by entering into the Amendment Agreement, dated September 28, 2010.

### ***Key Terms of the Agreement***

The parties to the Amendment Agreement have agreed that on and from the date when the Company receives the final trading approval/notification from the relevant stock exchange in India for the equity shares it proposes to issue by way of an IPO in India on recognised stock exchange(s) in India, all the rights given to the Investors under the Agreement (other than (a) the right to nominate Investor Director as provided in clause 7.1 of the Second Agreement and (b) those other rights which are in accordance with the Listing Agreement of the Stock Exchanges) shall automatically stand terminated without any Shareholders being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under the Agreements.

All other terms and conditions of the Agreements, not modified, altered or amended hereinabove shall remain same and applicable to all the Parties to the Agreements and the Parties agree that till the Company is able to list its equity shares, the rights of the Investor in the Agreements shall continue to subsist in full.

***V. Subscription and Shareholders Agreement dated February 7, 2011 (the ‘Agreement’) by and between Standard Chartered Private Equity (Mauritius) II Limited (‘Investor I’) and Standard Chartered Private Equity (Mauritius) III Limited (‘Investor II’) and Kavos Capital Limited (‘Kavos’) and Innoventive Industries Limited (‘Company’) and Mr. Chandu Chavan and Mr. R. W. Katre, Mr. S. H. Waghulade and Mr. S. R. Katke and Mr. P. M. Mulye and Mr. S. T. Bhade and Mrs. Shubhangi Jadhav and Mrs. Vishakha Bhade and Mrs. Mrunal Katre and Mrs. Kavita Dhupkar and Mrs. Smita Katke***

*Investor I and Investor II are hereinafter collectively referred to as the “Investors”.*

*Mr. Chandu Chavan, Mr. R. W. Katre, Mr. S. H. Waghulade, Mr. S. R. Katke, Mr. P. M. Mulye, Mr. S. T. Bhade, Mrs. Shubhangi Jadhav, Mrs. Vishakha Bhade, Mrs. Mrunal Katre, Mrs. Kavita Dhupkar and Mrs. Smita Katke are hereinafter collectively referred to as the “Existing Shareholders”.*

As per the terms of this Agreement, Investor I has subscribed to 26,00,000 Equity Shares as a Pre-IPO Investment in our Company at a price of Rs. 117/- per Equity Share.

### **Validity of Agreements with Kavos**

The following agreements were entered into by and between our Company and Kavos (hereinafter collectively known as ‘**Kavos Agreements**’):

- Other Shareholders Agreement entered into by and between our Company and Kavos dated August 9, 2010
- Share Subscription and Shareholders Agreement entered into by and between Company and Kavos dated August 3, 2010
- Share Purchase and Shareholders Agreement dated February 21, 2008
- Amendment to Shareholders Agreement dated September 28, 2010

As per the terms of this Agreement, the Kavos Agreements shall be deemed to be amended to the extent of this Agreement and this Agreement shall supersede the terms of the Kavos Agreements, in the event of any conflict between the terms of this Agreement and that of the Kavos Agreements.

### **Special Rights**

#### ***Right to appoint Nominee Director(s)***

The Investors (acting collectively) and Kavos shall have a right to appoint one non-executive Nominee Director each on the Board of our Company and the Investors shall have such right exercised on or before April 1 or such

other extended date as may be decided by the Investors and such right of the Investors and Kavos shall continue to subsist even after the completion of the IPO. Further, the Investors (acting collectively) and Kavos shall also have a right to appoint one person each as a director on the Board of Directors of our Subsidiaries. Further, no quorum of the Board of Directors can be validly constituted unless the Directors nominated by Kavos and Investors are present at such meetings.

### ***Right of first refusal***

At any point of time, if the Existing Shareholders receive an offer from a third party to transfer their shares, they shall provide a written notice to the Investors and Kavos ('**Offer Notice**') of the proposed transfer of the shares. The Offer Notice shall include the price per share offered by the third party and other conditions of sale. Upon receipt of such notice, the Investors and Kavos may, either by themselves or through their nominee(s), acquire the offered shares on a proportionate basis of their shareholding in our Company at the offer price by providing a written notice to the Existing Shareholders. In the event that the Investors and Kavos serve the acceptance notice, they shall be bound to purchase, and the Existing Shareholders shall be bound to transfer to the Investors and Kavos (or their nominee(s)) the offered shares or such part thereof as is mentioned in the acceptance notice.

### ***Tag Along Right***

Upon receipt of an Offer Notice from the Existing Shareholders the Investors and Kavos shall also have the right to require the Existing Shareholders to cause the transfer of a proportionate number of the shares owned by the Investors and / or the shares held by Kavos along with the shares of the Existing Shareholders proposed to be transferred.

### ***Right of Sale to third parties***

As per this Agreement, the Investors and Kavos, without any restrictions, are entitled to transfer all or any equity shares owned by them to any third party. The Investors and Kavos are also entitled to nominate any of their respective affiliates to subscribe to, acquire and / or hold any equity shares which the Investors and Kavos are entitled to subscribe, acquire or hold, under this Agreement. Subject to applicable laws and regulations, the Investors and Kavos shall not be required to pledge, lock in or provide any other support or guarantee to any third party such as the creditors of our Company.

### ***Call option***

The Existing Shareholders have been given right to call upon Kavos to sell not more than 1/3<sup>rd</sup> (one third) of the equity shares held by Kavos at any time between the third and fourth anniversary of this Agreement.

### ***Qualified IPO***

As per the terms of this Agreement, in the event that the Qualified IPO is not completed by April 30, 2011, then our Company shall be required to amend its Articles of Association on May 1, 2011 in order to incorporate the terms of this Agreement in the Articles of Association. The term 'Qualified IPO' has been defined in this Agreement and the important points of the same are provided hereinbelow:

- The IPO is consummated within 42 months of the closing date of this Agreement;
- The IPO is a underwritten public offering as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations;
- The IPO is consummated at an equity valuation which provides to the Investors and Kavos (based on the lower end of the price band fixed by the merchant banker) a minimum cumulative internal rate of return of 25% per annum in relation to (i) the Investors from the closing date of this Agreement to the date of the Qualified IPO on the total amount invested by the Investors and (ii) to Kavos from the respective dates of investment of Kavos to the date of the Qualified IPO. If the final IPO price (i.e. the lower end of the price band at which subscriptions are sought) is lower than the lower end of such price band and the final IPO price does not provide to the Investors and Kavos with the requisite internal rate of return, the approval of the Investors and Kavos shall be required to proceed with such Qualified IPO;

- The Investors and Kavos shall have a right but not the obligation, to make an offer for sale of all or any equity shares held by them as is determined by the Investors and Kavos at their sole discretion and subject to applicable law, in such IPO.

In the event our Company is unable to consummate a Qualified IPO within 42 months from the closing date of this Agreement, each of the Investors and Kavos shall, at any time after the expiry of 42 months from the closing date of this Agreement, be entitled to issue a notification requiring our Company and the Existing Shareholders to undertake all or any of the following:

- Consummation of an IPO; or
- Buy-back by the Company of all or any of the Investors' shares and/or the Kavos shares, as the case may be; or
- Purchase by the Existing Shareholders of all or any of the shares owned by the Investors and/or Kavos Shares, as the case may be; or
- Facilitate the sale of all or any of the shares owned by the Investors and/or Kavos, as the case may be, to a third party acceptable to them.

### **Termination of Special Rights**

As mutually agreed pursuant to letters dated December 14, 2011 and March 5, 2011, our Company and our Promoters have surrendered their right to buy-back shares and the right to exercise call option against the Investors and Kavos, and have undertaken not to exercise the same. Further, on and from the date when our Company receives final trading approval/notification from the relevant stock exchange in India for its equity shares offered by way of an IPO in India on recognised stock exchange(s) in India, the special rights given to the Investors and Kavos under this Agreement, except the right to appoint their Nominee Directors, shall automatically stand terminated without any Party to this Agreement being required to take any further action or furnish any notice.

### ***VII. Share Purchase Agreement between Standard Chartered Private Equity (Mauritius) III Limited (in the capacity of a "Purchaser"), Ajay Yerwadekar (in the capacity of "Seller") and Innoventive Industries Limited (our "Company") dated February 7, 2011***

Vide the Agreement dated February 7, 2011, the Purchaser purchased from the Seller 15,63,223 Equity Shares of our Company at a price of Rs. 99.61 per Equity Share for a total consideration of Rs. 15,58,06,436.41/- (Rupees Fifteen Crores fifty eight lakhs six thousand four hundred and thirty six), representing 3.81 % of the total pre-Issue paid up share capital of our Company.

### ***VII. Amendment Agreement to the Subscription and Shareholders' Agreement dated April 1, 2011 ('Amendment Agreement') by and between our Company and Standard Chartered Private Equity (Mauritius) II Limited ('Investor I') and Standard Chartered Private Equity (Mauritius) III Limited ('Investor II') and Kavos Capital Limited ('Kavos') and Mr. Chandu Chavan***

The parties to the Subscription and Shareholders Agreement dated February 7, 2011 ('First Agreement') agreed to amend certain provisions of the First Agreement vide this Amendment Agreement. The following provisions were amended by the Amendment Agreement:

1. Clause 4.3.4, sub-clause (a) of the First Agreement was amended and the parties have now agreed that in the event that the IPO of our Company is not completed by April 30, 2011, the existing shareholders shall cause and our Company shall amend its Articles of Association on May 1, 2011 to incorporate the terms of the First Agreement in the Articles.
2. Clause 12.11 of the First Agreement was amended and the parties have agreed that in the event that the IPO of the Company is not completed by June 30, 2011, (i) the existing shareholders of the Company have the right to call for the Additional Investment (up to a maximum of the Additional Investment

Amount) which shall be subject to the successful completion of a due diligence to the satisfaction of the Investors and receipt of all internal investment approvals by the Investor; and (ii) the Investors have the right but not the obligation to make an Additional Investment in the Company up to a maximum of the Additional Investment Amount within 30 (thirty) days of the receipt of the consolidated and audited accounts of the Company and its Subsidiaries for the Financial year ended 31 March 2011.

Except to the extent modified herein, all other terms and conditions of the First Agreement, shall remain the same and applicable to all the Parties to the First Agreement.

***Special Rights given to shareholders under the Shareholders' Agreements***

The following is a list of special rights given to the shareholders through the aforementioned Shareholders' Agreements.

Sr. No.	Shareholders Agreements	Special/Subsisting/Affirmative rights, if any
1.	Share Purchase and Shareholders' Agreement ("Agreement") executed on February 21, 2008 by and between Arihant Domestic Appliances Private Limited ("Company"), Kavos Capital Limited ("Investor") and Mr. Chandu Chavan ("Prior shareholder")	<ol style="list-style-type: none"> <li>The Company shall ensure that so long as the Investor holds any Sale Shares, the Investor shall have the right to appoint and remove from time to time, one directors on the Board at any time during the currency of this Agreement, who shall be a non – rotational director(s) and the presence of the Nominee Director, shall be mandatory to constitute a quorum, unless waived by the said Investor Nominee Director.</li> <li>If the Prior Shareholder proposes to sell/ transfer any or all of their shareholding in the Company to any third party, then the Prior Shareholder shall provide the Investor a tag along right in respect of its pro rata shareholding on a Fully Diluted Basis to sell the Shares held by it; provided however, that if the Prior Shareholder proposes to sell as many shares so as to reduce their shareholding in the Company to less than 51%, the Investor shall have the right to transfer its entire shareholding in the Company.</li> </ol>
2.	Share Subscription and Shareholders' Agreement dated August 3, 2010 among Kavos Capital Limited ("Investor") and Innoventive Industries Limited (the "Company"), Mr. Chandu Chavan, Mr. R.W. Katre, Mr. S.H.Waghulade, Mr. S.R. Katke, Mr. P.M. Mulye and Mr. S.T. Bhade (collectively referred to as the "Management")	<ol style="list-style-type: none"> <li>Where Our Company proposes to issue shares to a third party (not being an IPO or employee stock grant), Investor, in accordance with the applicable laws and terms, shall have the right to purchase the shares in proportion to the offered securities. Further, if Our Company issues shares at a lower consideration (at a price lower than the per Equity Share price), all requisite steps shall be taken to issue the additional equity to Investor. Also where a person (not being a shareholder of Our Company) acquires or subscribes to the shares, all the benefits to which he is entitled shall also be conferred on Investor.</li> <li>Investor, upon receiving the Offer Notice from Our Management, shall have the right (after providing the tag Along Notice) to require Our Management to sell a proportionate number of its shares(Tag Along Shares) along with the Offered Shares.</li> <li>Investor agrees that either the Promoter or the Company shall have the right to buy-back not more than one-third of Investor Shares. The Promoter shall have a right to call upon the Investor to sell not more than one-third of Investor Shares. The Company shall be entitled to buy-back not more</li> </ol>

		than 1/3 <sup>rd</sup> (one third) of the Investor Shares then held by the Investor at an amount that shall provide the Investor with Investor Required Amount.
3.	Other Shareholders Agreement (the “Agreement”) executed on August 9, 2010 by and between Kavos Capital, Limited (the “Investor”) and Innoventive Industries Limited (the “Company”) and Mr. Chandu Chavan and Mrs. Shubhangi Jadhav and Mrs. Vishakha Bhade and Mrs. Mrunal Katre and Mrs. Kavita Dhupkar and Mrs. Smita Katke (the “Other Shareholders”)	<p>1. Transfer and Transmission of Shares: From the time the Company has issued and allotted the subscription shares to the Investor upon payment of the subscription amount by the Investor and till such time the Investor’s shareholding does not fall below 25% of the aggregate number of Shares held in the Company, the Other Shareholders shall not, without the prior written consent of the Investor, be entitled to sell, dispose off, encumber or in any other manner Transfer any Securities held by them. Any such transfer if allowed shall be chosen at the option of the Investor, and the Investor is not bound to provide its written consent for transfer of shares by the Other Shareholders. The Other Shareholders and the Promoters shall collectively be entitled to Transfer, up to 5 percent of the Promoter Shareholding to any Person as the transferring Other Shareholder or the transferring Promoter deems fit subject to execution of a deed of adherence in a form to the satisfaction of the Investor. Any further transfer of shares by the Other Shareholders or any one or more Promoters, individually or collectively, shall require the prior written consent of the Investor.</p> <p>1. <b>Tag Along Right:</b> Upon receiving the offer notice from the Other Shareholders the Investor, instead of providing the acceptance notice, shall have the right to require the selling party, by notice in writing within 30 business days of the Investor’s receipt of the offer notice to transfer a proportionate number of the shares held by the Investor along with the offered shares on the same terms and conditions as set out in the offer notice.</p>
4.	Amendment to the Shareholders Agreement (the “Agreement”) executed on September 28, 2010 by and between Kavos Capital, Limited( the “Investor”) and Innoventive Industries Limited (the “Company”) and Mr. Chandu Chavan and Mr. R.W. Katre and Mr. S.H. Waghulade and Mr. S. R. Katke and Mr. P. M. Mulye and Mr.S.T. Bhade and Ms. Shubhangi Jadhav and Ms. Vishakha Bhade and Ms. Mrunal Katre and Ms. Kavita Dhupkar and Ms. Smita Katke (the “Promoters or Other Shareholders”)	The parties to the Amendment Agreement have agreed that on and from the date when the Company receives the final trading approval/notification from the relevant stock exchange in India for the equity shares it proposes to issue by way of an IPO in India on recognised stock exchange(s) in India, all the rights given to the Investors under the Agreement (other than (a) the right to nominate Investor Director as provided in clause 7.1 of the Second Agreement and (b) those other rights which are in accordance with the Listing Agreement of the Stock Exchanges) shall automatically stand terminated without any Shareholders being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under the Agreements.
5	Subscription and Shareholders Agreement dated February 7, 2011 (the ‘Agreement’) by and between Standard Chartered Private Equity (Mauritius) II Limited (‘Investor I’) and Standard Chartered Private	<p>1. The Investors (acting collectively) shall have a right to appoint one non-executive Nominee Director on the Board of our Company on or before April 1 or such other extended date as may be decided by the Investors and such right shall continue to subsist even after the completion of the IPO. Further, the Investors (acting collectively) and Kavos shall also have a right to appoint one person each as a director on</p>

<p>Equity (Mauritius) III Limited ('Investor II') and Kavos Capital Limited ('Kavos') and Innoventive Industries Limited ('Company') and Mr. Chandu Chavan and Mr. R. W. Katre, Mr. S. H. Waghulade and Mr. S. R. Katke and Mr. P. M. Mulye and Mr. S. T. Bhade and Mrs. Shubhangi Jadhav and Mrs. Vishakha Bhade and Mrs. Mrunal Katre and Mrs. Kavita Dhupkar and Mrs. Smita Katke</p>	<p>the Board of Directors of our Subsidiaries. Further, no quorum of the Board of Directors can be validly constituted unless the Directors nominated by Kavos and Investors are present at such meetings.</p> <ol style="list-style-type: none"> <li>2. At any point of time, if the Existing Shareholders receive an offer from a third party to transfer their shares, they shall provide a written notice to the Investors and Kavos ('<b>Offer Notice</b>') of the proposed transfer of the shares. The Offer Notice shall include the price per share offered by the third party and other conditions of sale. Upon receipt of such notice, the Investors and Kavos may, either by themselves or through their nominee(s), acquire the offered shares on a proportionate basis of their shareholding in our Company at the offer price by providing a written notice to the Existing Shareholders. In the event that the Investors and Kavos serve the acceptance notice, they shall be bound to purchase, and the Existing Shareholders shall be bound to transfer to the Investors and Kavos (or their nominee(s)) the offered shares or such part thereof as is mentioned in the acceptance notice.</li> <li>3. Upon receipt of an Offer Notice from the Existing Shareholders the Investors and Kavos shall also have the right to require the Existing Shareholders to transfer a proportionate number of the shares owned by the Investors and / or the shares held by Kavos along with the shares of the Existing Shareholders proposed to be transferred.</li> <li>4. As per this Agreement, the Investors and Kavos, without any restrictions, be entitled to transfer all or any equity shares owned by them to any third party. The Investors and Kavos shall also be entitled to nominate any of its affiliates to subscribe to, acquire and / or hold any equity shares which the Investors and Kavos are entitled to subscribe, acquire or hold, under this Agreement. Subject to applicable laws and regulations, the Investors and Kavos shall not be required to pledge, lock in or provide any other support or guarantee to any third party such as the creditors of our Company.</li> <li>5. As per the terms of this Agreement, in the event that the Qualified IPO is not completed by April 30, 2011, then our Company shall be required to amend our Articles of Association on May 1, 2011 in order incorporate the terms of this Agreement in the Articles of Association. The term 'Qualified IPO' has been defined in this Agreement and the important features of the same are as follows: <ul style="list-style-type: none"> <li>• The IPO is consummated within 42 months of the closing date of this Agreement;</li> <li>• The IPO is a underwritten public offering as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations;</li> <li>• The IPO is consummated at an equity valuation which provides to the Investors and Kavos (based on the lower end of the price band fixed by the merchant banker) a minimum cumulative internal rate of return of 25% per annum in relation to (i) the Investors from the closing date of this</li> </ul> </li> </ol>
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		<p>Agreement to the date of the Qualified IPO on the total amount invested by the Investors and (ii) to Kavos from their respective dates of investment of Kavos to the date of the Qualified IPO. If the final IPO price (i.e. the lower end of the price band at which subscriptions are sought) is lower than the lower end of such price band and the final IPO price does not provide to the Investors and Kavos with the requisite internal rate of return, the approval of the Investors and Kavos shall be required to proceed with such Qualified IPO;</p> <ul style="list-style-type: none"> <li>• The Investors and Kavos shall have a right but not the obligation, to make an offer for sale of all or any equity shares held by them as is determined by the Investors and Kavos at their sole discretion and subject to applicable law, in such IPO.</li> </ul> <p>In the event our Company is unable to consummate a Qualified IPO within 42 months from the closing date of this Agreement, each of the Investors and Kavos shall, at any time after the expiry of 42 months from the closing date of this Agreement, be entitled to issue a notification requiring our Company and the Existing Shareholders to undertake all or any of the following:</p> <ul style="list-style-type: none"> <li>• Consummation of an IPO; or</li> <li>• Buy-back by the Company of all or any of the Investors' shares and/or the Kavos shares, as the case may be; or</li> <li>• Purchase by the Existing Shareholders of all or any of the shares owned by the Investors and/or Kavos Shares, as the case may be; or</li> </ul> <p>Facilitate the sale of all or any of the shares owned by the Investors and/or Kavos, as the case may be, to a third party acceptable to them.</p>
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**Please note that on and from the date when our Company receives the final trading approval/notification from the Stock Exchanges for listing of the equity shares it proposes to issue by way of an IPO in India, all the rights given to Kavos, Standard Chartered Private Equity (Mauritius) II Limited and Standard Chartered Private Equity (Mauritius) III Limited under the aforementioned agreements (other than (a) the right to appoint Nominee Directors and (b) those other rights which are in accordance with the Listing Agreement of the Stock Exchanges) shall automatically stand terminated without any shareholders being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under the agreements.**

This Issue is being undertaken by our Company to meet our fund requirements and this Issue is not a 'Qualified IPO' as defined in the aforementioned agreements.

#### ***Other Agreements***

#### ***VIII. Business Transfer Agreement (the "Agreement") executed on January 20, 2009 by and between Arihant Domestic Appliances Private Limited (the "Company") and M/s. Steel Engineers ("Steel Engineers")***

***Effective Date:*** April 1, 2008.

***Sale/Transfer:*** On the Effective Date, Steel Engineers shall transfer all the movable and immovable assets, rights, licenses, privileges, easements along with its existing business on an on-going concern basis to the Company.

***Consideration:*** In consideration for the acquisition of the Assets and Assignments of the Business, and subject to the terms and conditions of this Agreement the Company shall pay Steel Engineers a sum of Rs. 8,00,00,000/-.

**Employees and Benefit Plans:** Prior to the Effective Date, Steel Engineers shall terminate employment of the transferring employees and obtain an executed general release form each employee, in a form acceptable to the Company. Steel Engineers shall be responsible for payment prior to the Closing Date of all accrued obligations and benefits, including without limitation, payments made with respect to accrued leave, and any employment, severance or other Agreements which accrue and become due and payable to Transferring Employees on or prior to, or as result of , the termination of the Transferring Employees.

**Closing:** All the activities in connection to Business Transfer shall be completed on or before January 31, 2009 and accordingly both the Company and Steel Engineers agree to complete their respective part and obligation on or before the said date.

***Steel Engineers Represents and Warrants that:***

- (i) It is a partnership Firm duly registered with the Registrar of firms under the Indian Partnership Act, 1932.
- (ii) Its partners have the power to execute and deliver this Agreement.
- (iii) It will not violate any law, regulation; judgement, decree, order, injunction or award of any entity, court, administrative agency, jurisdiction or governmental authority.
- (iv) It is the sole owner of all right, title and interest in the assets, including all Intellectual Property Rights thereto and has good valid and marketable title to the Assets free and clear of all Liens.
- (v) There are no pending or ongoing litigations against it or any of its officers, employees or consultants.
- (vi) It has not committed any act of bankruptcy, executed any general assignment for the benefit of creditors or filed any kind of petition for relief under bankruptcy laws.
- (vii) There are no liabilities or obligation of any kind whatsoever.

***IX. Business Transfer Agreement (the “Agreement”) executed on January 20, 2009 by and between Arihant Domestic Appliances Private Limited (the “Company”) and M/s. Steel Master (“Steel Master”)***

**Effective Date:** April 1, 2008.

**Sale/Transfer:** On the Effective Date, Steel Master shall transfer all the movable and immovable assets, rights, licenses, privileges, easements along with its existing business on an on-going concern basis to the Company.

**Consideration:** In consideration for the acquisition of the Assets and Assignments of the Business, and subject to the terms and conditions of this Agreement the Company shall pay Steel Master a sum of Rs. 1,80,000/-.

**Employees and Benefit Plans:** Prior to the Effective Date, Steel Master shall terminate employment of the transferring employees and obtain an executed general release form each employee, in a form acceptable to the Company. Steel Master shall be responsible for payment prior to the Closing Date of all accrued obligations and benefits, including without limitation, payments made with respect to accrued leave, and any employment, severance or other Agreements which accrue and become due and payable to Transferring Employees on or prior to, or as result of , the termination of the Transferring Employees.

**Closing:** All the activities in connection to Business Transfer shall be completed on or before January 31, 2009 and accordingly both the Company and Steel Master agree to complete their respective part and obligation on or before the said date.

***Steel Master Represents and Warrants that:***

- (i) It is a partnership Firm duly registered with the Registrar of firms under the Indian Partnership Act, 1932.
- (ii) Its partners have the power to execute and deliver this Agreement.
- (iii) It will not violate any law, regulation; judgement, decree, order, injunction or award of any entity, court, administrative agency, jurisdiction or governmental authority.
- (iv) It is the sole owner of all right, title and interest in the assets, including all Intellectual Property Rights thereto and has good valid and marketable title to the Assets free and clear of all Liens.
- (v) There are no pending or ongoing litigations against it or any of its officers, employees or consultants.

- (vi) It has not committed any act of bankruptcy, executed any general assignment for the benefit of creditors or filed any kind of petition for relief under bankruptcy laws.
- (vii) There are no liabilities or obligation of any kind whatsoever.

#### ***Package Scheme of Incentives - 1993***

Our Company was granted certificate of entitlement for availing of sales tax incentive under part I of the 1993 Package Scheme of Incentives (“**PSI 1993**”) of Government of Maharashtra by way of deferral of sales tax liability. The certificate was issued on the basis of the eligibility certificate No. DIC/PNE/1993/DEFERAL/631/528 dated June 06, 2003 issued to the industrial unit situated at Gat No. 1261, Sanaswadi, Pune Nagar Road, Shirur, Pune under the PIS 1993 outlined under the government resolution no. IDL – 1093/(8889)/IND – 8 dated May 07, 1993 by the District Industries Centre. The PSI 1993 and the rules made thereunder / procedure / agreements executed / required to be executed by the holder of the eligibility certificate from time to time, the condition stipulated under the certificate of the entitlement issued by the Commissioner of Sales Tax under the Bombay Sales Act 1959 / Central Sales Act, 1956 (the Relevant Sales Tax Law) and the conditions stipulated therein, the holder of the eligibility certificate will be entitled to the benefits as sanctioned by the Government of Maharashtra under the PSI 1993 and as modified from time to time. In particular, the sales tax incentive will be admissible by way of exemption from payment of sales tax liability. Our Company was permitted to defer the sales tax liability of Rs. 3,181 lakhs as per the returns/assessments pertaining to the period for 7 years from April 01, 2003 to March 31, 2010. The said amount has to be repaid from 2013 – 2014 in five equal yearly instalments.

#### ***Package Scheme of Incentives - 2007***

Our Company has been granted an Eligibility Certificate (“**EC**”) bearing number DI/PSI-2007/Mega/EC-14/09/B-8093 on March 17, 2009, by the Officer on Special Duty, for Development Commissioner (Industries), Mumbai for the Mega Project at the factory situated at Gat No. 56/3, 4 and 5, Village Pimple Jagtap, Taluk Shirur, Pune (“**Eligible Unit**”) under Package Incentive Scheme of 2007 (the “**Scheme 2007**”). The Company is entitled to the following incentives under the EC:

- a. Electricity Duty exemption for the period of 7 years from the date of commencement of commercial production (from December 1, 2008 to November 30, 2015);
- b. 100% exemption from payment of Stamp Duty;
- c. Industrial Promotion Subsidy (IPS) equivalent to 75% of the eligible investment to be made with effect from March 28, 2007.
  - The IPS will however be limited to 75% of the eligible investments less the amount of benefits availed as mentioned in serial number 1 and 2 for the period from December 1, 2008 till November 30, 2015; or
  - To the extent of taxes paid to the State Government within a period of 7 years, whichever is lower

#### ***Strategic Partners***

Our Company does not have any strategic partners as on the date of this Red Herring Prospectus.

#### ***Financial Partners***

Our Company does not have any financial partners as on the date of this Red Herring Prospectus.

## OUR SUBSIDIARIES

As on the date of this Red Herring Prospectus, our Company has five subsidiaries, namely:

1. Arihant Steel and Metal Wires Private Limited
2. Saicon Steels Private Limited
3. Sankalp Forgings Private Limited
4. Seven Star Electordes Private Limited
5. Arihant Auto Components Private Limited

Details with regards to each of our subsidiaries are as set forth here under:

### ***1. Arihant Steel and Metal Wires Private Limited***

#### ***Corporate Information***

Arihant Steel and Metal Wires Private Limited ("ASMWPL") was incorporated under the Companies Act, 1956 vide certificate of incorporation dated December 16, 2005, bearing CIN U27109PN2005PTC021695, with the Registrar of Companies, Pune.

On August 27, 2007 our Company was allotted 7,90,000 equity shares of Rs. 10 each of ASMWPL and further on December 19, 2007 our Company acquired 9,999 equity shares of Rs. 10/- each of ASMWPL, consequently our Company presently holds 99.99% of the share capital of ASMWPL making it our wholly owned subsidiary.

As per its memorandum of association, ASMWPL is authorised to and is currently carrying on the business of manufacturer, dealer, importer, exporter, distributor of all kinds of wires and cables like metal wire, non-metal wire, steel wire, copper wire, steel tubes and all other wire products required for household and industrial applications and by-products and scraps obtained in the processing and manufacturing of above products in India or in abroad. Currently, ASMWPL manufactures automobile and refrigeration grade wires from the slits and the metal scrap generated by our Company.

The authorised share capital of ASMWPL is Rs. 5,00,00,000/- divided into 50,00,000 Equity Shares of Rs. 10/- each.

#### ***Registered office***

Gat No. 1264, Vadhu Budruk, taluka Shirur, district Pune – 412 208, Maharashtra, India.

#### ***Board of directors***

As at January 31, 2011, ASMWPL has two directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Shivaji Katke	Whole time Director
Mr. Sanjay Bhade	Director

#### ***Shareholding Pattern:***

The shareholding pattern of ASMWPL as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mrs Smita Shivaji Katke*	1	0.01
Innoventive Industries Limited	7,99,999	99.99
<b>Total</b>	<b>8,00,000</b>	<b>100.00</b>

*\*Beneficial Ownership held by our Company*

## Financial Performance

Particulars	(Rs. in lakhs) For the period ended March 31,		
	2010	2009	2008
Income/Sales	599.83	839.66	423.46
Profit (Loss) after Tax	33.60	(1.20)	4.82
Equity share capital	80.00	80.00	80.00
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	39.98	6.38	7.58
Earnings per share (Rs.) <sup>(2)</sup>	4.20	NA	2.07
Diluted Earnings per share (Rs.) <sup>(2)</sup>	4.20	NA	2.07
Net asset value or book value per share (Rs.) <sup>(2)</sup>	15.00	10.80	10.95

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

ASMWPL is an unlisted company and have not made any public or rights issue in the immediately preceding three years. Further, no action has been taken against ASMWPL by any Stock Exchanges or SEBI. ASMWPL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

## 2. Saicon Steels Private Limited

### Corporate Information

Saicon Steels Private Limited ("SSPL") was incorporated under the Companies Act, 1956 vide certificate of incorporation dated December 11, 2003, bearing CIN U27100MH2003PTC143498, with the Registrar of Companies, Maharashtra, Mumbai.

Pursuant to an Agreement dated December 7, 2006 entered into by and between SSPL through its Directors Mr. Shyam Sunder Agarwal, Mr. Karunakar Shetty and our Company, our Company agreed to purchase 44,50,000 equity shares of Rs. 10/- each of SSPL for an aggregate consideration of Rs. 1,00,000/-, whereby 100% shareholding of SSPL would be acquired by our Company. Further, our Company has paid a sum of Rs. 1,083.99 lakhs towards the purchase of current assets of SSPL which has been adjusted against the credit liability of SIDBI and Canara Bank taken over by our Company; originally sanctioned to SSPL. Thereafter vide Agreement for re-sale of shares dated July 18, 2007 executed between Mr. Shyamsunder Agarwal and our Company, our Company sold 21,80,500 equity shares of Rs. 10/- each of SSPL for a total consideration of Rs. 49,000/- to Mr. Shyamsunder Agarwal. Hence as on the date of this Red Herring Prospectus, our Company holds 51% of the equity shareholding in SSPL.

As per its memorandum of association, SSPL is authorised to and is currently carrying on the business of manufacturing and trading of iron and steel products (cold rolling, flat products and long products), steel converters, manufacturers of ferro manganese and iron founders in all respective branches. Currently, SSPL is in the business of conversion of hot rolled coils to cold rolled coils and other related activities.

The authorised share capital of SSPL is Rs. 4,50,00,000 divided into 45,00,000 Equity Shares of Rs. 10 each.

### Registered office

Gala number 8 - B, D'Souza Compound, Lokmanya Tilak Nagar, Sakinaka, Andheri (East) Mumbai – 400 072.

### Board of directors

As at January 31, 2011, SSPL has two directors, as detailed herein below:

Name	Designation
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Mr. Shyamsunder Agarwal	Director
Mr. Kishor Deshpande	Whole time Director

### **Shareholding Pattern:**

The shareholding pattern of SSPL as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Kishor Deshpande	1	0.01
Mr. Shayamsunder Agarwal	21,80,500	49.00
Innoventive Industries Limited	22,69,499	50.99
<b>Total</b>	<b>44,50,000</b>	<b>100.00</b>

### **Financial Performance**

<b>Particulars</b>	<i>(Rs. in lakhs)</i> <b>For the period ended March 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Income/Sales	3,880.94	3,895.98	2,561.68
Profit (Loss) after Tax	68.90	79.80	92.82
Equity share capital	445.00	445.00	445.00
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	(9.84)	(78.74)	(158.54)
Earnings per share (Rs.) <sup>(2)</sup>	1.55	1.79	2.09
Diluted Earnings per share (Rs.) <sup>(2)</sup>	1.55	1.79	2.09
Net asset value or book value per share (Rs.) <sup>(2)</sup>	9.78	8.23	6.44

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

SSPL is an unlisted company and have not made any public or rights issue in the immediately preceding three years. Further, no action has been taken against SSPL by any Stock Exchanges or SEBI. SSPL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

### **3. Sankalp Forgings Private Limited**

Sankalp Forgings Private Limited ("SFPL") was incorporated under the Companies Act, 1956 *vide* certificate of incorporation dated February 2, 2006, bearing CIN U29299PN2006PTC021948, with the Registrar of Companies, Pune.

On April 1, 2007 our Company was allotted 5,200 equity shares of Rs. 10/- each at a total premium of Rs. 74.48 lakhs of SFPL *vide* a Memorandum of Understanding dated April 1, 2007 executed between, Mr. V. G. Ilawe, Mr. B. K. Gawade, Mr. G. Balasubramaniam, our Company and SFPL, thereafter on March 25, 2008 our Company was further allotted 70,384 equity shares of Rs. 10/- each. On December 1, 2008, our Company was further allotted 1,48,323 equity shares of Rs. 10/- each at a premium of Rs. 881.62 lakhs whereby the total acquisition aggregated to 2,23,907 equity shares, representing 51% of the share capital of SFPL. Hence, SFPL became our subsidiary with effect from December 1, 2008.

As per its memorandum of association, SFPL is authorised to and is currently carrying on business as manufacturers, suppliers, repairers of and dealers in a wide range of forging, casting, precision engineering components, automobile components, non-automobile components, press components, industrial components, machined components, crankshafts, connecting rods, rocker arms, front axle beams, steering knuckles and transmission parts.

The authorised share capital of SFPL is Rs. 2,00,00,000 divided into 20,00,000 Equity Shares of Rs. 10/- each.

### **Registered office**

Gat No. 1092, 1093/1 and 1093/2, at village Karandi, taluka Shirur, district Pune – 412 208, Maharashtra, India.

### **Board of directors**

As at January 31, 2011 SFPL has three directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Vasant Ilawe	Whole time Director
Mr. Bhaskar Gawade	Whole time Director
Mr. Balasubramanian Ganapathy	Whole time Director

### **Shareholding Pattern:**

The shareholding pattern of SFPL as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Vasant Ilawe	75,584	17.22
Mr. Bhaskar Gawade	69,771	15.89
Mr. Balasubramanian Ganapathy	69,771	15.89
Innoventive Industries Limited	2,23,907	51.00
<b>Total</b>	<b>4,39,033</b>	<b>100.00</b>

### **Financial Performance**

<b>Particulars</b>	<b>For the period ended March 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Income/Sales	4,263.63	3,660.01	1,749.21
Profit (Loss) after Tax	150.12	259.28	21.57
Equity share capital	43.90	43.90	29.07
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	1,387.32	1,237.07	96.05
Earnings per share (Rs.) <sup>(2)</sup>	34.19	76.35	110.45
Diluted Earnings per share (Rs.) <sup>(2)</sup>	34.19	76.35	110.45
Net asset value or book value per share (Rs.) <sup>(2)</sup>	325.99	291.77	43.04

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

SFPL is an unlisted company and have not made any public or rights issue in the immediately preceding three years. Further, no action has been taken against SFPL by any Stock Exchanges or SEBI. SFPL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

## **4. Seven Star Electrodes Private Limited**

### **Corporate Information**

Seven Star Electrodes Private Limited (“SEPL”) was incorporated under the Companies Act, 1956 *vide* certificate of incorporation dated April 10, 1996, bearing CIN U29299MH1996PTC098751, with the Registrar of Companies, Pune.

Pursuant to the Share Purchase Agreement dated April 10, 2007, entered into by and between Mr. Ajay Narhar Yervadekar, Ms. Sushila Yervadekar, Ms. Anjali Yervadekar, Ms. Ananya Yervadekar, Mr. Sanjay Yervadekar, Mr. Chandrashekar Yervadekar and Mr. Subhash Tapre and our Company, our Company agreed to purchase 3,99,999 equity shares of Rs. 10/- each for a total consideration of Rs. 1,200.00 lakhs, whereby our Company

would acquire 100% shareholding of SEPL. On April 20, 2007 one equity share of SSPL was transferred to Mr. Sagar Shah as beneficial interest of our Company thereby our present holding is of 99.99% in SSPL.

As per its memorandum of association, SEPL is authorised to and is currently carrying on the business of, manufacturing, buying, selling and dealing in all types of auto components, auto parts and other ancillary products.

The authorised share capital of SEPL is Rs. 50,00,000 divided into 5,00,000 Equity Shares of Rs. 10/- each.

### **Registered office**

Office numbers 601 and 602, Nucleus Mall, 1 Church Road, Camp, Pune – 411 001, Maharashtra, India

### **Board of directors**

As at January 31, 2011 SEPL has four directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Sanjay Waghulade	Director
Mr. Sanjay Bhade	Whole-time Director
Mr. Shivaji Katke	Director
Mr. Kishore Deshpande	Director

### **Shareholding Pattern:**

The shareholding pattern of SEPL as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Innoventive Industries Limited	3,99,999	99.99
Mr. Sagar Shah*	1	0.01
<b>Total</b>	<b>4,00,000</b>	<b>100.00</b>

\*Beneficial Ownership held by our Company

### **Financial Performance**

<b>Particulars</b>	<b>For the period ended March 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Income/Sales	4,604.28	1,346.11	7,843.27
Profit (Loss) after Tax	(14.03)	(4.40)	349.82
Equity share capital	40.00	40.00	40.00
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	1,169.53	1,183.55	999.06
Earnings per share (Rs.) <sup>(2)</sup>	NA	NA	87.46
Diluted Earnings per share (Rs.) <sup>(2)</sup>	NA	NA	87.46
Net asset value or book value per share (Rs.) <sup>(2)</sup>	302.38	305.89	259.77

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

SEPL is an unlisted company and have not made any public or rights issue in the immediately preceding three years. Further, no action has been taken against SEPL by any Stock Exchanges or SEBI. SEPL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

## **5. Arihant Auto Components Private Limited**

### **Corporate Information**



Arihant Auto Components Private Limited (“AACPL”) was incorporated under the Companies Act, 1956 *vide* certificate of incorporation dated February 3, 2006, bearing CIN U34300PN2006PTC021954, with the Registrar of Companies, Pune.

On August 27, 2007 our Company was allotted 18,90,000 equity shares of Rs. 10/- each of and further on December 19, 2007 our Company acquired 9,999 equity shares of Rs. 10/- each of AACPL, consequently our Company presently holds 99.99% of the share capital of AACPL making it our wholly owned subsidiary.

As per its memorandum of association, AACPL is authorised to and is currently carrying on the business of manufacturing, buying, selling and dealing in all types of auto components, auto parts and other ancillary products.

AACPL uses steel tubes manufactured by our Company, as raw material, to undertake the following:

- Machining of tubes
- Fabrication of tubes (flaring, bending, cropping etc.)
- Fabrication of tubular assemblies (motorcycle chassis, cycle frame, furniture etc.)

The authorised share capital of AACPL is Rs. 7,50,00,000/- divided into 75,00,000 Equity Shares of Rs. 10/- each.

#### ***Registered office***

Gat No. 55/2 and 56/3, Shikrapur Chakan Road, Taluk: Shirur, Pimpale Jagtap, Pune 412 208, Maharashtra India.

#### ***Board of directors***

As at January 31, 2011, AACPL has two directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Parag Mulye	Director
Mr. Sanjay Waghulade	Director

#### ***Shareholding Pattern:***

The shareholding pattern of AACPL as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Ms Anita Waghulade*	1	0.01
Innoventive Industries Limited	18,99,999	99.99
<b>Total</b>	<b>19,00,000</b>	<b>100.00</b>

\*Beneficial Ownership held by our Company

#### ***Financial Performance***

<b>Particulars</b>	<b>For the period ended March 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Income/Sales	81.21	505.70	1,004.71
Profit (Loss) after Tax	75.84	(385.56)	3.04
Equity share capital	190.00	190.00	190.00
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	(305.55)	(381.39)	494.42
Earnings per share (Rs.) <sup>(2)</sup>	3.99	NA	0.56
Diluted Earnings per share (Rs.) <sup>(2)</sup>	3.99	NA	0.56
Net asset value or book value per share (Rs.) <sup>(2)</sup>	(6.08)	(10.07)	36.02

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

AACPL is an unlisted company and have not made any public or rights issue in the immediately preceding three years. Further, no action has been taken against AACPL by any Stock Exchanges or SEBI. AACPL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

#### **Our Subsidiary which has been struck-off**

##### ***Arihant Steel Products and Services Private Limited***

##### ***Corporate Information***

Arihant Steel Products and Services Private Limited (“ASPSPL”) was incorporated under the Companies Act, 1956 *vide* certificate of incorporation dated March 9, 2006, bearing CIN U27106PN2006PTC022151, with the Registrar of Companies, Pune.

ASPSPL had received a notice under section 560(2) of the Companies Act, bearing number MCA/ROC-Pune/Sec560/2009/00029, dated August 3, 2009, issued by the Registrar of Companies, informing the company that the name of the company would be struck off from the register of companies, if the company would not respond to the same within a period of one month.

Thereafter, ASPSPL applied for striking off its name from the Register of Companies *vide* form EES, 2010 under the Easy Exit Scheme, 2010. The ground for having its name struck off, as stated in the application, is that the company has not been carrying on any business since inception. ASPSPL has been struck off from the register maintained by the Registrar of Companies, Pune.

##### ***Interest of the Subsidiaries in our Company***

None of our Subsidiaries hold any Equity Shares in our Company. We have entered into certain business contracts with our Subsidiaries. For details, please see ‘*Related Party Transactions*’ on page number 247 of the Red Herring Prospectus.

## OUR MANAGEMENT

*Under our Articles, our Company is required to have not less than three directors and not more than twelve directors. Our Company has eight Directors on its Board. The chairman of our Board is an executive Director and in compliance with the requirement of clause 49 of the listing agreement, our Company has three executive directors, a nominee director and four independent Directors.*

### ***Our Board***

<b>Sr. No</b>	<b>Name, Designation, Father's Name, Address, Nationality, Occupation and DIN</b>	<b>Age</b>	<b>Date of Appointment as Director and Term</b>	<b>Details of other Directorships / partnership / trusteeship / proprietorship</b>
1.	<b>Mr. Chandu Chavan</b>  <i>Designation:</i> Chairman  <i>Father's name:</i> Mr. Laxman Chavan  <i>Residential Address:</i> SN-64/14 Ambiance Empyrean Resi, Third Phase BL - C Kawade Mala, Near Empress Garden, Ghorpadi, Pune 411 001, Maharashtra, India  <i>Nationality:</i> Indian  <i>Occupation:</i> Business  <i>DIN:</i> 00035213	41	<i>Date of appointment:</i> March 5, 2002  <i>Term:</i> June 30, 2008 to May 31, 2013	<b><i>Indian Companies</i></b>  a. Sourcegenie Consulting Private Limited. b. Sourcegenie Insurance Broking Private Limited. c. Swayamsiddha Mahila Utkarsha Foundation.  <b><i>Propertory firms</i></b>  a. M/s. Phoenix Enterprises
2.	<b>Mr. Ravindra Katre</b>  <i>Designation:</i> Managing Director  <i>Father's name:</i> Mr. Waman Katre  <i>Residential Address:</i> Flat No. 302, Disha Apartments, Mayur Colony, Kothrud Pune - 411 029, Maharashtra, India  <i>Nationality:</i> Indian  <i>Occupation:</i> Business  <i>DIN:</i> 00035125	45	<i>Date of appointment:</i> November 1, 2002  <i>Term:</i> November 5, 2007 to November 4, 2012	<b><i>Indian Companies</i></b>  a. Sourcegenie Consulting Private Limited. b. Sourcegenie Insurance Broking Private Limited.  <b><i>Partnership Firms</i></b>  a. M/s. Orgreen
3.	<b>Mr. Sanjay Waghulade</b>  <i>Designation:</i> Whole time Director  <i>Father's name:</i> Mr. Harishchandra	46	<i>Date of appointment:</i> November 1, 2002	<b><i>Indian Companies</i></b>  a. Sourcegenie Consulting Private Limited. b. Sourcegenie Insurance Broking

Sr. No	Name, Designation, Father's Name, Address, Nationality, Occupation and DIN	Age	Date of Appointment as Director and Term	Details of other partnership / proprietorship	Directorships / trusteeship /
	Waghulade  <i>Residential Address:</i> Flat No. 301, Disha Apartments, Mayur Colony, Kothrud Pune - 411 029, Maharashtra, India  <i>Nationality:</i> Indian  <i>Occupation:</i> Business  <i>DIN:</i> 00193404		<i>Term:</i> June 30, 2008 to May 31, 2013	Private Limited. c. Seven Star Electrodes Private Limited. d. Arihant Auto Components Private Limited.  <i>Partnership firms</i>  a. M/s. Saptashrungi Engineering Works. b. M/s. Orgreen.	
4.	<b>Mr. Ramprasad Joshi</b>  <i>Designation:</i> Independent Director  <i>Father's name:</i> Mr. Sawalaram Joshi  <i>Residential Address:</i> 10, Mayur Society, Sadar Bazar, Satara - 415 001, Maharashtra, India  <i>Nationality:</i> Indian  <i>Occupation:</i> Independent Consultant  <i>DIN:</i> 02682144	41	<i>Date of appointment:</i> February 27, 2010  <i>Term:</i> Liable to retire by rotation	<i>Indian Companies</i>  a. Platinum Ocean Energy Limited	
5.	<b>Mr. Yashpaul Gupta</b>  <i>Designation:</i> Independent Director  <i>Father's name:</i> Mr. Bodhraj Gupta  <i>Residential Address:</i> Flat 203-C, Pristine Grandeur, Survey No: 239 Wakad Chinchwad Link Road, Near Dutt Mandir, Wakad, Pune – 411 027, Maharashtra, India  <i>Nationality:</i> Indian  <i>Occupation:</i> Professional  <i>DIN:</i> 02971635	61	<i>Date of appointment:</i> February 27, 2010  <i>Term:</i> Liable to retire by rotation	NIL	
6.	<b>Mr. Pradeep Tupe</b>  <i>Designation:</i> Independent Director	52	<i>Date of appointment:</i> February 27, 2010	<i>Indian Companies</i>  a. Platinum Ocean Energy Limited	

<b>Sr. No</b>	<b>Name, Designation, Father's Name, Address, Nationality, Occupation and DIN</b>	<b>Age</b>	<b>Date of Appointment as Director and Term</b>	<b>Details of other partnership / proprietorship</b>	<b>Directorships / trusteeship /</b>
	<p><i>Father's name:</i> Mr. Vasantrao Tupe</p> <p><i>Residential Address:</i> D - 604, Kshitij society, Sahakarnagar No. 2, Pune – 411 009, Maharashtra, India</p> <p><i>Nationality:</i> Indian</p> <p><i>Occupation:</i> Business</p> <p><i>DIN:</i> 02968390</p>		<p><i>Term:</i> Liable to retire by rotation</p>		
7.	<p><b>Dr. Rajendra Jagdale</b></p> <p><i>Designation:</i> Independent Director</p> <p><i>Father's name:</i> Mr. Pandurang Jagdale</p> <p><i>Residential Address:</i> Flat No. 10, Belmont Park Housing Society, 6 ICS Colony, Ganeshkhind Road, Pune – 411007 Maharashtra, India</p> <p><i>Nationality:</i> Indian</p> <p><i>Occupation:</i> Service</p> <p><i>DIN:</i> 02700270</p>	51	<p><i>Date of appointment:</i> February 27, 2010</p> <p><i>Term:</i> Liable to retire by rotation</p>	<p><b>Indian Companies</b></p> <p>a. Pimpri Chinchwad Science Park</p>	
8.	<p><b>Mr. William Sean Sovak</b></p> <p><i>Designation:</i> Nominee Director</p> <p><i>Father's name:</i> Mr. William John Sovak</p> <p><i>Residential Address:</i> 1500, Hudson Street, 6F, Hoboken 07030, New Jersey, USA</p> <p><i>Nationality:</i> Citizen of the United States of America</p> <p><i>Occupation:</i> Professional</p> <p><i>DIN:</i> 01161892</p>	38	<p><i>Date of appointment:</i> August 4, 2010</p> <p><i>Term:</i> Non – retiring Director</p>	<p><b>Foreign Companies</b></p> <p>a. Lighthouse Funds LLC, (USA)</p> <p><b>Indian Companies</b></p> <p>a. Imperial Spirits Private Limited.</p> <p>b. Unibic Biscuits India Private Limited.</p> <p>c. Shaily Engineering Plastics Limited.</p> <p>d. Fabindia Overseas Private Limited.</p> <p><b>Trusteeship</b></p> <p>a. American School of Bombay Education Trust.</p>	

(i) None of our Directors are “relatives” within the meaning of Section 6 of the Companies Act.

- (ii) *As on the date of this Red Herring Prospectus, there is no arrangement or understanding with major, customers, suppliers or others, pursuant to which any of our Directors was selected as a director or a member of our senior management. Notwithstanding anything contained herein, pursuant to Subscription and Shareholder's Agreement dated February 7, 2011 executed by and between Promoters, Company, Standard Chartered Private Equity (Mauritius) II Limited, Standard Chartered Private Equity (Mauritius) III Limited and others, our Company has granted Kavos Capital Limited, Standard Chartered Private Equity (Mauritius) II Limited and Standard Chartered Private Equity (Mauritius) III Limited (acting collectively) the right to appoint one Nominee Director each on the Board of our Company.*
- (iii) *As on the date of this Red Herring Prospectus, there are no service contracts entered into by and between our Directors and our Company whereby benefits would be provided upon termination of employment.*

## **BRIEF PROFILE OF OUR DIRECTORS**

### ***Mr. Chandu Chavan, Chairman***

Mr. Chandu Chavan, 41 years, is the Chairman of our Company. Mr. Chavan completed his Diploma in Mechanical Engineering from Cusrow Wadia Institute of Technology, Maharashtra in the year 1987. He started his career by joining the materials department of Bajaj Auto Limited ("BAL"), where he handled various functional roles such as procurement of raw materials, imports, development of various components, etc. After nine years of service he left BAL in December 1996, to start a trading firm, M/s. Phoenix Enterprises.

After leaving BAL, he incorporated a proprietorship firm in the name and style of M/s. Phoenix Enterprises ("Phoenix") in order to capitalise on opportunities envisaged by him in the precision tubes industry. Through Phoenix, Mr. Chavan dealt with selling precision tubes to auto ancillaries by purchasing tubes from the market. Thereafter, in the year, 2002 he acquired our Company then operating under the name of Arihant Domestic Appliances Private Limited.

In the year 2007 forward integration was achieved by investing in Seven Star Electrodes Private Limited, a company manufacturing auto components. Further, in the same year our Company, under the leadership of Mr. Chavan, ventured into a new line of business by acquiring 26% equity stake in Sankalp Forgings Private Limited a company carrying out oil well drilling coupling and other ancillary activities. Investments in Arihant Steel and Metal Wires Private Limited, a steel wires manufacturing concern, further provided avenues for new line of business. To achieve backward integration, Saicon Steels Private Limited, a company involved in the conversion of hot rolled coils to cold rolled coils was acquired with 51% equity stake into it.

His experience and expertise has helped in the growth and development of our Company. Mr. Chavan joined the Board of Directors of our Company on March 5, 2002; and has since been an integral part of our Company's management team.

### ***Mr. Ravindra Katre, Managing Director***

Mr. Katre, 45 years, completed his Diploma in Mechanical Engineering from Cusrow Wadia Institute of Technology, Pune, in 1984. Mr. Katre is a post graduate in Management Sciences from the University of Pune. He joined BAL in 1985, where he handled the materials department for a period of 14 years. He joined M/s. Phoenix Enterprises in 1999. Mr. Katre joined the Board of Directors of our Company on November 1, 2002; and has since been an integral part of our Company's management team. Mr. Katre oversees raw material procurement of our Company. He also looks after the activities of the sheet and tube division of our Company, in addition to Saicon Steels Private Limited.

### ***Mr. Sanjay Waghulade, Whole time Director***

Mr. Waghulade, 46 years, completed his Bachelor of Engineering from Bapuji Institute of Engineering and Technology, Davengere, Karnataka, in 1987. He joined BAL in 1987, where he handled procurement of components, forging and casting along with general purchase. In 1991, he joined Kalyani Seamless Metal Tubes Limited. ("KSMTL"), Baramati, where he handled procurement of project components including cement, steel

and sophisticated machinery. He joined Saw Pipes Limited (“SPL”) in 1993 as an assistant manager, purchase; and was in charge of all activities related to procurement up to 1995. During his engagement with KSMTL and SPL he gained expertise with regards to the working of the tubes business.

Mr. Waghulade joined the Board of Directors of our Company on November 1, 2002; and has since been an integral part of our Company’s management team. He oversees the production, tooling and other related areas including project set up.

***Mr. Ramprasad Joshi, Independent Director***

Mr. Ramprasad Joshi, aged 41 years, is an Independent Director of our Company. He holds a ‘B.E in Computers’ from Shivaji University, Kolhapur and ‘M.E in Computers’ from Veermata Jijabai Technological Institute, Mumbai University. After Engineering, he worked as a Lecturer with Veermata Jijabai Technological Institute for a few years. He was a Project Engineer, IIT Mumbai in the Aerospace Engineering department in 1993-94. He served as Software & Hardware Engineer at Venus Engineers for a couple of years. Thereafter, he worked as an Assistant Professor PICT, Pune from 1998 to 2002. At present, he is pursuing Ph.D. in Computer Science from BITS Pilani.

***Mr. Yashpaul Gupta, Independent Director***

Mr. Yashpaul Gupta, aged 61 years, is an Independent Director of our Company. He holds a Bachelors Degree in Physical Science from Birla Institute of Technology and Science (BITS), Pilani, Rajasthan and is a Master in Business Administration from the Indian Institute of Management (IIM), Ahmedabad. Prior to joining our Company Mr. Gupta worked with the Union Bank of India for a period of 28 years, in various capacities, including the post of field General Manager. During his long stint with UBI, he gained knowledge and expertise in various areas such as credit administration, regional/zonal development, recovery and NPA administration, audit etc.

***Mr. Pradeep Tupe, Independent Director***

Mr. Pradeep Tupe, aged 52 years, is an Independent Director of our Company. He holds a Diploma in Business Management. Also passed AMIE (Section A & B) Examination and also a Diploma in Mechanical Engineering. He has worked with reputed companies such as KSB Pumps Ltd., Kirloskar Brothers Ltd., Rath Industrial Equipment Co Ltd., Gujarat Steel Tubes Ltd. and Atlas Steel Tube Industries in the Marketing/Sales division in different capacities. He was the Chairman of Institution of Engineers (India) Maharashtra State Centre, covering Maharashtra and Goa. He served as the Vice President of Laghu Udyog Bharati, an all India organization for small scale industries. At present, he is the Coordinator at MIT Group of Institutions and Hon Secretary at All India Management Association. He is a Charter Member of Rotary Club, Pune University and Chairman of Environmental Awareness of Rotary District 3130. He is also a Certified Lead Assessor for QMS (ISO 9001:2008).

***Dr. Rajendra Jagdale, Independent Director***

Dr. Rajendra Jagdale, aged 51 years, is an Independent Director of our Company. He holds a Master’s degree in Botany and a Ph.D in Forest Ecology from the University of Pune. He has vast experience in the field of Urban e-transformation using Science and Technology tools, IT open source and freeware, Intellectual Property Management and Technology Transfer, Business incubation and promoting innovation driven cluster development. He is presently the Director General of Science and Technology Park, a not for profit autonomous institute established by Department of Science and Technology (DST), Government of India, is also a member of Bureau of Indian Standards and Chairman of Association of Small and Medium Knowledge Industries, Pune. He has also been accredited with one of the highest civilian titles, “Knight of the Order of Academic Palms” by the Government of France and has been awarded the Environmental Leadership Award from United States Agency of International Development and the Entrepreneurs International Award from Entrepreneurs International, Pune.

***Mr. William Sean Sovak, Nominee Director***

Mr. William Sean Sovak, aged 38 years, is a Nominee Director of Lighthouse PLC. He graduated *summa cum laude* in Finance from the University of Pennsylvania's Wharton School, and has also completed an advanced seminar study on India with the Wharton Fellows program. He has served on the board of the Business Advisory Committee to the UN and the Wharton Club of New York. Mr. Sovak previously served as Managing Director and Chief Acquisitions Officer for W. P. Carey & Co. LLC, a NYSE-listed investment company with over \$7.0 billion in assets under management. He was responsible for the sourcing, underwriting and structuring of more than 50 middle market financing transactions totaling more than \$1.5 billion. His experience runs across the industry spectrum, from plastic injection molding to refrigerated warehousing, from distribution to general manufacturing, retail, health & fitness, education, auto parts, semiconductors and aviation. Most recently, residing in Mumbai, he led W. P. Carey's investment entry into India, focusing on both equity and real estate opportunities for the firm. Mr. Sovak has also served as Chairman of the US-India Business Council's Real Estate Executive Committee and as President of a \$550 million, public REIT managed by W. P. Carey & Co. LLC.

***Borrowing powers of Board of Directors***

Pursuant to an ordinary resolution passed at the EGM of our shareholders held on March 30, 2009 our Directors were authorised to borrow money(s) not exceeding Rs. 50,000 Lakhs on behalf of our Company, in excess of the paid up share capital and free reserves of our Company, from time to time; pursuant to the provisions of Section 293(1)(d) of the Companies Act.

For further details of the provisions of our Articles of Association regarding borrowing powers, please refer to the section titled '*Main Provisions of our Articles of Association*' beginning on page number 441 of the Red Herring Prospectus.

***Remuneration/Compensation of Directors***

***Executive Directors***

- 1) **Mr. Chandu Chavan**, Whole Time Director, is the Chairman of our Company. He joined the Board of Directors of our Company on March 5, 2002. He is currently re-appointed as a whole time Director of our Company *vide* EGM resolution dated July 10, 2008 for a term 5 years commencing from June 30, 2008.

*The significant terms of his employment are as under:*

<b>Tenure</b>	Period of 5 years with effect from June 30, 2008, that is from June 30, 2008 to May 31, 2013.
<b>Basic Salary</b>	Rs. 1,00,000/- per month  <i>The Board of Directors may alter the remuneration from time to time in accordance with the limits specified in part II of Schedule XIII of the Companies Act.</i>
<b>Commission</b>	Payment of commission of such amount for each corporate financial year as may be decided by Board of Directors or any other committee for each financial year.
<b>Perquisites</b>	<i>Medical Benefits:</i> Reimbursement of medical expenses incurred by the appointee on self, spouse and dependent children will be reimbursed to him subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.  <i>Leave Travel Concession:</i> For self and family once a year in accordance with the rules of the Company.  <i>Club Fees:</i> Fees of two clubs subject to a maximum of two clubs excluding admission and life



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membership fees.

*Personal Accident Insurance:* Personal accident insurance cover shall be payable as per rules of the Company.

*Contribution to Provident Fund, Superannuation and Annuity Fund:* Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

*Gratuity:* Gratuity at the rate of half month's salary for each completed year of service.

*Leave:* Leave with full pay or encashment thereof as per the Rules of the Company.

*Other perquisites:* Subject to the overall ceiling on remuneration mentioned hereinabove, additional benefits and / or perquisites may be provided by the Board of Directors (which includes any committee thereof) as they may deem fit.

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<b>Amenities</b>	<p><i>Conveyance facilities:</i> Whole-time Director will be provided with a car with driver for use on Company's business. Use of car for private purpose, if any will be billed by the Company. The provision of car for official use and telephone at residence will not be considered as perquisite.</p> <p><i>Communication facilities:</i> Company shall provide telephone at the residence.</p> <p><i>Minimum Remuneration:</i> Where in any financial year during the currency of the tenure if the Company has no profits or the profits are inadequate the Company may pay remuneration by way of salary, dearness allowances, perquisites and any other allowances as detailed above.</p> <p><i>Explanation:</i> Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.</p>
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- 2) **Mr. Ravindra Katre, Executive Director**, is the Managing Director of our Company. He joined the Board of Directors of our Company on November 1, 2002. He is currently re-appointed as the Managing Director of our Company *vide* Board Resolution dated November 5, 2007 for a term 5 years commencing from November 5, 2007.

*The significant terms of his employment are as under:*

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<b>Tenure</b>	Period of 5 years with effect from November 5, 2007, that is from November 5, 2007 to November 4, 2012.
<b>Basic Salary</b>	<p>Rs. 1,40,000/- per month</p> <p><i>The Board of Directors may alter the remuneration from time to time in accordance with the limits specified in part II of Schedule XIII of the Companies Act.</i></p>
<b>Commission</b>	Payment of commission of such amount for each corporate financial year as may be decided by Board of Directors or any other committee for each financial year.
<b>Perquisites</b>	<p><i>Medical Benefits:</i> Reimbursement of medical expenses incurred by the appointee on self, spouse and dependent children will be reimbursed to him subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.</p> <p><i>Leave Travel Concession:</i> For self and family once a year in accordance with the rules of the Company.</p>

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	<p><i>Club Fees:</i> Fees of two clubs subject to a maximum of two clubs excluding admission and life membership fees.</p> <p><i>Personal Accident Insurance:</i> Personal accident insurance cover shall be payable as per rules of the Company.</p> <p><i>Contribution to Provident Fund, Superannuation and Annuity Fund:</i> Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.</p> <p><i>Gratuity:</i> Gratuity at the rate of half month's salary for each completed year of service.</p> <p><i>Leave:</i> Leave with full pay or encashment thereof as per the Rules of the Company.</p> <p><i>Other perquisites:</i> Subject to the overall ceiling on remuneration mentioned hereinabove, additional benefits and / or perquisites may be provided by the Board of Directors (which includes any committee thereof) as they may deem fit.</p>
<b>Amenities</b>	<p><i>Conveyance facilities:</i> Managing Director will be provided with a car with driver for use on Company's business. Use of car for private purpose, if any will be billed by the Company. The provision of car for official use and telephone at residence will not be considered as perquisite.</p> <p><i>Communication facilities:</i> Company shall provide telephone at the residence.</p> <p><i>Minimum Remuneration:</i> Where in any financial year during the currency of the tenure if the Company has no profits or the profits are inadequate the Company may pay remuneration by way of salary, dearness allowances, perquisites and any other allowances as detailed above.</p> <p><i>Explanation:</i> Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.</p>
<p>3) <b>Mr. Sanjay Waghulade</b>, is the Whole-time Director of our Company. He joined the Board of Directors of our Company on November 1, 2002. He is currently appointed as a whole time Director of our Company vide EGM resolution dated July 10, 2008 for a term 5 years commencing from June 30, 2008.</p>	
<b>Tenure</b>	Period of five years with effect from June 30, 2008, that is from June 30, 2008 to May 31, 2013
<b>Basic Salary</b>	Rs. 90,000/- per month
	<i>The Board of Directors may alter the remuneration from time to time in accordance with the limits specified in part II of Schedule XIII of the Companies Act.</i>
<b>Commission</b>	Payment of commission of such amount for each corporate financial year as may be decided by Board of Directors or any other committee for each financial year.
<b>Perquisites</b>	<p><i>Medical Benefits:</i> Reimbursement of medical expenses incurred by the appointee on self, spouse and dependent children will be reimbursed to him subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.</p> <p><i>Leave Travel Concession:</i> For self and family once a year in accordance with the rules of the Company.</p> <p><i>Club Fees:</i> Fees of two clubs subject to a maximum of two clubs excluding admission and life membership fees.</p>

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*Personal Accident Insurance:* Personal accident insurance cover shall be payable as per rules of the Company.

*Contribution to Provident Fund, Superannuation and Annuity Fund:* Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

*Gratuity:* Gratuity at the rate of half month's salary for each completed year of service.

*Leave:* Leave with full pay or encashment thereof as per the Rules of the Company.

*Other perquisites:* Subject to the overall ceiling on remuneration mentioned hereinabove, additional benefits and / or perquisites may be provided by the Board of Directors (which includes any committee thereof) as they may deem fit.

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<b>Amenities</b>	<i>Conveyance facilities:</i> Whole-time Director will be provided with a car with driver for use on Company's business. Use of car for private purpose, if any will be billed by the Company. The provision of car for official use and telephone at residence will not be considered as perquisite.  <i>Communication facilities:</i> Company shall provide telephone at the residence.  <i>Minimum Remuneration:</i> Where in any financial year during the currency of the tenure if the Company has no profits or the profits are inadequate the Company may pay remuneration by way of salary, dearness allowances, perquisites and any other allowances as detailed above.  <i>Explanation:</i> Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.
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### ***Independent Directors***

Our Independent Directors are entitled to sitting fees for attending meetings of the Board, or of any committee of the Board. Currently, the sitting fees payable by our Company to our Directors is Rs. 20,000/- for every meeting of the Board attended by them and Rs. 10,000/- for every meeting of the committee of the Board attended by them.

The details of all the cash benefits paid, whether in nature of remuneration or allowances or perquisites or otherwise, to our Directors for financial year ending March 31, 2011 are as under:

<i>(In Rs. lakhs)</i>		
<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount</b>
1.	Mr. Chandu Chavan	41.28
2.	Mr. Ravindra Katre	67.97
3.	Mr. Sanjay Waghulade	14.60
4.	Mr. Ramprasad Joshi	0.80
5.	Mr. Yashpaul Gupta	0.80
6.	Mr. Pradeep Tupe	0.80
7.	Dr. Rajendra Jagdale	0.60
8.	Mr. William Sean Novak	0.40

### ***Shareholding of our Directors***

As per our Articles, our Directors are not required to hold any qualification shares in our Company. Save and except as stated below, our Directors do not hold any Equity Shares in our Company as on the date of this Red Herring Prospectus:

Sr. No.	Name of the Directors	Number of Equity Shares	% of Post Issue Paid-up Capital
1.	Mr. Chandu Chavan	1,29,70,500	[●]
2.	Mr. Sanjay Waghulade	32,92,361	[●]
3.	Mr. Ravindra Katre	21,00,000	[●]

None of our Directors or Key Managerial Personnel are “relatives” within the meaning of Section 6 of the Companies Act except as stated below:

None of our Directors or Key Managerial Personnel are appointed pursuant to any arrangement or understanding with major shareholders, customers or suppliers.

### ***Interest of Directors***

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of remuneration payable to them for their services as Whole-time Director of our Company and reimbursement of expenses as well as to the extent of commission and other remuneration, if any, payable to them under our Articles of Association. Some of the Directors may be deemed to be interested to the extent of consideration received/paid or any loan or advances provided to any body corporate including companies and firms, and trusts, in which they are interested as directors, members, partners or trustees.

All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to our non-promoter Directors, out of the present Issue and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

All our Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by the Company with any either the Director himself, other company in which they hold directorships or any partnership firm in which they are partners, as declared in their respective declarations.

The Directors may also be regarded as interested in the Equity Shares, if any, held or that may be subscribed by and allocated to the companies, firms and trusts, if any, in which they are interested as directors, members, partners, and / or trustees.

Our Directors may also be regarded interested to the extent of dividend payable to them and other distributions in respect of the Equity Shares, if any, held by them or by the companies / firms / ventures promoted by them or that may be subscribed by or allotted to them and the companies, firms, in which they are interested as Directors, members, partners and Promoters, pursuant to this Issue.

Our Directors do not have any interest in any property acquired by our Company in a period of three years before the date this Red Herring Prospectus or proposed to be acquired by us as on date of this Red Herring Prospectus. For further details please refer to paragraph titled ‘*Our Properties*’ in the chapter titled ‘*Our Business*’ beginning on page number 128 of this Red Herring Prospectus.

Further, save and except as stated otherwise under the paragraph titled ‘*Shareholding of our Directors*’ in this chapter on page number 186; in the chapter titled ‘*Related Party Transactions*’ beginning on page number 247 of this Red Herring Prospectus; under Annexure XVI in the chapter titled ‘*Financial Information*’ beginning on page number 214 of this Red Herring Prospectus, and under the paragraphs titled ‘*Interest of Promoters in our Company*’ and ‘*Common Pursuits*’ in the chapter titled ‘*Our Promoters and their Background*’ beginning on page number 199 of this Red Herring Prospectus, our Directors do not have any other interests in our Company as on the date of this Red Herring Prospectus.

Our Directors are not interested in the appointment of or acting as Underwriters, Registrar and Bankers to the Issue or any such intermediaries registered with SEBI.

**Common directorships of our Directors in companies whose shares are/were suspended from trading on the BSE and/ or the NSE for a period beginning from five years prior to the date of filing this Red Herring Prospectus.**

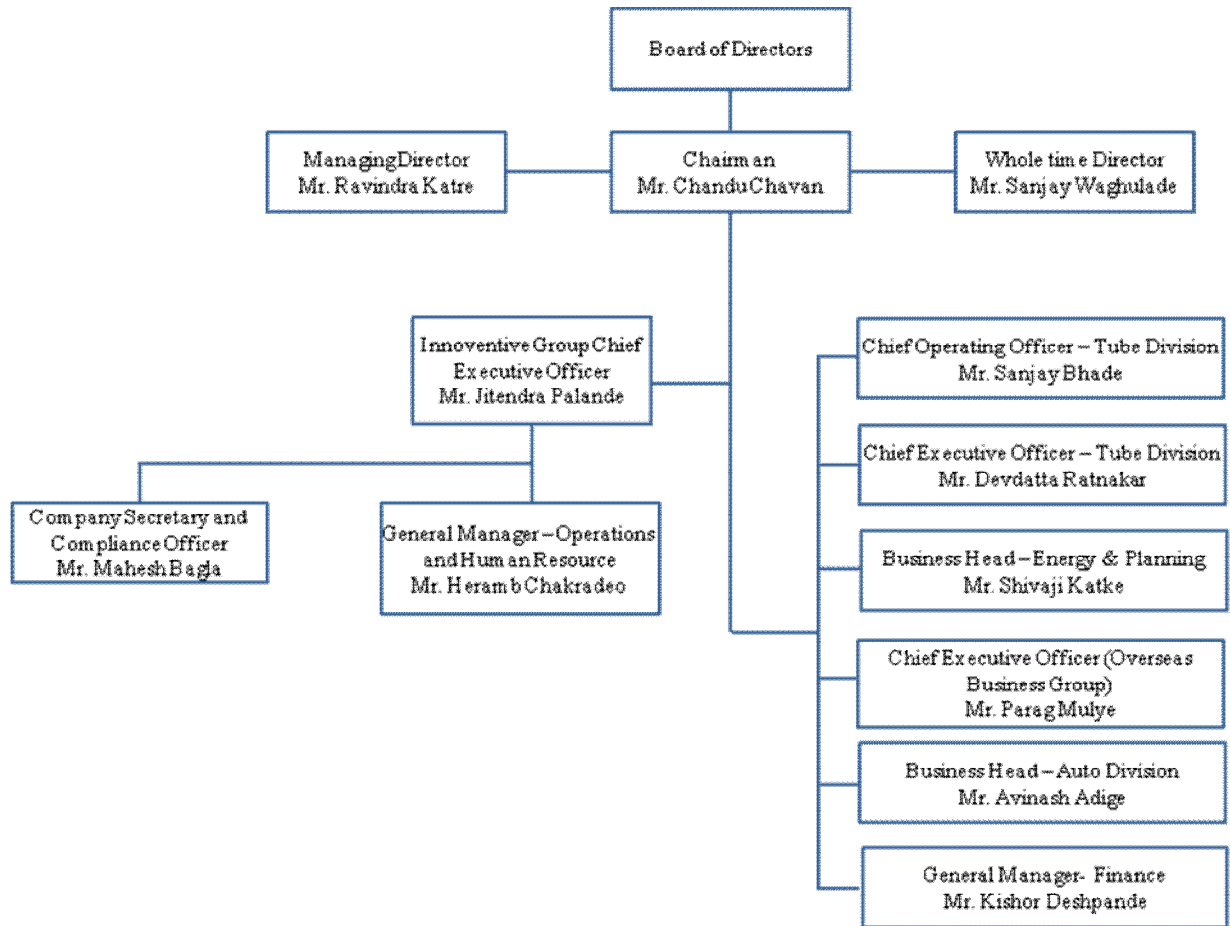
As on the date of filing of this Red Herring Prospectus, none of our Directors are/ were directors of any company whose shares were suspended from trading by Stock Exchange(s) under any order or directions issued by the stock exchange(s)/ SEBI/ other regulatory authority in the last 5 years.

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

The following are the changes in our Board of Directors during the last three years:

<b>Name and Designation of the Director</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>	<b>Reasons</b>
Mr. Pramod Ahuja	December 20, 2007		Appointment
Mr. Gaurav Pradhan	December 20, 2007		Appointment
Mr. Pramod Ahuja		March 31, 2008	Resignation.
Mr. Gaurav Pradhan		July 7, 2009	Resignation.
Mr. Parag Mulye		February 27, 2010	Resignation.
Mr. Sanjay Bhade		February 27, 2010	Resignation.
Mr. Shivaji Katke		February 27, 2010	Resignation.
Mr. Mukund Krishnaswami	June 7, 2008		Appointment
Mr. Mukund Krishnaswami		August 4, 2010	Resignation.
Mr. Ramprasad Joshi	February 27, 2010		Appointment.
Mr. Yashpaul Gupta	February 27, 2010		Appointment.
Mr. Pradeep Tupe	February 27, 2010		Appointment.
Dr. Rajendra Jagdale	February 27, 2010		Appointment.
Mr. William Sean Sovak	August 4, 2010		Appointment.

## MANAGEMENT ORGANISATION STRUCTURE



## **OUR KEY MANAGERIAL PERSONNEL**

*Our Company is managed by its Board of Directors, assisted by qualified professionals, who are permanent employees of our Company, who have vast experience in their respective fields, including but not limited to finance, compliance and marketing.*

### **Employees**

**Mr. Avinash Adige**, 45 years, heads the Auto Division of our Company. Having joined our Company in October, 2005, he is responsible for all the commercial, finance and marketing activities of our Auto Division. Mr. Adige has an experience of more than 23 years in the field of Quality and Development. Prior to joining our Company, he was employed with Bajaj Auto Limited as a Department Manager. Mr. Adige holds a Masters Diploma in Business Administration from Institute of Management & Development & Research, (IMDR) Pune and also holds a Diploma in Electrical Engineering from Cusrow Wadia Institute of Technology, Pune. He has also obtained a Computer Advance Diploma (ADCCSSAA) from Garware College, Pune. His annual compensation for the Financial Year 2011 was Rs. 6.20 lakhs

**Mr. Sanjay Bhade**, 42 years, is our Chief Operating Officer of the Tube Division. He has been with our company since 2002. He is vastly experiences in the field of designing auto components, assemblies, forging, casting, etc. Prior to joining our Company, he was employed with Bajaj Auto Limited in Design Department. He holds a Diploma in Mechanical Engineering from Government Polytechnic, Pune. He was also associated with Jindal Seamless Limited. His annual compensation for the Financial Year 2011 from our Company was NIL.

**Mr. Shivaji Katke**, 38 years, is the Business Head (Energy and Planning) of our Company. He has been with our Company since 2002. He is experienced in the field of marketing, commercial activities and overseas operations and is also responsible for exploring business opportunities in the energy sector. Mr. Katke is a Bachelor of Mechanical Engineering from Pune. His annual compensation for the Financial Year 2011 from our Company was NIL.

**Mr. Parag Mulye**, 37, is the Chief Executive Officer (Overseas Business Group). He joined our Company on November 1, 2002. He is responsible for exploring business opportunities in the export sector. He was also a Member of the Board of Directors between 2002 and February, 2010. He is also experienced in all the fields of commercial and marketing activities. Mr. Mulye holds a Diploma in Mechanical Engineering from Pune. His annual compensation for the Financial Year 2011 from our Company was NIL.

**Mr. Heramb Chakradeo**, 39, is the General Manager (Operations and Human Resource) of our Company. He joined our Company on October 15, 2010. He has been entrusted with the responsibility of looking after the overall Operations and Human Resource Administration of the Tube Division. Prior to joining us, he was employed with Uma Precision Limited for 14 years and was responsible for overseeing operations and quality management and TPM. Prior to joining Uma Precision Limited, Mr. Heramb was associated with M/s.Winner Engineering, where he worked for 2 years. Mr. Heramb holds a Diploma in Mechanical Engineering from Mumbai University. His annual compensation for the Financial Year 2011 was Rs. 3.96 lakhs.

**Mr. Devdatta Ratnakar**, 45 years, is the Chief Executive Officer of our Company's Tube Division. Prior to joining our Company as an employee, in June 2010, Mr. Ratnakar was Lead Business Associate of our company. Mr. Ratnakar has over 24 years of experience across diverse organizational functions in leadership positions. In his previous assignments, Mr. Ratnakar has worked as the COO of Lenox, Indian venture of a US MNC and prior to that, as GM and SBU Head of Indian JV with a Japanese MNC, STI Sanoh India Ltd. Mr. Ratnakar acquired his bachelors with distinction in Mechanical Engineering and post-graduation in Management from IIM Indore. His annual compensation for the Financial Year 2011 was Rs. 17.40 lakhs.

**Mr. Jitendra Palande**, 41 years, is our Innoventive Group Chief Executive Officer. He is responsible for overseeing business strategy and development, finance, strategic acquisitions, as well as the overall operations of our Company. Mr. Palande has more than 18 years of experience at the international level in providing strategic leadership in challenging situations like leading market expansion and operations to achieve business transformation. He has also worked in multiple industries with leading companies in strategic planning, business

development, finance, project management and general management. In the past, he has been associated with leading companies such as Mahindra & Mahindra, Bharat Forge, Cognizant and Tech Mahindra. His previous assignment was with Hoganas India Limited, where he held the post of CFO. Mr. Jitendra also holds the distinction of being a Sloan Fellow (Leadership & Strategy) from London Business School, United Kingdom. Mr. Palande is also a Bachelor in Engineering (Mechanical), a Chartered Financial Analyst (CFA) and a Cost Accountant. His annual compensation for the Financial Year 2011 was Rs. 29.45 lakhs

**Mr. Mahesh Bagla**, 26 years, is our Company Secretary and Compliance Officer. He holds a Bachelors Degree in commerce from Pune University and is an associate member of the Institute of Company Secretaries of India. Mr. Bagla joined our Company on December 1, 2007 and is entrusted with the responsibility of looking after secretarial affairs of the Company. His annual compensation for the Financial Year 2011 was Rs. 3.70 lakhs

**Mr. Kishor Deshpande**, 61 years, is our General Manager Finance. A veteran in the Banking industry with over 25 years of experience, he has held a senior position in the Bank of Maharashtra prior to joining our company in 2006. He is a Bachelor in Commerce and has also cleared his L.L.B. Mr. Deshpande was paid a remuneration of Rs. 6.62 lakhs for Financial Year 2010. His annual compensation for the Financial Year 2011 was Rs. 6.30 lakhs.

#### ***Shareholding of our Key Managerial Personnel***

Except as stated hereinbelow, none of our Key Managerial Personnel hold any Equity Shares in our Company as on date of the Red Herring Prospectus.

<b>Sr. No.</b>	<b>Name of the Key Managerial Personnel</b>	<b>Number of Equity Shares</b>
1.	Mr. Parag Mulye	12,28,903
2.	Mr. Sanjay Bhade	12,28,903
3.	Mr. Shivaji Katke	9,97,365

#### ***Bonus or Profit Sharing Plan for our Management and our Key Managerial Personnel***

There is no bonus or profit sharing plan for our Management or our Key Managerial Employees. In future, our Company may provide certain benefits like bonus, profit sharing to our Key Managerial Personnel other than those belonging to our Promoter and Promoter Group through Innoventive Group Employees Welfare Trust created for the said purpose.

#### ***Contingent and Deferred Compensation***

No contingent or deferred compensation has accrued in favour of our Key Managerial Personnel in the last Fiscal.

#### ***Interest of Key Managerial Personnel***

None of our Key Managerial Personnel ("KMP") have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in our Company. In future we are planning to transfer Equity Shares of our Company to employees including KMP through Innoventive Group Employee(s) Welfare Trust created for this purpose.

#### ***Loans given to our Key Managerial Personnel***

Our Company has not advanced any loans in the past to our KMPs.

#### ***Payment of Benefits in kind to Officers of our Company (non-salary related)***

No amount or benefit has been paid or given to any officer of our Company within the two preceding years from the date of filing of this Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment.



Except statutory benefits in kind upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of such officer's employment in our Company or superannuation. None of the beneficiaries of loans, and advances and sundry debtors are related to the Directors of our Company.

#### ***Changes in the Key Managerial Personnel during last three years***

The changes in the Key Managerial Personnel during the last three years are as follows.

<b>Name</b>	<b>Date of Appointment</b>	<b>Date of Cessation</b>	<b>Reason</b>
Mr. Jitendra Palande	October 1, 2009	-	Appointment
Mr. Rajeev Vaidya	March 12, 2010	-	Appointment
Mr. Mahesh Bagla	December 1, 2007	-	Appointment
Mr. Heramb Chakradeo	October 15, 2010	-	Appointment
Mr. Rajeev Vaidya	March 12, 2010	March 10, 2011	Resignation

#### ***Employees***

#### ***ESOP / ESPS***

Presently, we do not have ESOP / ESPS scheme for our employees.

#### ***Innovative Group Employee(s) Welfare Trust***

The Innovative Group Employee(s) Welfare Trust, ("Trust") was constituted in accordance with the provisions of the Indian Trusts Act, 1881, pursuant to a trust deed dated September 24, 2010 ("Trust Deed"). The Trustees of the Trust are Mr. Jitendra Palande, Mr. Santosh Kalokhe and Mr. Sagar Shah. The Trust does not form a part of our Promoter Group since none of the Trustees are promoters of our Company nor are they the immediate relatives of the Promoters of our Company. The Trustees of the Trust are permanent employees and consultant of our Company. The Trust has not been set up for the benefit of the Promoters or the Promoter Group of our Company and the beneficiaries are employees and not the family members of the Promoters or the Promoter Group.

Our Company allotted 19,23,117 Equity Shares by way of a Preferential Allotment under Section 81 (1A) of the Companies Act and Unlisted Public Companies (Preferential Allotment) Rules, 2003). Our Company provided a loan of Rs. 1,92,31,170/- to the Trust at 0% rate of interest for the purchase of 19,23,117 equity shares of our Company of face value of Rs. 10/- each. The Trust has no independent source of income. The Trust will repay the loan amount to our Company upon receipt of funds obtained from the employees as a result of the transfer of shares, applied for by the employees. The consideration for the said transfer would be an amount deemed fit by the Trustees in their sole discretion. The voting rights in respect of the Equity Shares held by the Trust shall be exercised by its Trustees. The amount lent by the Issuer Company to the Trust is in compliance with the provisions of and does not violate Section 77 (2) (b) of the Companies Act, 1956.

#### ***Registration of the Trust***

The Trust is a private trust as the beneficiaries are definite and ascertained individuals and does not involve immovable property, as such by virtue of its nature, the Trust does not require registration. Hence, the Trust remains unregistered.

#### ***Beneficiaries of the Trust***

As per the Trust Deed the beneficiaries of the trust are as under:

All existing and future directors, employees of the Issuer Company and its subsidiaries (collectively referred to as the “Innoventive Group”) including their successors/assignees. Any Trustee who is also a Director or an employee of the Innoventive Group is also a beneficiary of the Trust.

By virtue of clause 9.1 of the Trust Deed all the beneficiaries of the Trust are all the existing and future employees, of the Innoventive group. In the event of an employee ceasing to be in the employment, for any reason whatsoever, including but not limited to death or permanent or temporary disablement, such employees and their wives/husbands, widows / widowers and dependent children / grand children, unmarried daughters, dependant parents/grandparents, son’s widow and her dependent children and any other dependent relative(s) or relation(s) as may be decided by the trustees in their sole discretion, may be counted as beneficiaries under these presents, and the trustees shall be authorised (but not obliged) to utilise the Trust fund in the manner they deem fit for their welfare, in the same manner and to the same extent as in the case of employees.

By virtue of clause 9.2 of the Trust Deed the Promoters, Promoter Group and their immediate relatives (*as defined in section 6 and schedule IA of the Companies Act*) are not beneficiaries of the Trust. However, Key Managerial Personnel and Directors, who are not Promoters or forming part of Promoter Group, as defined in the offer document, are beneficiaries of the Trust. The Trust has been set up in compliance with Section 77.

***Major differences between SEBI ESOP / ESPS Guidelines and the employee welfare scheme***

Particulars	Innoventive Group Employee Welfare Trust	Trust created pursuant to an ESOP / ESPS
<b><i>Beneficiaries</i></b>	<p>Employees of the Innoventive Group, that is, existing and future directors, employees of the Issuer Company, Arihant Auto Components Private Limited, Arihant Steel and Metal Wires Private Limited, Sankalp Forgings Private Limited, Saicon Steels Private Limited, Seven Star Electrodes Private Limited, Arihant Steel Products and Services Private Limited</p> <p>In the event of an employee ceasing to be in the employment, for any reason whatsoever, including but not limited to death or permanent or temporary disablement, such employees and their wives/husbands, widows/widowers and dependent children/grand children, unmarried daughters, dependent parents/grandparents, son’s widow and her dependent children and any other dependent relative(s) or relation(s) as may be decided by the trustees in their sole discretion, may be counted as beneficiaries under these presents, and the trustees shall be authorised (but not obliged) to utilise the Trust fund in the manner they deem fit for their welfare, in the same manner and to the same extent as in the case of employees</p>	Caters only to the current employees of the Issuer Company, its subsidiaries and its holding company.
<b><i>Type of benefits</i></b>	The funds accrued can be utilised by the Trustees for the benefit of the employees, as well as their dependents, including for the purposes of education of their children, medical facilities, weddings of the girls in the family etc.	Cannot provide any other / further benefits apart from allotting shares to the employees at a pre determined price
<b><i>Vesting</i></b>	Shares will be transferred to the employees as and when they apply for them in accordance with the policies / method for application and allotment laid down by the Trustees	Shares are allotted to an employee subject to vesting period and a subsequent exercise period

As such the principal aim with which the Trust has been set up is to benefit the employees in any manner whatsoever visualized by the Trustees from time to time. Its scope, areas of operations and its beneficiaries cover an ambit which is far wider than that envisaged by a trust set up under ESOP & ESPS.

### ***Trading Restrictions on the Trust***

The Trust has been irrevocably prohibited from using its funds to trade / deal in securities in the secondary markets in any manner whatsoever vide an amendment made to the Trust Deed dated February 24, 2011.

### ***Corporate Governance***

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Regulations in respect of corporate governance will be applicable to our Company immediately upon the listing of the Equity Shares on the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 of such listing agreement, particularly, in relation to appointment of independent Directors to our Board and constitution of the audit committee and the Shareholders'/ Investors' Grievance, Share Allotment and Share Transfer Committee. Our Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

Currently our Company has eight Directors on its Board. The chairman of our Board is an executive Director and in compliance with the requirement of clause 49 of the listing agreement, our Company has 3 executive directors, 4 independent Directors and 1 Nominee Director.

In terms of the Clause 49 of the Listing Agreement, our Company has constituted the following committees:

1. Audit Committee
2. Shareholders'/ Investors' Grievance, Share Allotment and Share Transfer Committee

To enable efficient functioning with regards to the activities being carried out by our Company as well as the current Issue, we have constituted the following committees:

3. IPO Committee
4. Working Group Committee

### ***Audit Committee***

The Audit Committee was constituted *vide* a resolution passed by the Board at its meeting held on February 27, 2010. The terms of reference of the audit committee covers the matters specified under Section 292A of the Companies Act. The committee is responsible for effective supervision of the financial operations and ensuring that financial, accounting activities and operating controls are exercised as per the laid down policies and procedures.

The current terms of reference of the Audit Committee fully comply with the requirements of clause 49 of the listing agreement as well as Section 292 A of the Companies Act. These broadly include approval of internal audit programme, review of financial reporting systems, internal control systems, ensuring compliance with statutory and regulatory provisions, discussions on quarterly, half yearly and annual financial results, interaction with senior management, statutory and internal auditors, recommendation for re-appointment of statutory auditors etc.

The audit committee consists of the following Directors:

<b>Name of the Director</b>	<b>Designation in the Committee</b>	<b>Nature of Directorship</b>
Mr. Yashpaul Gupta	Member	Independent Director
Mr. Pradeep Tupe	Member	Independent Director
Mr. Chandu Chavan	Member	Whole-time Director

Our Company Secretary and Compliance officer, Mr. Mahesh Bagla, will act as the secretary of the Committee.

### *Powers of the Audit Committee*

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice; and
4. To secure attendance of outsiders with reasonable expertise, if considered necessary.

### *Role of the Audit Committee*

- 1) Overseeing our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4) Appointment, removal and terms of remuneration of internal auditors
- 5) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act 1956;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to the financial statements;
  - Disclosure of any related party transactions;
  - Qualifications in the draft audit report.
- 6) Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- 7) Monitoring the use of the proceeds of the proposed initial public offering of our Company.
- 8) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- 9) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- 10) Discussions with internal auditors on any significant findings and follow up thereon.
- 11) Reviewing internal audit reports and adequacy of the internal control systems.
- 12) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 13) Reviewing management letters / letters of internal control weaknesses issued by the statutory auditors
- 14) Discussion with internal auditors any significant findings and follow up there on.
- 15) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 16) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 17) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- 18) To review the functioning of the whistle blower mechanism, when the same is adopted by our Company and is existing.
- 19) Appointment of the Chief Financial Officer of the Company.
- 20) Carrying out any other function as may be statutorily required to be carried out by the Audit Committee.

### *Shareholders' / Investors' Grievance, Share Allotment and Share Transfer Committee*

Our Company has formed a Shareholders' / Investors' Grievance, Share Allotment and Share Transfer Committee pursuant to clause 49 of the listing agreement for looking into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet etc. The committee was constituted *vide* a resolution passed by the Board at its meeting held on February 27, 2010.

The Shareholders' / Investors' Grievance Committee consists of the following:

<b>Name of the Director</b>	<b>Designation in the Committee</b>	<b>Nature of Directorship</b>
Mr. Yashpaul Gupta	Member	Independent Director
Mr. Pradeep Tupe	Member	Independent Director
Mr. Sanjay Waghulade	Member	Whole time Director

The Shareholders' / Investors' Grievance, Share Allotment and Share Transfer Committee were constituted specifically to look into the redressal of shareholders and investors' complaints like:

- 1) Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;
- 2) Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.;
- 3) Issue of duplicate / split / consolidated share certificates;
- 4) Allotment and listing of shares;
- 5) Review of cases for refusal of transfer / transmission of shares and debentures;
- 6) Reference to statutory and regulatory authorities regarding investor grievances; and
- 7) Ensure proper and timely attendance and redressal of investor queries and grievances.

In addition we have constituted the following committees:

#### ***IPO Committee***

The IPO Committee was constituted *vide* a resolution passed by the Board at its meeting held on February 27, 2010. It was constituted to oversee and inform the Audit Committee when money is raised through prospectus or rights or preferential issues and shall inform of funds received, utilized, pending for project implementation *etc.* for the information of the Stock Exchanges and Investors and shall keep the information up dated through our Company's website.

The IPO committee consists of the following Directors:

<b>Name of the Director</b>	<b>Designation in the Committee</b>	<b>Role on our Company</b>
Mr. Ramprasad Joshi	Chairman	Independent Director
Mr. Chandu Chavan	Member	Chairman
Mr. Ravindra Katre	Member	Managing Director
Mr. William Sean Sovak	Member	Nominee Director

The terms of reference of the IPO Committee of our Company includes:

- 1) to decide on the actual size of the Issue, including any reservation shareholders of promoting companies or shareholders of group companies and/or any other reservations or firm allotments as may be permitted, timing, pricing and all the terms and conditions of the Issue of the shares, including the price, and to accept any amendments, modifications, variations or alterations thereto;
- 2) to appoint and enter into arrangements with the Book Running Lead Manager, Co-Managers to the Issue, Underwriters to the Issue, Syndicate Members to the Issue, Advisors to the Issue, Stabilizing Agent, Brokers to the Issue, Escrow Collection Bankers to the Issue, Registrars, Legal Advisors to the Issue, Legal Advisors to our Company, Legal Advisors as to Indian and overseas jurisdictions, advertising and/or promotion or public relations agencies and any other agencies or persons;
- 3) to finalize and settle and to execute and deliver or arrange the delivery of the offering documents (the Red Herring Prospectus, the Red Herring Prospectus, Final Prospectus (including the draft international wrap and

final international wrap, if required, for marketing of the Issue in jurisdictions outside India), syndicate agreement, underwriting agreement, escrow agreement, stabilization agreement and all other documents, deeds, agreements and instruments as may be required or desirable in connection with the Issue of shares or the Issue by our Company;

- 4) to open one or more separate current account(s) in such name and style as may be decided, with a scheduled bank to receive applications along with application monies in respect of the Issue of the shares of our Company;
- 5) to open one or more bank account of our Company such name and style as may be decided for the handling of refunds for the Issue;
- 6) to make any applications to the RBI, FIPB and such other authorities, as may be required, for the purpose of Issue of shares by our Company to non-resident investors including but not limited to NRIs, FIIs, FVCI's and other non-residents;
- 7) to make applications for listing of the equity shares of our Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
- 8) to settle all questions, difficulties or doubts that may arise in regard to the Issue or allotment of shares as it may, in its absolute discretion deem fit; and
- 9) to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, or otherwise in relation to the Issue or any matter incidental or ancillary in relation to the Issue, including without limitation, allocation and allotment of the shares as permissible in law, issue of share certificates in accordance with the relevant rules.

### ***Working Group Committee***

The Working Group Committee was constituted *vide* Board Resolution dated July 19, 2010 to review the day to day operations of the Company. The composition of the committee is as under:

<b>Name of the Director</b>	<b>Designation in the Committee</b>	<b>Nature of Directorship</b>
Mr. Chandu Chavan	Member	Chairman
Mr. Ravindra Katre	Member	Managing Director
Mr. Sanjay Waghulade	Member	Whole time Director

The terms of reference of the Management Committee of our Company includes:

- 1 To review ongoing operations of the Company.
- 2 To carry out such business as has been delegated by the Board in so far as:
  - (i) To open new bank account(s) in the name of the Company or to close any existing bank account(s) as and when required and to authorise directors and / or executives to operate such bank account and with such limits as are approved by the Working Group Committee from time to time.
  - (ii) To open domestic or international Letters of Credit (LC) from time to time, on behalf of the Company for its capital expenditure, procurement of raw material or other requirements.
  - (iii) To open or close any Fixed Deposit Account(s) with any of the banks or any other financial institutions.
  - (iv) To shortlist and enter into the Leave and License Agreement or Lease Agreement to effectively carry out the operations of the Company.
  - (v) To authorise employees or appoint any outside professional or consultant for and on behalf of the Company for such work as the committee may deem fit; and fix their remuneration.

### ***Policy on Disclosures and Internal Procedure for Prevention of Insider Trading***

We will comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of our Company's shares on the Stock Exchanges, NSE and BSE, Mr. Mahesh Bagla, our Company Secretary and Compliance Officer, is responsible for setting forth policies, procedures, monitoring and adhering to the rules for

the prevention of dissemination of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

## OUR PROMOTERS AND THEIR BACKGROUND

### *Our Promoters*

Our Company is promoted by Mr. Chandu Chavan, Mr. Sanjay Waghulade and Mr. Ravindra Katre

### *Details of our Promoters are as under:*



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***Mr. Chandu Chavan, 41 years, is the Chairman of our Company.***

Mr. Chavan completed his Diploma in Mechanical Engineering from Cusrow Wadia Institute of Technology, Maharashtra in the year 1987. He started his career by joining the materials department of Bajaj Auto Limited (“BAL”), where he handled various functional roles such as procurement of raw materials, imports, development of various components, etc. After nine years of service he left BAL in December 1996, to start a trading firm, M/s. Phoenix Enterprises.

His experience and expertise has helped in the growth and development of our Company. Mr. Chavan joined the Board of Directors of our Company on March 5, 2002; and has since been an integral part of our Company’s management team.

Mr. Chavan currently resides at SN-64/14 Ambiance Emphyrean Resi, Third Phase BL-C Kawade Mala, Near Empress Garden, Ghorpadi, Pune 411 001, Maharashtra, India.

Voter Identification number  
Driving License number

Not applied for  
MH12/497/39547



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***Mr. Ravindra Katre, 45 years, is the Managing Director of our Company.***

Mr. Katre completed his Diploma in Mechanical Engineering from Cusrow Wadia Institute of Technology, Pune, in 1984. Mr. Katre is a post graduate in Management Sciences from the University of Pune. He joined BAL in 1985, where he handled the materials department for a period of 14 years. He joined M/s. Phoenix Enterprises in 1999.

Mr. Katre joined the Board of Directors of our Company on November 1, 2002; and has since been an integral part of our Company’s management team. Mr. Katre oversees raw material procurement of our Company. Mr. Katre oversees raw material procurement of our Company. He is also looks after the activities of the sheet and tube division of our Company, in addition to Saicon Steels Private Limited.

Mr. Katre currently resides at Flat No. 302, Disha Apartments, Mayur Colony, Kothrud Pune - 411 029, Maharashtra, India.

Voter Identification number  
Driving License number

MT/42/249/021110  
MH12/05/672379

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***Mr. Sanjay Waghulade, 46 years, is the Whole time Director of our Company.***

Mr. Waghulade completed his Bachelor of Engineering from Bapuji Institute of Engineering and Technology, Davengere, Karnataka, in 1987. He joined BAL in 1987, where he handled procurement of components, forging and casting along with general purchase. In 1991, he joined Kalyani Seamless Metal Tubes Limited. (“KSMTL”), Baramati, where he handled procurement of project components including cement, steel and sophisticated machinery. He joined Saw Pipes Limited (“SPL”) in 1993 as an assistant manager, purchase; and was in charge of all activities related to procurement up to 1995. During his engagement with KSMTL and SPL he gained expertise with regards to the working of the tubes business.

Mr. Waghulade joined the Board of Directors of our Company on November 1, 2002; and has since been an integral part of our Company’s management team. He oversees the production, tooling and other related areas including project set up.

Mr. Waghulade currently resides at Flat No. 301, Disha Apartments, Mayur Colony, Kothrud Pune - 411 029, Maharashtra, India

Voter Identification number	Not applied for
Driving License number	85/2972/PC

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***We confirm that the Permanent Account Number, bank account number and passport number of our Promoters has been submitted to BSE and NSE at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.***

***Relationship of Promoters with each other and with our Directors***

We confirm that none of our Promoters are related to each other, to our Directors or to any of our Key Managerial Personnel.

***Experience of the Promoters in the business of our Company***

Our Promoters have an experience of over 15 years in our current lines of business. Our Promoters are assisted by a team of highly qualified professionals to manage the operations of our Company.

***Common Pursuits***

There are no common pursuits between our Company and our Group Companies except as disclosed in the chapter titled “Our Promoter Group and Group Companies” of this Red Herring Prospectus.

We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, if at all and as and when they may arise.

Except as stated in this section, none of our Promoters or Directors is involved with one or more ventures which are in the same line of activity or business as that of our Company.

***Interest of Promoters***

Our Promoters do not have any interest:

- (i) Other than in the promotion of our Company
- (ii) In any property acquired by our Company for a period of two years before filing the Red Herring Prospectus with SEBI or proposed to be acquired our Company as on the date of filing the Red Herring Prospectus with SEBI.

Further, save and except as stated otherwise on page number 143 under the heading titled '*Our Properties*' in the chapter titled '*Our Business*' beginning on page number 128 of the Red Herring Prospectus, page numbers 186 and 187 under the heading titled '*Shareholding of our Directors*' and '*Interest of Directors*' in the chapter titled '*Our Management*' beginning on page number 178 of the Red Herring Prospectus, in the Annexure XVI titled '*Related Party Transactions*' beginning on page numbers 247 in the chapter titled '*Financial Information*' beginning on page number 214 of the Red Herring Prospectus, our Promoters do not have any other interests in our Company as on the date of filing of the Red Herring Prospectus with SEBI.

#### ***Payment or Benefit to our Promoters***

No payment has been made or benefit given to our Promoters in the two years preceding the date of the Red Herring Prospectus except as mentioned / referred to in this chapter and in the chapter titled '*Our Management*' and in the section titled '*Financial Information*' beginning on page numbers 178 and 214 respectively, of the Red Herring Prospectus. Further, as on the date of the Red Herring Prospectus, there is no bonus or profit sharing plan for our Promoters.

#### ***Disassociation by the Promoters in the last three years***

Our Promoters have disassociated from the following, during the three years preceding the date of this Red Herring Prospectus:

*Vide* Agreement dated March 15, 2010, our Promoters, Mr. Chandu Chavan, Mr. Sanjay Waghulade, Mr. Ravindra Katre sold their shareholding in Lemon Grass Hospitality Private Limited to Mr. Nilesh Phadnis and Ms. Vaidehi Phadnis. Our Promoters were of the belief that the business that Lemon Grass Hospitality Private Limited was engaged in would not yield the expected rate of returns, and hence they disassociated themselves from it by selling off their respective stakes.

On April 7, 2008 our Promoter, Mr. Chandu Chavan transferred his entire shareholding, comprising of 6,000 shares, representing 60% shareholding, in Phoenix Erectors Private Limited to Ms. Shubhangi Jadhav. Phoenix Erectors Private Limited demanded continuous monitoring of its day to day affairs by Mr. Chandu Chavan. It was not feasible for Mr. Chandu Chavan to monitor the company on a regular basis and hence he disassociated from Phoenix Erectors Private Limited

In November, 2003 our Promoter, Mr. Chandu Chavan transferred his entire shareholding, comprising of 400 shares, representing 40% shareholding, in Sunline Solar Systems Private Limited to Ms. Vaishali B. Joshi. Mr. Chandu Chavan was of the belief that Sunline Systems Private Limited lacked suitable prospects for future growth, and hence he disassociated from this company by transferring his shareholding.

Our Promoters have not been named as parties in any outstanding litigation against them by the companies from which they have disassociated or any other third party in connection with their association with the companies or the sale of equity shares to third parties.

#### ***Related Party Transactions***

For details pertaining to our related party transactions please refer to '*Annexure XVI*' on page number 247 in the section titled '*Financial Information*' beginning on page number 214 of the Red Herring Prospectus.

#### ***Other Confirmations***

Our Company has neither made any payments in cash or otherwise to the Promoters or to firms or companies in which our Promoters are interested as members, directors or promoters nor have our Promoters been offered any inducements to become directors or otherwise to become interested in any firm or company, in connection with the promotion or formation of Our Company. Our Company has advanced loans to the Group Companies but has not received any unsecured loans from the Group Companies. No interest has been charged by our Company and the members of the Promoter Group Companies.

Our Promoters and Promoter Group, including relatives of the Promoters have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority. Further, there are no violations of securities laws committed by our Promoters and Promoter Group in the past or are pending against them.

**Group Companies referred to the BIFR/ under winding up / having negative net worth**

None of our Group Companies has a negative net worth nor has not been referred to the BIFR or is winding up.

## OUR PROMOTER GROUP

Our Promoter and Promoter Group in terms of Regulation 2(1)(za) and 2(1)(zb) includes the following:

### **A. Individuals related to our Promoters:**

Relationship	Mr. Chandu Chavan	Mr. Sanjay Waghulade	Mr. Ravindra Katre
Father	Mr. Laxman Chavan	Mr. Harishchandra Waghulade	Mr. Waman Katre
Mother	Ms. Sindhoo Chavan	Ms. Usha Waghulade	Ms. Neela Katre
Spouse	Dr. Shubhangi Jadhav	Ms. Anita Waghulade	Ms. Mrunal Katre
Brother	Mr. Ravindra Chavan	–	Mr. Sanjeev Katre
Sister	Ms. Surekha Chavan Ms. Pragati Chikhalikar Ms. Vaishali Joshi	Dr. Suvarna Patil	–
Son	–	–	Mr. Vibhav Katre
Daughter	Ms. Ada Chandu Chavan	Ms. Ruchika Waghulade	Ms. Greeshma Katre
Spouse's Father	Mr. Pandurang Jadhav	Mr. Balkrishana Dhake	Mr. Dhundiraj Thakurdesai
Spouse's Mother	Ms. Uttama Jadhav	Ms. Lata Dhake	Ms. Madhavi Thakurdesai
Spouse's Brother	Mr. Siddharth Jadhav	Mr. Abhay Dhake	Mr. Rahul Thakurdesai
	Mr. Sandip Jadhav	Mr. Atul Dhake	–
	Mr. Sanjay Jadhav	–	–
Spouse's Sister	–	–	Ms. Anjali Kulkarni

### **B. Companies, partnership firms, proprietary concerns, trusts, HUF's related to our Promoters:**

Nature of Relationship	Entity
Any body corporate in which 10% or more of the equity share capital is held by the Promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the Promoter or any one or more of his immediate relative is a member	<p><i>Shareholding in the following companies is held by our Promoters</i></p> <ol style="list-style-type: none"> <li>1) Opal Luxury Time Products Limited</li> <li>2) GeneOmbio Technologies Private Limited</li> <li>3) Sourcegenie Consulting Private Limited</li> <li>4) Sourcegenie Insurance Broking Private Limited</li> <li>5) Gargi Bio Tek Private Limited</li> <li>6) Membrane Filters (India) Private Limited</li> <li>7) Aim Filtertech Private Limited</li> </ol> <p><i>Shareholding in the following companies is held by the immediate relatives of our Promoters</i></p> <ol style="list-style-type: none"> <li>1) Phoenix Erectors Private Limited</li> <li>2) Tulip Greenhouses Private Limited</li> <li>3) Yashoday Engineers Private Limited</li> <li>4) Keytool Engineering Solutions Private Limited</li> <li>5) Arihant Steel Tube Products Private Limited</li> </ol>
Any body corporate in which a body corporate as mentioned above holds 10% or more, of the equity share capital	<ol style="list-style-type: none"> <li>1) Palbit India Private Limited</li> </ol>
Any HUF or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than 10%	<ol style="list-style-type: none"> <li>1) M/s. Saptshrungi Engineering Works</li> <li>2) M/s. Phoenix Enterprises</li> </ol>

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3) M/s. Hollyhock Tours and Travels

4) M/s. Orgreen

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***C. All persons whose shareholding is aggregated for the purpose of disclosing under the heading "shareholding of the promoter group":***

1. Mr. Parag Mulye
2. Ms. Kavita Dhupkar
3. Mr. Sanjay Bhade
4. Ms. Vishakha Bhade
5. Mr. Shivaji Katke
6. Ms. Smita Katke
7. Mr. Ajay Yervadekar

Mr. Mulye and his spouse Ms. Kavita Dhupkar, Mr. Bhade and his spouse Ms. Vishakha Bhade; and Mr. Katke and his spouse Ms. Smita Katke have been associated with the Company since November 2002.

Mr. Mulye and his spouse hold 3.29% of the equity share capital of our Company. He is currently the Chief Executive Officer (Overseas Business Group) of our Company.

Mr. Bhade and his spouse hold 3.29% of the equity share capital of our Company. He is currently the Business Head (Operations) of the Tube Division of our Company.

Mr. Katke and his spouse hold 2.66% of the equity share capital of our Company. He is the Business Head (Energy and Planning) of our Company.

Our Subsidiary, Seven Star Electrodes Private Limited was acquired by our Company pursuant to a Share Purchase Agreement dated April 10, 2007 entered into by and between Mr. Ajay Narhar Yervadekar, Ms. Sushila Yervadekar, Ms. Anjali Yervadekar, Ms. Ananya Yervadekar, Mr. Sanjay Yervadekar, Mr. Chandrashekar Yervadekar and Mr. Subhash Tapre and our Company. Post acquisition, Mr. Yervadekar continues to contribute to the functioning of our Subsidiary.

## OUR GROUP ENTITIES

As on the date of this Red Herring Prospectus the companies promoted by our Promoters comprising our Group Entities as specified in the SEBI ICDR Regulations are the following:

1. M/s. Phoenix Enterprises
2. Opal Luxury Time Products Private Limited
3. Aim Filtertech Private Limited
4. Membrane Filters (India) Private Limited
5. Gargi Bio Tek Private Limited
6. Sourcegenie Consulting Private Limited
7. Sourcegenie Insurance Broking Private Limited
8. M/s. Orgreen

### A. Five largest Group Entities

Pursuant to the provisions of the SEBI Regulations, the financial information provided herein has been provided for our five largest unlisted Group Companies (based on turnover).

#### 1. M/s. Phoenix Enterprises (“Phoenix”)

Phoenix is the proprietorship firm of Mr. Chandu Chavan and has its place of business at Pune. The proprietorship is currently engaged in the business of operating a wind mill.

#### Financial Performance

Particulars	For the Financial Year ended March 31 (Rs. in lakhs)		
	2010	2009	2008
Sales and other Income	83.28	1473.12	39.62
Profit / Loss	47.27	1455.39	26.24
Capital	1,256.75	1402.72	74.08

#### 2. Opal Luxury Time Products Private Limited

Opal Luxury Time Products Private Limited (“Opal”) was incorporated on February 10, 2007 vide Certification of Incorporation bearing CIN U33309PN2007PTC129597 issued by the Registrar of Companies, Pune.

As per its memorandum of association, Opal is authorised to and is currently carrying on the business of manufacturing, assembling, marketing, retailing consumer goods, specifically watches, clocks and allied products.

#### Registered Office

Shree Ganesh, plot number 31, Shivaji Housing Society, behind ICC Tower, Senapati Bapat road, Pune 411 016, Maharashtra, India.

#### Board of Directors

As at January 31, 2011, Opal has two directors, as detailed herein below:

Name	Designation
Mr. Sameer Gujar*	Managing Director
Ms. Prateebha Gujar	Director

\* Mr. Sameer Gujar was appointed as the Managing Director of Opal on December 15, 2010

#### Shareholding Pattern

The shareholding pattern of Opal as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Chandu Chavan	1,66,620	30.61
Mr. Praveen Jain	1,00,000	18.37
Mr. Vivek Reddy	1,00,000	18.37
Mr. Ravindra Katre	38,878	7.14
Mr. Sanjay Waghulade	33,324	6.12
Mr. Sameer Gujar	25,000	4.59
Mrs. Prateebha Gujar	24,000	4.41
Mr. Hitesh Kocheta	17,700	3.25
Mr. Parag Mulye	13,885	2.55
Mr. Sanjay Bhade	13,885	2.55
Mr. Shivaji Katke	11,108	2.04
<b>Total</b>	<b>5,44,400#</b>	<b>100.00</b>

# The authorized share capital of Opal was increased from Rs. 10,00,000 to Rs. 55,00,000 vide shareholders' resolution dated November 26, 2010 .

### ***Interest of our Promoters***

Except to the extent of their shareholding, our Promoters have no other interest in Opal.

### ***Financial Performance***

<b>Particulars</b>	<b>For the Financial Year ended March 31 (Rs. in lakhs)</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Equity Capital	10.00	10.00	1.00
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	461.27	315.92	260.31
Net asset value or book value per share (Rs.) <sup>(2)</sup>	471.27	325.92	2,613.10

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

The equity shares of Opal are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. Opal is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under liquidation. No winding up application has been made in respect of Opal.

### ***3. Aim Filtertech Private Limited***

Aim Filtertech Private Limited ("Aim") was incorporated on June 27, 2005 vide Certification of Incorporation bearing CIN U29197PN2005PTC020937 issued by the Registrar of Companies, Pune.

As per its memorandum of association, Aim is authorised to and is currently carrying on the business of manufacturing, designing and marketing of all types of filter pockets, filter components and welded rolls.

### ***Registered Office***

Plot number 13, Ramtekadi Industrial Area Scheme No. 2, Pune 411 013, Maharashtra, India

### ***Board of Directors***

As at January 31, 2011, Aim has two directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Abhijit Yemual	Director

Mr. Dhiren Shah	Director
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### ***Shareholding Pattern***

The shareholding pattern of Aim as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Abhijit Yemual	5,145	24.26
Mr. Dhiren Shah	5,145	24.26
Mr. Chandu Chavan	6,425	30.29
Mr. Ravindra Katre	1,500	7.07
Mr. Sanjay Waghulade	1,285	6.06
Mr. Parag Mulye	536	2.53
Mr. Sanjay Bhade	536	2.53
Mr. Shivaji Katke	428	2.02
Mr. Paresb Pungaliya	210	0.99
<b>Total</b>	<b>21,210</b>	<b>100.00</b>

### ***Interest of our Promoters***

Except to the extent of their shareholding, our Promoters have no other interest in Aim.

### ***Financial Performance***

<b>Particulars</b>	<b>For the Financial Year ended March 31 (Rs. in lakhs)</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Equity Capital	2.12	2.10	2.10
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	322.26	100.23	86.15
Net asset value or book value per share (Rs.) <sup>(2)</sup>	1,529.38	487.27	420.22

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

The equity shares of Aim are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. Aim is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under liquidation. No winding up application has been made in respect of Aim.

#### ***4. Membrane Filters (India) Private Limited***

Membrane Filters (India) Private Limited ("Membrane") was incorporated on January 20, 2000 *vide* Certification of registration bearing number 11 - 123754 issued by the Deputy Registrar of Companies, Maharashtra, Mumbai. The CIN of Membrane is U29197PN2000PTC014959.

As per its memorandum of association, Membrane is authorised to and is currently carrying on the business of manufacturing, designing, assembling, marketing and retailing of all types of water purification membrane filters, purification systems and devices.

### ***Registered Office***

Gat number 786, survey number 661 / 662, behind Shivraj Cold Storage, Khed – Shivapur, Pune – 412 206, Maharashtra, India.

### ***Board of Directors***

As at January 31, 2011 Membrane has two directors, as detailed herein below:



<b>Name</b>	<b>Designation</b>
Mr. Subhashchandra Devi	Whole time Director
Ms. Pratibha Devi	Director

### ***Shareholding Pattern***

Then equity shareholding pattern of Membrane as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Chandu Chavan	6,00,720	30.60
Mr. Ravindra Katre	1,40,168	7.14
Mr. Sanjay Waghulade	1,20,144	6.12
Mr. Parag Mulye	50,060	2.55
Mr. Sanjay Bhade	50,060	2.55
Mr. Shivaji Katke	40,048	2.04
Mr. Arvind Joshi	13,510	0.69
Mr. Subhashchandra Devi	5,42,000	27.61
Ms. Pratibha Devi	100	0.01
Mr. Shrikrishna Deo	13,900	0.71
Mr. Subhashchandra Devi and Ms. Pratibha Devi jointly	2,87,290	14.69
Ms. Ashwini Oak	100	0.01
Mr. Sarang Devi	100	0.01
Mr. Ameya Mashlekar	1,05,000	5.35
<b>Total</b>	<b>19,63,200</b>	<b>100.00</b>

### ***Interest of our Promoters***

Except to the extent of their shareholding, our Promoters have no other interest in Membrane.

### ***Financial Performance***

<b>Particulars</b>	<b>For the Financial Year ended March 31 (Rs. in lakhs)</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Equity Capital	163.96	130.00	70.00
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	454.74	191.97	207.26
Net asset value or book value per share (Rs.) <sup>(2)</sup>	31.51	24.77	39.61

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

The equity shares of Membrane are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. Membrane is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under liquidation. No winding up application has been made in respect of Membrane.

### ***5. Gargi Bio Tek Private Limited***

Gargi Bio Tek Private Limited ("Gargi") was incorporated on April 19, 2005 *vide* Certification of Incorporation bearing CIN U01122PN2005PTC020585 issued by the Registrar of Companies, Maharashtra, Pune.

As per its memorandum of association, Gargi is authorised to and is currently carrying on the business of acquire, utilise, grow, plant cultivate, exploit any estates or lands for floriculture, horticulture, plantation and other related activities.

### ***Registered Office***

Survey number 80/2, A.P. Budhawadi, Kamshet, taluka Maval, district Pune – 410 405, Maharashtra, India.

### ***Board of Directors***

As at January 31, 2011, Gargi has two directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Ms. Anjali Yervadekar	Director
Mr. Ashok Shinde	Director

### ***Shareholding Pattern***

The shareholding pattern of Gargi as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Ms. Anjali Yervadekar	1,20,000	22.27
Mr. Hemant Kank	1,49,700	27.78
Mr. Chandu Chavan	2,69,200	49.95
<b>Total</b>	<b>5,38,900</b>	<b>100.00</b>

### ***Interest of our Promoters***

Except to the extent of their shareholding, our Promoters have no other interest in Gargi.

### ***Financial Performance***

<b>Particulars</b>	<b>For the Financial Year ended March 31 (Rs. in lakhs)</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Equity Capital	53.89	53.89	53.89
Reserves and surplus (excluding revaluation reserves) <sup>(1)</sup>	(216.02)	(97.95)	(56.89)
Net asset value or book value per share (Rs.) <sup>(2)</sup>	(3.09)	(8.17)	(0.56)

Note: The financial data used in the aforementioned table has been derived from the audited financial statements.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10

The equity shares of Gargi are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. Gargi is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under liquidation. No winding up application has been made in respect of Gargi.

### ***B. Other Group Companies***

#### ***• Sourcegenie Consulting Private Limited***

Sourcegenie Consulting Private Limited ("Sourcegenie") was incorporated on November 7, 2006 vide Certification of Incorporation bearing CIN U74140PN2006PTC130482 issued by the Registrar of Companies, Maharashtra, Mumbai.

As per its memorandum of association, Sourcegenie is authorised to and is currently carrying on the business of providing consultancy in the field of purchases, sourcing business development, management consultancy and procurement planning.

### ***Registered Office***

First floor, Chetna Hospital, Vrindavan society, opposite Thermax, MIDC – Chinchwad, Pune - 411 019, Maharashtra, India.

### ***Board of Directors***

As at January 31, 2011 Sourcegenie has three directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Chandu Chavan	Director
Mr. Ravindra Katre	Director
Mr. Sanjay Waghulade	Director

### ***Shareholding Pattern***

The shareholding pattern of Sourcegenie as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Chandu Chavan	5,000	50.00
Mr. Ravindra Katre	2,500	25.00
Mr. Sanjay Waghulade	2,500	25.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

### ***Interest of our Promoters***

Except to the extent of their shareholding, our Promoters have no other interest in Sourcegenie.

The equity shares of Sourcegenie are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. Sourcegenie is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under liquidation. No winding up application has been made in respect of Sourcegenie.

- ***Sourcegenie Insurance Broking Private Limited***

Sourcegenie Insurance Broking Private Limited ("SIBPL") was incorporated on November 5, 2008 *vide* Certification of Incorporation bearing CIN U74900PN2008PTC133006 issued by the Registrar of Companies, Maharashtra, Pune.

As per its memorandum of association, SIBPL is authorised to and is currently carrying on the business of business of direct life and non-life insurance broking and also to carry subject to necessary governmental approvals, if any, the business of insurance, assurance and general insurance including whole life insurance, endowment insurance, double benefit and multiple benefit insurance, medical insurance, fire insurance, group insurance, earth quake and natural calamity insurance, crop insurance, animal insurance, loss of profit insurance, theft insurance, transit insurance, accidental insurance and such other insurance, assurance.

### ***Registered Office***

First floor, Chetna Hospital, Vrindavan society, opposite Thermax, MIDC – Chinchwad, Pune - 411 019, Maharashtra, India.

### ***Board of Directors***

As at January 31, 2011 SIBPL has six directors, as detailed herein below:

<b>Name</b>	<b>Designation</b>
Mr. Chandu Chavan	Director
Mr. Ravindra Katre	Director
Mr. Sanjay Waghulade	Director
Mr. Parag Mulye	Director
Mr. Sanjay Bhade	Director
Mr. Shivaji Katke	Director

### ***Shareholding Pattern***

The shareholding pattern of SIBPL as at January 31, 2011 is as follows:

<b>Name of Shareholders</b>	<b>Number of shares</b>	<b>Percentage of share capital [%]</b>
Mr. Chandu Chavan	6,000	60.00
Mr. Ravindra Katre	1,400	14.00
Mr. Sanjay Waghulade	1,200	12.00
Mr. Parag Mulye	500	5.00
Mr. Sanjay Bhade	500	5.00
Mr. Shivaji Katke	400	4.00
<b>Total</b>	<b>10,000</b>	<b>100</b>

### ***Interest of our Promoters***

Except to the extent of their shareholding, our Promoters have no other interest in SIBPL.

The equity shares of SIBPL are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. SIBPL is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under liquidation. No winding up application has been made in respect of SIBPL.

- ***M/s. Orgreen (“Orgreen”)***

Orgreen is a partnership firm formed *vide* partnership deed dated July 3, 2008 and situated at A-12, 4<sup>th</sup> Floor, Shri Keshav Smruti Apartments, Navi Peth, Pune – 411 030, Maharashtra, India. The firm is currently *inter alia* engaged in providing catering services across Pune.

### ***Partners of Orgreen***

As on January 31, 2011, the firm has six partners in the following profit sharing ratio:

<b>Particulars</b>	<b>% Stake</b>
Mr. Sanjay Waghulade	16.67
Ms. Anita Waghulade	16.67
Mr. Ravindra W. Katre	16.67
Mrs. Mrunal Katre	16.67
Mr. Parag Mulye	16.67
Ms. Kavita Dhupkar	16.67
<b>Total</b>	<b>100.00</b>

### ***Details of Group Companies whose names have been struck off from record of the Registrar of Companies***

#### ***Phoenix Steel Tubes and Strips Mill Private Limited***

Phoenix Steel Tubes and Strips Mill Private Limited, a company wherein Mr. Chandu Chavan was a director and major shareholder, was struck off from record of the Registrar of Companies. The grounds for striking off the company were as under: (i) the company had not been carrying on any business, (2) the company has no intention to do any business or commercial activity as laid down in its Memorandum of Association; and (3) The company had not been filing the mandatory filings with the Registrar of Companies, Maharashtra, Pune.

### ***Common Pursuits / Conflict of Interest***

Other than as stated above, there exist no conflicts of interest arising out of common pursuits between our Group Entities and our Company.

***Other Confirmations***

Further, the Promoters and the Promoter Group entities have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or currently pending against them. None of the Promoters, Promoter Group entities or persons in control of the Promoters or bodies corporate forming part of the Promoter Group has been (i) prohibited from accessing the capital market under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

***Related Party Transactions***

For details of related party transactions with the Promoter and the Subsidiaries, please see the section “*Financial Information*” beginning on page number 214 of this Red Herring Prospectus.

***Defunct Group Companies of our Promoters***

There are no defunct Group Companies of our Promoters.

***Litigation***

For details relating to legal proceedings involving the Promoter and the Group Companies of our Promoter, please see the section “*Outstanding Litigation and Material Developments*” beginning on page number 335 of this Red Herring Prospectus.

## DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders at the annual general meeting, who have the right to decrease but not to increase the amount of the dividend recommended by the Board of Directors, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. Our Company has no stated dividend policy and has not paid any dividend on its Equity Shares in the last five years.

The dividend paid by the Company in the last five fiscals to preference shareholders is as provided herein:

Particulars	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Face Value Per share	10.00	10.00	10.00	NA	NA
Dividend (Rs. Lakhs)*	48.00	48.00	4.00	NA	NA
Dividend per preference share (Rs.)	8.33	8.33	0.01	NA	NA
Dividend rate (% to paid up preference share capital)	12%	12%	12%	NA	NA

\* Excluding Corporate Dividend Tax

## SECTION V – FINANCIAL INFORMATION

### RESTATED FINANCIAL INFORMATION FOR INNOVENTIVE INDUSTRIES LIMITED

UNCONSOLIDATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2010, MARCH 31, 2010, MARCH 31, 2009, MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006 AND PROFITS AND LOSSES AND CASH FLOWS FOR NINE MONTHS PERIOD ENDED DECEMBER 31, 2010, AND THE YEAR ENDED MARCH 31, 2010, MARCH 31, 2009, MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006, AS RESTATED (COLLECTIVELY REFERRED TO AS “UNCONSOLIDATED RESTATED SUMMARY STATEMENTS”)

AND

CONSOLIDATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2010, MARCH 31, 2010, MARCH 31, 2009, MARCH 31, 2008 AND PROFITS AND LOSSES AND CASH FLOWS FOR NINE MONTHS PERIOD ENDED DECEMBER 31, 2010, AND THE YEAR ENDED MARCH 31, 2010, MARCH 31, 2009 AND MARCH 31, 2008, AS RESTATED (COLLECTIVELY REFERRED TO AS “CONSOLIDATED RESTATED SUMMARY STATEMENTS”)

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

The Board of Directors,  
Innoventive Industries Limited,  
(Erstwhile Arihant Domestic Appliances Limited),  
Gat No 1261, Sanaswadi, Pune Nagar Road,  
Tal. Shirur, Dist Pune.  
Pune – 412208.  
Maharashtra, India.

(1) We have examined the restated financial information of Innoventive Industries Limited (‘IIL’ or ‘the Company’) erstwhile Arihant Domestic Appliances Limited, annexed to this report for the purposes of inclusion in the offer document prepared by the Company in connection with its proposed Initial Public Offer (“IPO”). Such financial information, which has been approved by the board of Directors of the Company, has been prepared in accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (“the Act”);

b) relevant provisions of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the “Regulations”) issued by the Securities and Exchange Board of India (“SEBI”) on August 26, 2009, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992;

(2) We have examined such restated financial information taking into consideration:

a) the terms of reference received from the Company vide their letter dated March 6, 2010 requesting us to carry out work on such financial information, proposed to be included in the offer document of the Company in connection with its proposed IPO;

b) the Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India.

(3) In accordance with the requirements of Paragraph B of Part II of Schedule II to the Companies Act 1956, SEBI Issue of Capital and Disclosure Requirements (ICDR) and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India (‘ICAI’), as amended from time to time, and in terms of our engagement as agreed with you, we further report that:

In respect of restated unconsolidated financial information, such restated unconsolidated financial information has been compiled by the management from:

a) the audited unconsolidated financial statements of the Company for the year ended 31 March 2006, 31 March 2007 and 31 March 2008, which have been audited by the Company's auditors, AMB & Co, and whose report have been relied upon by us for the said year;

b) the audited unconsolidated financial statements of the Company for the year ended March 31, 2009, March 31, 2010 and for the nine months period ended December 31, 2010 which have been audited by us.

(4) In respect of restated consolidated financial information, such restated consolidated financial information has been compiled by the management from

a) the audited consolidated financial statements of the Company and its subsidiaries (collectively hereinafter referred to as the "Group") for the year ended 31 March 2008, which have been audited by the Company's auditors, AMB & Co, and whose report have been relied upon by us for the said year;

b) the audited consolidated financial statements of the Company and its subsidiaries (collectively hereinafter referred to as the "Group") for the year ended March 31, 2009, March 31, 2010 and for the nine months period ended December 31, 2010 which have been audited by us. As explained Company did not have any subsidiary till year ended March 31, 2007, accordingly consolidated figures for the year ended March 31, 2007 are not applicable and hence, not furnished.

(5) We did not audit the unconsolidated financial statements of the subsidiaries (for the year ended March 31 2008, March 31, 2009, March 31, 2010 and nine months ended December 31, 2010) Sankalp Forgings Private Limited, Saicon Steel Private Limited, Arihant Steel and Metal Wires Private Limited, Arihant Auto Components Private Limited, Seven Star Electrodes Private Limited and Arihant Steel Products & Services Private Limited. These financial statements have been audited by the auditors, AMB and Co. ('other auditors'), on which we have placed reliance and hence our audit opinion on the consolidated financial statements of these years insofar as it relates to amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

(a) the unconsolidated summary statement of profit and loss of the Company, as restated, for the financial year ended 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010 for the nine months period ended December 31, 2010 as set out in Annexure II to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in Annexure IV to this report. As a result of these adjustments and regroupings, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial years. For the financial years 31 March 2006, 31 March 2007 and ended 31 March 2008 reliance has been placed by us on the financial statements audited by the auditors, AMB & Co., Chartered Accountants.

(b) the unconsolidated summary statement of assets and liabilities of the Company, as restated, as 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010 and for the nine months period ended December 31, 2010 as set out in Annexure I to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in Annexure IV A, IV B & IV C to this report. As a result of these adjustments and regroupings, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial year. For the financial years ended 31 March 2006, 31 March 2007 and 31 March 2008 reliance has been placed by us on the financial statements audited by the auditors, AMB & Co., Chartered Accountants.

(c) the unconsolidated statement of cash flows of the Company, as restated, for the financial year 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010 and for the nine months period ended December 31, 2010 as set out in Annexure III to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in Annexure IV A, IV B & IV C to this report. As a result of these adjustments, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial years. For the financial years ended



31 March 2006, 31 March 2007 and 31 March 2008 reliance has been placed by us on the financial statements audited by the auditors, AMB & Co., Chartered Accountants.

(6) Based on above and also as per the reliance placed on the financial statements audited by the auditors, AMB & Co., Chartered Accountants for the financial years 31 March 2006, 31 March 2007, 1 March 2008, we are of the opinion that the restated financial information, prepared by the management of the Company and approved by its Board of Directors, has been made after incorporating the following:

- i. the impact of correction of accounting policies / changes in accounting policies have been adjusted with retrospective effect in the respective financial years to which they relate, to reflect the same accounting treatment as per changed / corrected accounting policy for all the reporting periods;
- ii. material amounts relating to previous years have been adjusted in the restated financial information in the respective financial years to which they relate;
- iii. there are no qualifications in the auditors' report which require any adjustments in the restated financial information in the respective financial years. However, qualifications in the auditors' report which do not require any corrective adjustments in the restated financial information as disclosed in Note II of Annexure IV B;
- iv. there are no extraordinary items, which need to be disclosed separately in the restated financial information in the respective financial years; and
- v. revaluation reserves have been disclosed separately in the restated financial information in the respective financial years.

(7) We have examined the following other unconsolidated restated financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the financial year ended 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010 and for the nine months period ended December 31, 2010. In respect of the financial years ended 31 March 2006, 31 March 2007 and 31 March 2008 this financial information have been included based upon the financial statements audited by, the auditors, AMB & Co., Chartered Accountants and relied upon by us:

- a) Statement of Reserves & Surplus, as appearing in Annexure V
- b) Statement of Secured Loans and Unsecured Loans, as appearing in Annexure VI;
- c) Capitalisation Statement, as appearing in Annexure VII;
- d) Statement of Investments as appearing in Annexure VIII;
- e) Statement of Sundry Debtors as appearing in Annexure IX;
- f) Statement of Loans & Advances as appearing in Annexure X;
- g) Statement of Current Liabilities & Provisions as appearing in Annexure XI;
- h) Statement of Other Income, as appearing in Annexure XII;
- i) Statement of Dividend paid, as appearing in Annexure XIII;
- j) Statement of Accounting Ratios, as appearing in Annexure XIV;
- k) Statement of Tax Shelters, as appearing in Annexure XV;
- l) Statement of the Related Parties and transactions with them, as appearing in Annexure XVI; and
- m) Statement of the Segment Reporting, as appearing in Annexure XVII.

(8) We have also examined the consolidated restated financial information of the Group listed below, as at and for the nine months period ended December 31, 2010 and as at and for the years ended March 31, 2010, March 31, 2009 and March 31, 2008 which, as approved by the Board of Directors of the Company and annexed to this report, is proposed to be included in the Offer document, In respect of the financial year ended 31 March 2008 this financial information have been included based upon the financial statements audited by, the auditors, AMB & Co., Chartered Accountants and relied upon by us:

- a) Statement of Reserves and Surplus, as appearing in Annexure XXII;
- b) Statement of Secured and Unsecured Loans, as appearing in Annexure XXIII;

- c) Capitalisation Statement, as appearing in Annexure XXIV;
- d) Statement of Investments as appearing in Annexure XXV;
- e) Statement of Sundry Debtors as appearing in Annexure XXVI;
- f) Statement of Loans and Advances as appearing in Annexure XXVII;
- g) Statement of Current Liabilities & Provisions, as appearing in Annexure XXVIII;
- h) Statement of Other Income, as appearing in Annexure XXIX;
- i) Statement of Dividend paid, as appearing in Annexure XXX;
- j) Statement of Accounting Ratios, as appearing in Annexure XXXI;
- k) Statement of the Related Parties and transactions with them, as appearing in Annexure XXXII; and
- l) Statement of the Segment Reporting, as appearing in Annexure XXXIII.

In our opinion, the above financial information of the Company read with significant accounting policies appearing in Annexure XXI A to this report, after making adjustments and regroupings as considered appropriate and as set out in Annexure XXI B and XXI C to this report, has been prepared in accordance with Paragraph B, Part II of Schedule II to the Companies Act , 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time.

(9) We have not audited any financial statements of the Company or consolidated financial statements of the Group as of any date or for any period subsequent to December 31, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company or the Group as of any date or for any period subsequent to December 31, 2010.

(10) Our report is intended solely for the use of management and for inclusion in India in the Offer Document in connection with the proposed issue of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

*For B. K. KHARE & Co.*  
*Chartered Accountants*

*U. B.Joshi*  
*Partner*  
 Membership No: 044097  
 Firm Regn. No: 105102W

Place : Pune  
 Date : March 7, 2011

**ANNEXURE I: Restated Unconsolidated Summary Statement of assets and liabilities as at**

**Rs. In Lakhs**

Sr. No.	Particulars	31st Dec 2010	31st Mar 2010	31st Mar 2009	31st Mar 2008	31st Mar 2007	31st Mar 2006
<b>A</b>	<b>Fixed Assets :</b>						
	(i) Gross Block	31,539.33	28,084.82	16,982.27	11,204.91	8,733.72	4,849.01
	Less :- Depreciation	5,384.09	4,078.09	2,820.80	1,962.04	1,385.81	961.27
	<b>Net Block</b>	<b>26155.24</b>	<b>24,006.73</b>	<b>14,161.47</b>	<b>9,242.88</b>	<b>7,347.91</b>	<b>3,887.75</b>
	(ii) Capital Work in Progress/Advances	3270.48	3,088.80	8,954.93	2,724.84	185.72	388.11
	<b>Total</b>	<b>29425.72</b>	<b>27,095.53</b>	<b>23,116.40</b>	<b>11,967.71</b>	<b>7,533.63</b>	<b>4,275.86</b>
	Less:- Revaluation Reserve	65.64	65.64	65.64	65.64	65.64	65.64
	<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>	<b>29360.08</b>	<b>27,029.89</b>	<b>23,050.76</b>	<b>11,902.07</b>	<b>7,467.99</b>	<b>4,210.22</b>
<b>B</b>	<b>Investments</b>	<b>2454.25</b>	<b>2,454.25</b>	<b>2,454.25</b>	<b>1,557.80</b>	<b>69.58</b>	<b>0.78</b>
<b>C</b>	<b>Deferred Tax Assets (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D</b>	<b>Current Assets, Loans and Advances</b>						
	(i) Inventories	14854.96	10,297.23	7,019.18	6,965.67	4,495.89	3,425.59
	(ii) Sundry Debtors	4007.38	4,965.84	126.89	3,207.96	3,990.93	1,962.45
	(iii) Cash and Bank Balances	3640.88	1,581.94	6,547.89	5,510.77	491.66	63.70
	(iv) Loans & Advances	10187.50	6,418.86	4,725.98	2,414.51	1,170.55	588.54
	(v) Other Current Assets (Preliminary Exp)	-	-	-	-	-	6.83
	<b>Subtotal (D)</b>	<b>32690.72</b>	<b>23263.87</b>	<b>18,419.94</b>	<b>18,098.91</b>	<b>10,149.03</b>	<b>6,047.11</b>
<b>E</b>	<b>Liabilities &amp; Provisions</b>						
	(i) Secured Loans	21929.67	21,213.33	22,768.82	13,651.70	4,476.46	3,270.38
	(ii) Unsecured Loans	5737.21	4,516.89	3,256.77	2,184.81	1,440.89	687.29
	(iii) Current Liabilities & Provisions	20127.47	17,662.54	12,728.02	12,358.19	8,267.11	3,332.46
	(iv) Deferred Tax Liabilities	2974.25	2,265.62	1,535.72	891.32	700.22	412.80
	<b>Subtotal (E)</b>	<b>50768.60</b>	<b>45658.38</b>	<b>40,289.33</b>	<b>29,086.02</b>	<b>14,884.68</b>	<b>7,702.92</b>
<b>F</b>	<b>Net Worth (A+B+C+D-E)</b>	<b>13736.46</b>	<b>7,089.63</b>	<b>3,635.62</b>	<b>2,472.76</b>	<b>2,801.91</b>	<b>2,555.18</b>
<b>Sr. No.</b>	<b>Particulars</b>	<b>31st Dec-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
<b>G</b>	<b>Represented by:</b>						
	<b>Share Capital</b>						
	- Equity Share Capital	3,846.23	500.01	500.01	500.01	500.00	500.00
	- Preference Share Capital	-	-	-	-	400.00	400.00
	- Share Application Money	-	-	-	-	254.18	502.21
	<b>Subtotal (G)</b>	<b>3,846.23</b>	<b>500.01</b>	<b>500.01</b>	<b>500.01</b>	<b>1,154.18</b>	<b>1,402.21</b>
<b>H</b>	<b>Reserves and Surplus</b>						
	- Capital Redemption Reserve	362.07	400.00	400.00	400.00	-	-
	- Share Premium	3206.16	-	-	-	-	-
	- General Reserve	464.83	464.83	190.92	74.00	49.00	24.00
	- Profit and Loss Account (Refer annexure V )	5857.16	5,724.79	2,544.69	1,498.75	1,598.73	1,128.97
	<b>Subtotal (H)</b>	<b>9890.22</b>	<b>6,589.62</b>	<b>3,135.61</b>	<b>1,972.75</b>	<b>1,647.73</b>	<b>1,152.97</b>
<b>I</b>	<b>Net Worth (G+ H )</b>	<b>13736.46</b>	<b>7,089.63</b>	<b>3,635.62</b>	<b>2,472.76</b>	<b>2,801.91</b>	<b>2,555.18</b>

Note:

The above statement should be read with the notes to restated unconsolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexure IV A, IV B & IV C.

**ANNEXURE II: Restated Unconsolidated Summary Statement of profits and losses -**

**Rs. In Lakhs**

Sr. No.	Particulars	For the period ended 31 <sup>st</sup> Dec-2010	For the year ended 31 <sup>st</sup> Mar 2010	For the year ended 31 <sup>st</sup> Mar 2009	For the year ended 31 <sup>st</sup> Mar 2008	For the year ended 31 <sup>st</sup> Mar 2007	For the year ended 31 <sup>st</sup> Mar 2006
<b>A</b>	<b>Income</b>						
<b>I</b>	Sales						
<b>a</b>	- of products manufactured by the Company	37934.20	37,831.05	33,564.66	22,685.99	16,725.62	10,242.18
<b>b</b>	- of products traded in by the Company	-	1,274.90	1,255.38	4,738.49	2,485.13	1,443.86
	<b>Total (a+b)</b>	<b>37934.20</b>	<b>39,105.95</b>	<b>34,820.04</b>	<b>27,424.48</b>	<b>19,210.75</b>	<b>11,686.04</b>
<b>II</b>	Other Income	216.00	116.32	261.24	168.21	52.86	36.14
	<b>TOTAL (I+II)</b>	<b>38150.20</b>	<b>39,222.27</b>	<b>35,081.27</b>	<b>27,592.69</b>	<b>19,263.61</b>	<b>11,722.18</b>
<b>B</b>	<b>Expenditure</b>						
<b>a</b>	Raw Material Consumed	22164.35	22,007.80	24,331.66	21,936.29	14,542.71	8,376.94
<b>b</b>	Staff Costs	1373.59	1,805.37	1,065.06	541.27	298.10	61.54
<b>c</b>	Other Manufacturing Expenses	2875.72	3,020.16	2,376.75	1,311.57	1,435.71	1,325.13
<b>D</b>	Selling & Administration Expenses	1811.81	2,022.91	1,593.95	1,408.33	878.08	620.71
	<b>TOTAL B = (a+b+c+d)</b>	<b>28225.47</b>	<b>28,856.23</b>	<b>29,367.42</b>	<b>25,197.46</b>	<b>17,154.60</b>	<b>10,384.32</b>
<b>C</b>	<b>Profit before Interest, Depreciation, Tax and Adjustments (C) = (A) - (B)</b>	<b>9924.73</b>	<b>10,366.04</b>	<b>5,713.85</b>	<b>2,395.23</b>	<b>2,109.01</b>	<b>1,337.86</b>
<b>D</b>	Interest and Finance Charges	4715.87	4,915.25	3,020.81	1,287.38	837.87	505.47
<b>E</b>	Depreciation / Amortisations	1306.01	1,266.66	868.46	576.23	424.54	342.63
<b>F</b>	Keyman Insurance premium received back	-	-	-	-	-	(786.00)
<b>G</b>	<b>TOTAL (D+E+F)</b>	<b>6021.88</b>	<b>6,181.91</b>	<b>3,889.27</b>	<b>1,863.61</b>	<b>1,262.41</b>	<b>62.10</b>
<b>H</b>	<b>Profit before tax and adjustments as restated (H) = (C) - (G)</b>	<b>3902.85</b>	<b>4,184.12</b>	<b>1,824.59</b>	<b>531.63</b>	<b>846.60</b>	<b>1,275.76</b>
<b>I</b>	Provision for Taxation						
<b>a</b>	- Current Tax	789.69	715.76	211.08	60.23	94.99	107.36
<b>b</b>	- Deferred Tax Charges / (Release)	708.62	729.90	644.41	191.09	287.43	214.33
<b>c</b>	- Wealth Tax	-	0.21	0.43	0.43	0.25	0.08
<b>d</b>	- Fringe Benefit Tax	-	-	16.90	10.40	8.00	9.79
<b>e</b>	- MAT Credit	(772.76)	(715.76)	(211.08)	(60.23)	(94.99)	(73.50)
	<b>TOTAL I = (a+b+c+d+e)</b>	<b>725.55</b>	<b>730.11</b>	<b>661.73</b>	<b>201.93</b>	<b>295.68</b>	<b>258.05</b>
<b>J</b>	<b>Profit after Tax as restated (J) = (H) - (I)</b>	<b>3177.30</b>	<b>3,454.01</b>	<b>1,162.86</b>	<b>329.70</b>	<b>550.92</b>	<b>1,017.70</b>
<b>K</b>	Profit / (Loss) at the beginning of the year as restated	5724.79	2,544.69	1,498.75	1,598.73	1,128.97	190.00
<b>L</b>	<b>Profit balance available for appropriation</b>	<b>8902.09</b>	<b>5998.70</b>	<b>2,661.61</b>	<b>1,928.43</b>	<b>1,679.89</b>	<b>1,207.70</b>
<b>M</b>	<b>Appropriation</b>						
<b>a</b>	Dividend	-	-	-	4.00	48.00	48.00
<b>b</b>	Dividend Tax	-	-	-	0.68	8.16	6.73
<b>c</b>	Transferred to Capital Redemption Reserve	-	-	-	400.00	-	-
<b>d</b>	General Reserve	-	273.91	116.92	25.00	25.00	24.00
	<b>TOTAL M = (a+b+c+d)</b>	<b>-</b>	<b>273.91</b>	<b>116.92</b>	<b>429.68</b>	<b>81.16</b>	<b>78.73</b>
<b>N</b>	<b>Balance Carried</b>	<b>8902.09</b>	<b>5,724.79</b>	<b>2,544.69</b>	<b>1,498.75</b>	<b>1,598.73</b>	<b>1,128.97</b>

Sr. No.	Particulars	For the period ended 31 <sup>st</sup> Dec- 2010	For the year ended 31 <sup>st</sup> Mar 2010	For the year ended 31 <sup>st</sup> Mar 2009	For the year ended 31 <sup>st</sup> Mar 2008	For the year ended 31 <sup>st</sup> Mar 2007	For the year ended 31 <sup>st</sup> Mar 2006
	Forward to Balance Sheet as Restated (L)- (M) (Refer annexure V )						

Note:

The above statement should be read with the notes to restated unconsolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexure IV A, IV B & IV C.

**ANNEXURE III: Restated Unconsolidated Summary Statement of Cash Flow for the year ended**  
**Rs. In Lakhs**

Particulars	31 <sup>st</sup> Dec-2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008	31 <sup>st</sup> Mar 2007	31 <sup>st</sup> Mar 2006
<b>Cash flow from operating activities</b>						
Net Profit Before tax as restated	<b>3902.85</b>	<b>4,184.12</b>	<b>1,824.59</b>	<b>531.63</b>	<b>846.60</b>	<b>1,275.76</b>
<b>Adjustments for</b>						
Depreciation	1306.01	1,266.66	858.78	580.27	428.78	361.36
Interest Expenditure	4715.87	4,915.25	3,020.81	1,272.11	837.87	473.73
Interest Income	-	(22.09)	(127.22)	(3.24)	(9.51)	(27.73)
Provision for leave encashment	-	18.71	45.47	-	-	-
Loss on sale of fixed Assets	-	7.64	11.00	-	-	-
Provision for Doubtful Debts	59.37	27.48	38.43	-	-	-
Unrealised Forex (Gain) / Loss	-	23.47	102.18	-	-	-
Preliminary Expenses W/off	-	-	-	-	6.83	0.94
Provision for Gratuity	-	-	(36.71)	13.25	10.52	3.66
Provision for Other Exps	-	-	-	-	109.87	54.01
Provision for Bonus	-	-	-	-	-	4.88
	<b>6081.25</b>	<b>6,237.13</b>	<b>3,912.75</b>	<b>1,862.39</b>	<b>1,384.36</b>	<b>870.85</b>
<b>Operating profit before working cap. Changes</b>	<b>9984.11</b>	<b>10,421.25</b>	<b>5,737.34</b>	<b>2,394.02</b>	<b>2,230.96</b>	<b>2,146.61</b>
<b>Adjustments for changes in working capital</b>	-	-	-	-	-	-
(Increase)/Decrease In Trade Debtors	899.09	(4,856.96)	3,081.07	782.97	(2,028.48)	(69.39)
(Increase)/Decrease In Inventories	(4557.73)	(3,226.28)	(105.28)	(2,356.86)	(1,070.29)	(917.93)
(Increase)/Decrease In Loans and advances	(3456.67)	(1,228.47)	(2,229.95)	(1,148.71)	(508.41)	(193.33)
Increase/(Decrease) In Current Liabilities and Provisions	2854.36	4,571.24	312.48	3,855.48	4,568.87	406.72
<b>Cash generated from Operations</b>	<b>5723.16</b>	<b>5,680.78</b>	<b>6,795.66</b>	<b>3,526.90</b>	<b>3,192.65</b>	<b>1,372.68</b>
Income Tax Paid	718.31	171.84	36.92	-	-	65.00
<b>Net Cash from operation activities (A)</b>	<b>5004.85</b>	<b>5,508.94</b>	<b>6,758.74</b>	<b>3,526.90</b>	<b>3,192.65</b>	<b>1,307.68</b>
<b>B. Cash flow from Investing activities</b>						
Purchase of Fixed Assets	(3636.20)	(5,260.77)	(12,152.69)	(5,014.35)	(3,687.24)	(1,155.33)
Proceeds from Sales of Fixed Assets	-	7.33	32.06	-	-	-
Increase / Purchase of Investments	-	-	(896.45)	(1,488.22)	(68.80)	-
Interest Received (Revenue)	-	22.09	127.22	3.24	9.51	27.73
<b>Net cash used in investing activities (B)</b>	<b>(3636.20)</b>	<b>(5,231.35)</b>	<b>(12,889.86)</b>	<b>(6,499.33)</b>	<b>(3,746.53)</b>	<b>(1,127.60)</b>
<b>C. Cash flow from Financing activities</b>						
Issue of Equity Share Capital	3469.52	-	-	0.01	-	-
Redemption of Preference Share Capital	-	-	-	(400.00)	-	-
Proceeds from share pending allotment	-	-	-	(254.19)	(248.02)	(28.98)
Payment of Dividend and Dividend tax	-	-	-	4.68	56.16	54.73
Proceeds/(Repayment) of Long Term Borrowings	1992.88	(564.72)	9,825.68	4,202.27	576.45	(10.67)
Proceeds/(Repayment) of unsecured Borrowings	1220.32	-	-	743.92	753.59	432.07
Proceeds/(Repayment) of Short Term Borrowings	(1276.55)	236.42	363.38	4,966.96	681.53	(423.86)
Interest Paid	(4715.87)	(4,915.25)	(3,020.81)	(1,272.11)	(837.87)	(473.73)
<b>Net cash received (used) in financing activities (C)</b>	<b>690.30</b>	<b>(5,243.55)</b>	<b>7,168.25</b>	<b>7,991.54</b>	<b>981.84</b>	<b>(450.44)</b>
Net Increase / (Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	2058.95	(4,965.96)	1,037.12	5,019.11	427.96	(270.36)
<b>Cash &amp; Cash Equivalents Opening</b>	<b>1581.94</b>	<b>6,547.89</b>	<b>5,510.77</b>	<b>491.66</b>	<b>63.70</b>	<b>334.06</b>
<b>Cash &amp; Cash Equivalents as at Closing</b>	<b>3640.88</b>	<b>1,581.94</b>	<b>6,547.89</b>	<b>5,510.77</b>	<b>491.66</b>	<b>63.70</b>
<b>Cash and Cash equivalents Comprise</b>						
Cash and bank balance	4.34	2.89	160.20	147.95	280.71	(54.64)
Fixed deposits with banks	3640.88	1,579.05	6,387.69	5,362.82	210.95	118.34

2. Figures in brackets indicate cash outflow.

3. The above statement should be read with the notes to restated unconsolidated summary statements of assets and liabilities, profits and losses and cash flows as appearing in annexure IV A, IV B & IV C.

**ANNEXURE IV: Notes to the Restated Unconsolidated Summary Statements of Assets and Liabilities, Profits and Losses and Cash Flows for the nine months period ended December 31, 2010 and for the years ended March 31, 2010, 2009, 2008, 2007 And 2006**

*[All amounts in Indian Rupees Lakhs, except number of shares including share price, unless otherwise stated. The amounts have been rounded off to 'Lakhs rupees' represent amounts that are rounded off, being immaterial amounts]*

**ANNEXURE IVA: Statement of Significant Accounting Policies adopted by the Company in the preparation of financial statements as at and for the period ended December 31, 2010.**

**a) Basis of preparation**

The Restated Unconsolidated Summary Statements have been prepared by applying the necessary adjustments to the Unconsolidated Financial Statements of the company. The unconsolidated financial statements are prepared under historical cost convention, on accrual basis of accounting in accordance with the Companies Act, 1956 and the accounting principles generally accepted in India ('Indian GAAP') and comply in all material respects with the accounting standards notified by Companies Accounting Standards (Rules), 2006 (as amended), to the extent applicable.

**b) Accounting Convention**

The financial statements have been prepared under the historical cost convention, having due regard to fundamental accounting assumptions of going concern, consistency and accrual, in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

**c) Use of estimates**

The preparation of Financial Statements requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provision for doubtful debts, employee benefits, provision for income taxes, the useful lives of depreciable fixed assets and provision for impairment. Actual results may differ from those estimates. Any revisions to accounting estimates are recognized prospectively in current and future periods.

**d) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation or amortization. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

**e) Depreciation**

Depreciation is provided using the Straight Line Method rates as per the useful lives of the fixed assets as estimated by the management, which equal to the corresponding rates prescribed under Schedule XIV of the Companies Act, 1956 as below:

<b>Particulars</b>	
Building	1.63%-3.34%
Office Equipment	4.75%
Plant and Machinery	4.75% - 14.28%
Computers	16.21%
Furniture and Fixtures	6.33%



Vehicles	9.5%
Assets costing less than Rs. 5,000	Fully depreciated in the year of acquisition

Accelerated depreciation rates have been used from FY 2008-09, in some cases for which management is of the view that the treatment reflects useful life of certain fixed assets acquired in FY2008-09. Capital work in progress includes the cost of fixed assets that are not ready for intended use as at the Balance Sheet date.

**Accelerated depreciation rates used**

Asset	Rates as per Schedule XIV	Depreciation Rate Used
Plant & Machinery	10.34%	14.28%
Electrification	4.75%	14.28%

**f) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**g) Borrowing Cost**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets up to the date the asset is put to use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account in the year in which they are incurred.

**h) Investments**

- i. Investments that are readily realizable and intended to be held for not more than one year from the date on which such investment is made are classified as current investments.
- ii. Long term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment.
- iii. Current investments are carried at lower of cost and fair value, which is determined for each individual investment. Cost includes related expenses such as commission / brokerage etc.

**i) Inventories**

- i. Inventories are stated at cost or realizable value, whichever is lower.
- ii. Raw Materials are valued on Weighted Average basis.
- iii. In case of Semi-finished & Finished goods, cost includes material cost, conversion costs, and excise duty, wherever applicable.

**j) Revenue recognition**

- i. Revenue from sales are recognized on dispatch of goods to the customers and are recorded net of trade discounts, rebates, price adjustments, rejections and shortage in transit, taxes and duties.

- ii. Revenue from services is recognized as and when services are rendered and related costs are incurred, in accordance with the terms of specific contracts.
- iii. Dividends are recorded when the right to receive payment is established.
- iv. Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**k) Employee Benefits**

- i. Employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service.
- ii. Retirement Benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.
- iii. Gratuity and Long term compensated absences are provided for based on actuarial valuation, using the projected unit credit method.

**l) Foreign Currency Transactions**

- i. Transactions denominated in foreign currency are accounted for at rates that approximate the exchange rate prevailing on the date of the respective transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.
- ii. Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end closing exchange rate and the resultant exchange differences are recognized in the Profit and loss account.

**m) Taxation**

- i. Income tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax (reflecting the tax effect of timing differences between accounting income and taxable income for the year).
- ii. In accordance with Accounting Standard 22 – ‘Accounting for taxes on Income’, issued by the Institute of Chartered Accountants of India, the deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that they will be realized in future; however, where there is unabsorbed depreciation and carry forward loss under taxation laws, deferred tax assets are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available to realize such assets.
- iii. Deferred tax assets are reviewed at each Balance sheet date and written down or written-up, to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.
- iv. Minimum Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**n) Provisions and contingent liabilities**

- i. A provision is recognized when the Company has present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date.
- ii. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
- iii. Contingent assets are neither recognized nor disclosed in the financial statements.

#### **o) Segment Reporting**

##### **a) Primary Segment**

Based on the guiding principles given in the Accounting Standard – 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India, the group’s primary segments are Motor Vehicle Parts, Tubes, & Others.

The above business segments have been identified considering -

- i. The nature of the products,
- ii. The related risks and returns, and
- iii. The internal financial reporting systems.

Revenue and expenses have been accounted for based on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under “Unallocable Expenses.” Assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under “Unallocable Assets/Liabilities.”

##### **b) Secondary Segment**

The Company caters mainly to the needs of Indian markets. Export turnover during the year being less than 10% of the total turnover, there are no reportable geographical segments.

#### **p) Government Grants and Subsidies**

Revenue grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

#### **q) Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased Asset are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**r) Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period.

**s) Foreign Currency exposures**

The Company uses derivative instruments such as forward exchange contracts with an objective to hedge its financial risks associated with its business viz. foreign exchange, interest rate. .

## ANNEXURE IVB: Notes on material adjustments

- I. Below mentioned is the summary of results of adjustments / rectifications made in the audited accounts of the respective years and its impact on profits and losses and assets and liabilities. (In Rs. Lakhs)

Sr. No.	Adjustments [(income)/expenses] in Statement of Profit & Loss arising out of:	31 <sup>st</sup> Dec 2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008	31 <sup>st</sup> Mar 2007	31 <sup>st</sup> Mar 2006
	<b>Net Profit as per Audited Financial Statements before adjustments</b>	<b>3,828.85</b>	<b>2,739.06</b>	<b>1,169.23</b>	<b>364.42</b>	<b>1,203.59</b>	<b>941.82</b>
<b>A</b>	<b>Changes in Accounting Policies / correction of accounting policies</b>						
	(a) Accounting for restatement of Closing Stock (refer Annexure IV B Note A (1))	-	(143.23)	(55.94)	(90.90)	(660.78)	(151.19)
	(b) Accounting for restatement of fixed assets (refer Annexure IV B Note A (2))	-	-	24.02	(4.04)	(2.82)	(16.99)
	(c) Accounting for Gratuity expenses as per the AS - 15 Employee Benefits (refer Annexure IV B Note A (3))	-	-	36.71	(13.25)	(10.52)	(3.66)
	<b>Sub Total</b>	<b>-</b>	<b>(143.23)</b>	<b>4.79</b>	<b>(108.19)</b>	<b>(674.11)</b>	<b>(171.84)</b>
<b>B</b>	<b>Other Adjustments</b>						
	Prior Period: Other Expenses (refer Annexure IVB Note B (1))	-	-	178.46	(56.80)	6.19	(8.56)
	Prior Period: Deferred Revenue Expenditure (refer Annexure IVB Note B (1))	-	-	27.85	18.41	11.57	(23.31)
	<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>206.31</b>	<b>(38.39)</b>	<b>17.76</b>	<b>(31.87)</b>
	<b>Total Adjustments (A + B)</b>	<b>-</b>	<b>(143.23)</b>	<b>211.10</b>	<b>(146.58)</b>	<b>(656.35)</b>	<b>(203.70)</b>
	<b>Net Profit before Tax adjustments</b>	<b>3,828.85</b>	<b>2,595.83</b>	<b>1,380.33</b>	<b>217.84</b>	<b>547.24</b>	<b>738.12</b>
	Current Tax impact on adjustments (refer Annexure IVB Note B (3))	(489.12)	18.56	(23.37)	(31.11)	75.06	27.26
	Deferred tax impact on adjustments (refer Annexure IVB Note B (3))	(474.40)	375.22	(240.19)	61.71	(20.83)	178.82
	MAT Credit impact on adjustments (refer Annexure IVB Note B (3))	311.97	464.41	46.09	81.26	(50.55)	73.50
	<b>Net Profit after adjustments After Tax as restated</b>	<b>3,177.30</b>	<b>3,454.01</b>	<b>1,162.86</b>	<b>329.70</b>	<b>550.92</b>	<b>1,017.70</b>

### Notes:

#### A. Changes in accounting policies / correction of incorrect accounting policies

##### 1) Change in Valuation of Closing Stock

For the year ended 31st March 2009 onwards, the Company was in the process of implementation of SAP- R/3 ERP System which entails adoption of universally tested business practices which are pre- defined and formatted in the system. Consequent to this the Company had changed the basis of valuation of inventory from FIFO to Weighted Average in the FY 2008-09.

However the figures considered for reinstatement of closing stock have been reworked on the basis of valuation of inventory on Weighted Average method from FY 2005-06 onwards. We have reviewed the calculation to arrive at the weighted average cost on the basis of said figures.

##### 2) Write Off of Fixed Assets costing below Rs. 5,000/-

Up to FY 2007-08 Fixed Assets costing below Rs. 5,000/- were not depreciated @ 100% as provided in Schedule XIV of the Companies Act, 1956. From FY 2008-09 the company has started to depreciate such fixed assets @ 100%. Accordingly, adjustments have been made in the summary statement of profit and loss, as restated and the

summary statement of assets and liabilities, as restated for depreciating the fixed assets to the respective years @ 100% and adjusting the depreciation charged on these assets in the respective years, from the years ended 31 March 2006, 31 March 2007, and 31 March 2008.

### 3) *Retirement Benefit*

Up to FY 2007-08 Retirement Benefits in respect of gratuity at retirement/cessation and Leave Encashment was provided for on actual basis and Company's contribution paid/payable to Provident Fund and Labour Welfare fund are recognized in the Profit and loss Account. However from the FY 2008-09 the company has provided retirement benefit in respect of the gratuity at retirement/cessation and leave encashment from the FY 2009-10 on the basis of valuations, as at the Balance Sheet date, made by an independent actuary.

## **B. Other Adjustments**

### 1. *Prior period items*

Prior period items for a particular period has been adjusted in the year in which the expenses has actually accrued to the profit and loss account for the period ended on 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010 and 31 December 2010.

### 2. *Regroupings*

Figures have been regrouped to ensure consistency of presentation. Appropriate adjustments have been made in the restated summary statements of Assets and Liabilities, Profits and Losses and Cash flows, wherever required, by reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the regroupings as per the audited financials of the Company for the period ended December 31, 2010.

### 3. *Taxation*

Provision for taxation (income tax and deferred tax) for the respective years has been recomputed on the above adjusted profits on the basis of the rates applicable to the respective years.

Amount sanctioned under Industrial Promotional subsidy (grouped under sales) by State Government of Maharashtra for setting up Mega Project unit is considered as non-taxable based on the legal opinion obtained by the company. Accordingly tax expenses related to IPS scheme for 31st March 2010 of Rs. 644.30 Lacs (Current tax Rs. 489.12 Lacs, Deferred Tax Rs. 467.15 Lacs and Mat Credit Rs. -311.97 Lacs), is written back in the Profit and Loss statement for the nine months period ended on December 31, 2010.

In Statement of Profits and Losses, as restated, for nine month period ended December 31, 2010, the tax expense of Rs. 644.30 Lacs is adjusted to reflect the same in the Statement of Profits and Losses, as restated for the period ended March 31, 2010.

## **II. Following are the audit qualifications and these do not require any corrective adjustment in the financial information:**

### i. For the nine month period ended 31 December 2010

There are no audit qualifications to be reported.

### ii. Financial year ended 31 March 2010

There are no audit qualifications to be reported.

### iii. Financial year ended 31 March 2009

a. The Company was in the process of implementation of ERP Solution – SAP R/3. As explained due to inadequate training/implementation process, the reports as required are not adequately configured and

therefore not made available to us. In view of this we are not in a position to comment on the discrepancies that would have been noticed between physical stock and book records.

- b. Company has an Internal Audit System. In our opinion the scope, coverage and the frequency of Internal Audit needs to be strengthened in order to be commensurate with the size and nature of the Company's business.

iv. Financial year ended 31 March 2008

There are no audit qualifications to be reported.

v. Financial year ended 31 March 2007

There are no audit qualifications to be reported.

vi. Financial year ended 31 March 2006

There are no audit qualifications to be reported.

- III. Reconciliation between the audited and the restated accumulated profit and loss balance as at 1 April 2005, is given below:

(Rs. In Lakhs)	
<b>Profit &amp; Loss Account as at 1st April 2005</b>	
<b>Particulars</b>	<b>Amount</b>
Profit & Loss Account as at 1st April, 2005 (Audited)	236.65
Depreciation (refer Annexure IV Note A (2))	2.25
Gratuity	9.28
Fixed Assets written off (refer Annexure IV Note A (2))	5.10
Prior Period items (refer Annexure IV Note B)	34.53
Profit & Loss Account as at 1st April, 2005 (Restated)	190.00

**ANNEXURE IV C: Notes to the restated unconsolidated summary statements of assets and liabilities, profits and losses and cash flows for the nine months period ended December 31, 2010 and for the year's ended March 31, 2010, 2009, 2008, 2007, 2006**

**1) Significant notes (based on audited financial statements) and changes in the business of the Company during the last five financial years**

Innoventive Industries Limited ('the Company') formerly Arihant Domestic Appliance Limited, was incorporated on 22.08.1991 with the name – Arihant Domestic Appliances Pvt. Ltd. The company commenced manufacture of ERW steel tubes and CEW steel tubes with effect from October 2002, after takeover of the company by the new management team. Since then there has been no changes in the business activities. The company was converted in Public limited company with effect from 9<sup>th</sup> Jan. 2009. On 24<sup>th</sup> March 2010 the name of the company has been changed from Arihant Domestic Appliances Limited to Innoventive Industries Limited.

**2) Contingent Liabilities**

(Rs. in Lakhs)						
Particulars	Dec-2010	2009-10	2008-09	2007-08	2006-07	2005-06
Corporate Guarantees	3,015.00	3,148.00	7,748.00	3,430.00	2,740.00	-
Other Guarantees	-	-	20.00	20.00	20.00	-
Export obligation against EPCG Licenses	199.68					
Claims against the Company not acknowledged as debts *	458.91	3.01	0.92	-	-	-

\*Based on discussions with the legal experts / favorable decisions in similar cases/legal opinions taken by the Company, the management believes that the Company has a good chance of success in above-mentioned cases and hence, no provision there against is considered necessary.

**3) Operating Leases**

The Company as a lessee has entered into various short-term cancellable lease agreements, at a notice period up to three months, for leased premises. Gross rental expenses aggregated to Rs. 102.68 Lakhs for Apr –Dec 2010 (FY 2009-10 - Rs. 138.57 Lakhs, FY 2008-09 - Rs 149.29 Lakhs, FY 2007-08 - Rs. 55.83 Lakhs, Year 2006-07 - Rs 32.05 Lakhs, Year 2005-06 - Rs 8.80 Lakhs).

**4) Capital Commitments**

Estimated amount of contracts to be executed on capital account and not provided for (net of advances)  
Rs. 182.04 Lakhs for December 31, 2010 (March 31, 2010 - Rs 139.44 Lakhs, March 31, 2009 - Rs 1419.55 Lakhs, March 31, 2008 - Rs. 84.34 Lakhs, March 31, 2007 - Rs 43.10 Lakhs and March 31, 2006 – Rs. 60.53 Lakhs)

**5) Fixed Assets and CWIP**

Capital Work in Progress includes expenditure on patents applied for by the company to the tune of Rs. 120.65 Lakhs for Apr – Dec 2010, Rs. 459.10 lakhs for FY 09-10 and Rs. 63.65 for FY 08-09.

**6) Deferred Tax**

a)Income taxes provided in earlier years in respect of which either additional demand has been subsequently paid to the authorities or refunds have been subsequently received from the authorities, on completion of assessments, have been adjusted in the Restated Summary Statements of such years, when such amounts were originally



provided. Deferred Tax Asset/Liability reviewed at in the respective years, and has been restated to the respective years.

b) Amount sanctioned under Industrial Promotional subsidy (grouped under sales) by State Government of Maharashtra for setting up Mega Project unit is considered as non-taxable based on the legal opinion obtained by the company. Accordingly tax expenses related to IPS scheme for 31st March 2010 of Rs. 644.30 Lacs is written back during this period.

The Break-up of Deferred Tax Assets / (Liabilities) is as follows:

Particulars	31- Dec-2010	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
<b>Deferred Tax Liability</b>						
On Fiscal allowances of Fixed Assets	(3,091.94)	(2,672.43)	(1,888.71)	(1,380.61)	(906.70)	(465.10)
Reversal of Deferred tax assets						
<b>Less: Deferred Tax Assets</b>						
On Unabsorbed Depreciation		32.92		295.77	135.68	
On Other Timing Differences	117.69	373.89	352.99	193.52	70.80	52.31
<b>Net Asset/(Liability)</b>	<b>(2,974.25)</b>	<b>(2,265.62)</b>	<b>(1,535.72)</b>	<b>(891.32)</b>	<b>(700.22)</b>	<b>(412.80)</b>

#### 7) Disclosures under Micro, Small and Medium Enterprises Act, 2006

Suppliers covered under **Micro, Small & Medium Enterprises Development Act, 2006**, have not furnished required information regarding filing of necessary memorandum with appointed authority. In view of this, information required under Section 22 of the said Act is not given.

#### 8) Year ended 31 March 2009

During the year, the Company has acquired additional 25% share in Sankalp Forgings Pvt. Ltd. And by which Company's holding in the extended to 51% and as such Sankalp Forgings Pvt. Ltd. Became subsidiary of the company w.e.f. 1<sup>st</sup> December, 2008

#### 9) Year ended 31 March 2008

- Pursuant to the approval of the shareholders, the Company has redeemed 40,00,000 12% Preference Shares of Rs.10 each. Capital Redemption Reserve has been created to that extend.
- The Company has acquired 18,99,999 shares of Rs. 10 each i.e. 99.99% of Arihant Auto Components Pvt. Ltd. thereby making it a subsidiary company.
- The Company has acquired 7,99,999 shares of Rs. 10 each i.e. 99.99% of Arihant Steel and Metal Wires Pvt. Ltd. thereby making it a subsidiary company.
- The Company has acquired 9,999 shares of Rs. 10 each i.e. 99.99% of Arihant Steel Products and Services Pvt. Ltd. thereby making it a subsidiary company.
- The Company has acquired 22,69,499 shares of Rs. 10 each i.e. 99.99% of Saicon Steels Pvt. Ltd. thereby making it a subsidiary company, present share holding of the company in Saicon Steels Pvt. Ltd is 51%.
- The Company has acquired 3,99,999 shares of Rs. 10 each i.e. 99.99% of Seven Star Electrodes Pvt. Ltd. thereby making it a subsidiary company.

#### 10) Employee benefits- Gratuity

From the year ended March 31, 2009, the Company changed its accounting policy for provision for Gratuity, and accrued on the basis of an actuarial valuation made at the end of each financial year, which was earlier made on actual basis. For the purposes of the Restated Summary Statements, the revised policy has been applied retrospectively.

#### *Defined Benefit Plans*

The following table sets out the status of the Gratuity Plan as required under AS 15 (Revised):

(Rs. in Lakhs)

<i>Reconciliation of opening and closing balance of obligation</i>						
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>
Liability at the beginning of the Period	65.22	69.82	24.44	14.91	8.52	5.88
Interest Cost	3.99	5.24	0.00	1.19	0.68	0.41
Current Service Cost	16.19	36.52	45.38	8.38	4.55	3.33
Benefits Paid	(2.39)	(0.91)	(0.94)	0.00	0.00	0.00
Actuarial (Gain)/Loss on obligation	(21.26)	(45.45)	0.94	(0.04)	1.15	-1.09
Liability at the end of the period	61.73	65.22	69.82	24.44	14.91	8.52

(Rs. in Lakhs)

<i>Reconciliation of Op and Cl bal of Fair Value of Plan Assets</i>						
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>
Fair Value of Plan Assets at the beginning of the Period	115.16	96.30	21.00	0.00	0.00	0.00
Expected Return on Plan Assets	7.05	7.22	1.68	0.00	0.00	0.00
Contributions	0.01	14.07	45.55	21.00	0.00	0.00
Benefit Paid	(2.39)	(0.91)	(0.94)	0.00	0.00	0.00
Actuarial gain/(loss) on Plan Assets	(1.46)	(1.52)	29.01	0.00	0.00	0.00
Fair Value of Plan Assets at the end of the Period	118.37	115.16	96.30	21.00	0.00	0.00
Total Actuarial Gain/(Loss) To Be Recognized	19.80	43.93	28.07	0.04	(1.15)	1.09

(Rs. in Lakhs)

<i>Expenses Recognized in Profit and Loss Account</i>	<b>Dec 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>
Current Service Cost	16.19	36.52	45.38	8.38	4.55	3.33
Interest Cost	3.99	5.24	0.00	1.19	0.68	0.41
Expected Return on Plan Assets	(7.05)	(7.22)	(1.68)	0.00	0.00	0.00
Net Actuarial (Gain)/Loss To Be Recognized	(19.80)	(43.93)	(28.07)	(0.04)	1.15	(1.09)
Expense Recognized in Profit & Loss account	(6.67)	(9.39)	15.63	9.53	6.38	2.65

(Rs. in Lakhs)

<i>Amount Recognized in the Balance Sheet:</i>						
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>
Opening net liability	(49.94)	(26.48)	24.44	14.91	8.52	5.88
Expense as above	(6.67)	(9.39)	15.63	9.53	6.38	2.65
Employers Contribution paid	(0.01)	(14.07)	(45.55)	0.00	0.00	0.00

<i>Amount Recognized in the Balance Sheet:</i>						
Closing net Liability	(56.63)	(49.94)	(26.48)	24.44	14.91	8.52

*(Rs. in Lakhs)*

<i>Actual Return on Plan Assets</i>						
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>
Expected Return on Plan Assets	7.05	7.22	1.68	0.00	0.00	0.00
Actuarial gain/(loss) on Plan Assets	(1.46)	(1.52)	29.39	0.00	0.00	0.00
Actual Return on Plan Assets	5.59	5.70	30.07	0.00	0.00	0.00

*(Rs in Lakhs)*

<i>Principal Actuarial Assumptions for Defined Benefit Plans</i>						
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY2010</b>	<b>FY2009</b>	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>
Discount Rate	8.25%	8.25%	7.50%	8.00%	8.00%	8.00%
Rate of Return on Plan Assets	8.25%	8.25%	7.50%	8.00%	8.00%	8.00%
Salary Escalation	5.00%	5.00%	6.00%	4.00%	6.00%	6.00%

## ANNEXURE V: Restated unconsolidated statement of Reserves & Surplus

Amount in Rs. Lakhs							
Sr. No.	Particulars	31-Dec-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
<b>1</b>	<b>Capital Redemption Reserve</b>					-	-
	Opening Balance	400.00	400.00	400.00	-	-	-
	Add:- Transfer from Profit & Loss A/C				400.00		
	Less:- Utilization for Bonus Issue	37.93			-	-	-
	<b>Subtotal</b>	<b>362.07</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>-</b>	<b>-</b>
<b>2</b>	<b>General Reserve</b>						
	Opening Balance	464.83	190.92	74.00	49.00	24.00	-
	Add:- Transfer from Profit & Loss A/C		273.91	116.92	25.00	25.00	24.00
	<b>Subtotal</b>	<b>464.83</b>	<b>464.83</b>	<b>190.92</b>	<b>74.00</b>	<b>49.00</b>	<b>24.00</b>
<b>3</b>	<b>Profit and Loss Account</b>						
	Opening Balance	5,724.79	2,544.69	1,498.75	1,598.73	1,128.97	190.00
	Add:- Profit for the year after Appropriation	3,177.31	3,180.10	1,045.95	(99.99)	469.76	938.97
	Less:- Utilization for Bonus Issue	3,044.94					-
	<b>Subtotal</b>	<b>5,857.17</b>	<b>5,724.79</b>	<b>2,544.69</b>	<b>1,498.75</b>	<b>1,598.73</b>	<b>1,128.97</b>
<b>4</b>	<b>Share Premium</b>						
	Opening Balance	-	-	-	-	-	-
	Add:- Addition during the year	3,428.97	-	-	-	-	-
	Less: Share issue expenses	222.82	-	-	-	-	-
	<b>Subtotal</b>	<b>3,206.15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Reserves &amp; Surplus</b>	<b>9,890.22</b>	<b>6,589.62</b>	<b>3,135.61</b>	<b>1,972.75</b>	<b>1,647.73</b>	<b>1,152.97</b>

Note: The figures disclosed above are based on the restated unconsolidated summary statement of Assets & Liabilities of the Company

The Company had created capital redemption reserve upon redemption of preference shares on April 30, 2007 amounting to Rs. 400 lakhs in accordance with Section 80(1) (d) of the Act.

**ANNEXURE VI: Restated unconsolidated statement of Secured Loans and Unsecured Loans and assets charged as securities against Secured Loans**

**Unsecured Loans**

Particulars	Rs in Lakhs					
	As at					
	31 <sup>st</sup> Dec 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2009	231 <sup>st</sup> March 008	31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006
Interest Free Sales Tax Loan	3,181.29	3,181.29	3,131.05	2,184.76	1,440.89	687.29
From Financial Institutions	2,555.92	1,335.55	125.67	-	-	-
Warrants Issued	-	0.05	0.05	0.05	-	-
<b>Total</b>	<b>5,737.21</b>	<b>4,516.89</b>	<b>3,256.77</b>	<b>2,184.81</b>	<b>1,440.89</b>	<b>687.29</b>

Note:

- The figures disclosed above are based on the restated unconsolidated summary statement of Assets & Liabilities of the Company
- For details of the terms and conditions of the unsecured loans please refer to the section titled 'Financial Indebtedness'.
- The Company has not obtained any unsecured loans from its promoters / group companies / subsidiaries / material associate companies.

**Secured Loans**

Particulars	Rs in Lakhs					
	As at					
	31 <sup>st</sup> Dec 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2009	231 <sup>st</sup> March 008	31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006
Term Loans						
- From bank	16,246.18	14,105.49	13,497.54	6,457.41	2,084.41	732.20
- From Financial Institutions	310.42	473.62	2,882.98	1,164.33	1,316.67	809.90
Bank OD / CC from bank	5,337.47	6,518.11	1,509.55	1,202.41	1,041.25	1,676.38
Vehicle loans from bank	35.60	20.21	10.72	15.75	34.13	51.90
Overdraft against fixed deposits	-	95.90	4,868.03	4,811.80	-	-
<b>Total</b>	<b>21,929.67</b>	<b>21,213.33</b>	<b>22,768.82</b>	<b>13,651.70</b>	<b>4,476.46</b>	<b>3,270.38</b>

Note:

- The figures disclosed above are based on the restated unconsolidated summary statement of Assets & Liabilities of the Company
- Secured Borrowings are secured by a pari passu charge on tangible & intangible properties of the company both present and future. For details of the terms and conditions of the secured loans please refer to the section titled 'Financial Indebtness'.

**ANNEXURE VII: Unconsolidated Capitalization Statement as at December 31, 2010**

(Rs. in Lakhs)

Particulars	Pre-issue	Post-issue*
<b>Borrowings</b>		
Short term debts	6,737.68	[●]
Long term debts	20929.20	[●]
<b>Total debts</b>	<b>27,666.88</b>	[●]
<b>Shareholders' funds</b>		
Share capital		
- Equity share capital	3,846.23	[●]
- Preference share capital	-	[●]
Reserves		
- General reserve	464.83	[●]
- Share Premium Account	3,206.16	
- Capital Redemption Reserve	362.07	[●]
- Profit and Loss Account	5,857.16	[●]
<b>Total shareholders' funds</b>	<b>13,736.45</b>	[●]
Long Term Debt / Equity Ratio	1.52	[●]

\*The corresponding post issue capitalization data is not determinable at this stage pending the completion of the Book Building process and hence have not been furnished

Notes:

The figures disclosed in the above table are based on the restated unconsolidated summary statement of Assets and Liabilities of the Company.

Long term debt / equity ratio

$$\frac{\text{Long term debt}}{\text{Total shareholder's funds}}$$

**ANNEXURE VIII: Restated unconsolidated statement of Investments**
**( Rs in Lakhs)**

	No. of	Face Value	As at	As at	As at	As at	As at	As at
	Shares	per share	31-Dec-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
<b>Equity Stock – Unquoted (fully paid up)</b>								
<b>Shares in Subsidiary Companies</b>								
Arihant Steel & Metal Wire Pvt. Ltd.	7,99,999	10	80	80	80	80	0	0
Arihant Steel & Steel Products Services Pvt. Ltd.	9,999	10	1	1	1	1	0	0
Arihant Auto components Pvt. Ltd.	18,99,999	10	190	190	190	190	0	0
Saicon Steels Pvt. Ltd.	22,69,499	10	0.51	0.51	0.51	0.51	0	0
Sevenstar Electrodes Pvt. Ltd.	3,99,999	10	1,200.00	1,200.00	1,200.00	1,200.00	0	0
Sankalp Forging Pvt. Ltd.	2,23,907	10	978.49	978.49	978.49	-	0	0
<b>Total</b>			<b>2,450.00</b>	<b>2,450.00</b>	<b>2,450.00</b>	<b>1,471.51</b>	<b>0</b>	<b>0</b>
<b>Others</b>								
Sankalp Forging Pvt. Ltd.	75,584	10	-	-	-	82.04	68.33	0
Saicon Steels Pvt. Ltd.	4,449,999	10				0	1	0
The Saraswat Co Op Bank Ltd.	250	10	0.25	0.25	0.25	0.25	0.25	0.25
The Centurion Bank								0.02
20th Century								0.51
<b>Total</b>			<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>82.29</b>	<b>69.58</b>	<b>0.78</b>
<b>Other Quoted Investments</b>								
Mutual Funds	40000 Units	10	4	4	4	4	0	0
			<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>Total</b>			<b>2,454.25</b>	<b>2,454.25</b>	<b>2,454.25</b>	<b>1,557.80</b>	<b>69.58</b>	<b>0.78</b>

The figures disclosed above are based on the Restated Unconsolidated Summary statement of assets and liabilities of the Company.

**ANNEXURE IX: Restated unconsolidated statement of Sundry Debtors**

**(Rs. In Lakhs)**

<b>Particulars</b>	<b>31-Dec-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
<i>Unsecured and considered good</i>						
Debts outstanding for a period						
- exceeding six months	13.17	152.13	-	186.32	158.16	72.37
- less than six months	3,994.21	4,813.71	126.89	3,021.64	3,832.77	1,890.08
<i>Considered doubtful</i>						
- debts outstanding for a period exceeding six months	125.29	65.92	38.43	-	-	-
	<b>4,132.67</b>	<b>5,031.76</b>	<b>165.32</b>	<b>3,207.96</b>	<b>3,990.93</b>	<b>1,962.45</b>
Less: Provision for doubtful debts	125.29	65.92	38.43	-	-	-
	<b>4,007.38</b>	<b>4,965.84</b>	<b>126.89</b>	<b>3,207.96</b>	<b>3,990.93</b>	<b>1,962.45</b>

The figures disclosed above are based on the Restated Unconsolidated Summary statement of assets and liabilities of the Company .



**ANNEXURE X: Restated unconsolidated statement of Loans and Advances****Rs. In Lakhs)**

<b>Particulars</b>	<b>31-Dec-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
<i>Advances to Subsidiaries</i>		-	94.13	221.55	201.41	0.27
Advances recoverable in cash or in kind or for value to be received	1,448.23	1,647.79	1,515.70	815.75	257.13	51.32
Balance with Excise/Custom/Sales tax authorities, etc.	4,866.52	2,538.95	1,329.07	649.49	364.10	249.87
Security deposits	204.72	192.74	192.94	420.18	159.42	163.59
Advances to Suppliers	1,739.54	883.82	1,154.34	78.82	20.00	50.00
MAT Credit Entitlement	1,928.49	1,155.56	439.80	228.72	168.49	73.50
<b>Total</b>	<b>10,187.50</b>	<b>6,418.86</b>	<b>4,725.98</b>	<b>2,414.51</b>	<b>1,170.55</b>	<b>588.54</b>

The figures disclosed above are based on the Restated Unconsolidated Summary statement of assets and liabilities of the Company.

For details of loans outstanding from the promoters, Key Management Personnel etc please refer to Annexure XVI for related party transactions

**ANNEXURE XI: Restated unconsolidated statement of Current Liabilities & Provisions**

<b>Particulars</b>	<b>31-Dec-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
<b>A. Current liabilities</b>						
Sundry creditors	16,020.26	14,491.45	10,793.97	9,793.86	6,670.69	2,716.18
Other liabilities	3,256.00	2,390.94	1,677.08	2,466.95	1,477.72	495.90
<b>TOTAL</b>	<b>19,276.26</b>	<b>16,882.39</b>	<b>12,471.05</b>	<b>12,260.81</b>	<b>8,148.41</b>	<b>3,212.08</b>
<b>B. Provisions</b>						
Provision for corporate tax	789.69	715.97	211.5	60.67	95.24	107.44
Provision for gratuity (Refer note A 3 of Annexure IV B)	61.52	64.18	45.47	36.71	23.46	12.94
<b>TOTAL B</b>	<b>851.21</b>	<b>780.15</b>	<b>256.97</b>	<b>97.38</b>	<b>118.70</b>	<b>120.38</b>
<b>GRAND TOTAL (A+B)</b>	<b>20,127.47</b>	<b>17,662.54</b>	<b>12,728.02</b>	<b>12,358.19</b>	<b>8,267.11</b>	<b>3,332.46</b>

The figures disclosed above are based on the Restated Unconsolidated Summary statement of assets and liabilities of the Company.

**ANNEXURE XII: Restated unconsolidated statement of items of Other Income****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Period ended December 31, 2010</b>	<b>For the year ended March 31, 2010</b>	<b>For the year ended March 31, 2009</b>	<b>For the year ended March 31, 2008</b>	<b>For the year ended March 31, 2007</b>	<b>For the year ended March 31, 2006</b>
<b>Other Income</b>						
Interest received on fixed deposit (net of interest on overdraft)	-	22.09	127.22	3.24	9.51	27.73
Exchange gain (net)	134.25	50.62	-	64.2	20.18	1.38
Dividend on mutual funds/ shares	0.05	0.05	0.05	0.05	0.05	0.05
Miscellaneous income	4.25	43.56	133.97	22.85	23.12	6.98
Income from DEPB	77.45					
Capital gain on sale of land		-	-	77.87	-	-
<b>Total</b>	<b>216.00</b>	<b>116.32</b>	<b>261.24</b>	<b>168.21</b>	<b>52.86</b>	<b>36.14</b>

The figures disclosed above are based on the restated unconsolidated summary statement of Profits and Losses of the Company

**ANNEXURE XIII: Restated unconsolidated statement of Dividend paid**

**The Company has declared dividends on the Preference Shares during the years ended 31 March 2006, 31 March 2007 and 31 March 2008.**

**(Rs. in Lakhs)**

Particulars	FY 2008	FY 2007	FY 2006
Preference Share Capital			
Number of shares of face value of Rs. 10 each	4,000,000	4,000,000	4,000,000
Rate of Dividend	12.00%	12.00%	12.00%
Amount of Dividend Paid (Rs. in Lakhs)	4.00	48.00	48.00
Total Corporate Dividend Tax (Rs. in Lakhs)	0.68	8.16	6.73

**Note:**

1. Dividend for all the years includes dividend on Preference Shares of 40,00,000 of Rs. 10 each. These Preference Shares has been redeemed fully during the FY 2007-08.
2. No dividends on equity share capital were declared for the years ended 31 March 2009, 31 March 2010 and 31 December 2010.

# **ANNEXURE XIV: Restated unconsolidated statement of Accounting Ratios**

**(Rs. in Lakhs)**

Particulars	31-Dec-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
Net Profit before extraordinary items but after adjusted tax (Rs. in Lakhs ) (A)	3,177.30	3,454.01	1,162.86	329.70	550.92	1,017.70
Net worth at the end of the year (Rs. in lakhs ) (B)	13,736.45	7,089.63	3,635.62	2,472.76	2,801.91	2,555.18
Net worth excluding preference share capital at the end of the year (Rs. Lakhs) (C)	13,736.45	7,089.63	3,635.62	2,472.76	2,401.91	2,155.18
Weighted average number of equity shares outstanding during the year (D)	3,68,68,023	3,58,28,740	3,58,28,740	3,58,28,740	3,58,28,640	3,58,28,640
Weighted average number of equity shares and dilutive potential equity shares outstanding during the year (E)	NA	NA	NA	NA	NA	NA
Total number of equity shares outstanding at the end of the year (Face value of Rs. 10 each)* (F)	3,84,62,349	3,58,28,740	3,58,28,740	3,58,28,740	3,58,28,640	3,58,28,640
Earnings per equity share (Rs.)						
- Basic (A/D)	8.62**	9.64	3.25	0.92	1.54	2.84
- Diluted (A/F)	NA	NA	NA	NA	NA	NA
Return on Net Worth (%) (A/B)	23.13%	48.72%	31.99%	13.33%	19.66%	39.83%
Net asset value per share (Rs.) (C/F)	35.71	19.79	10.15	6.90	6.70	6.02

\* Adjusted to include issue of Bonus Shares.

\*\*Not Annualized

Notes:

1. The ratios have been computed as follows:

Earnings per share (Basic) 
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$$

Earnings per share (Diluted) 
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares including dilutive equity equivalent shares outstanding during the year}}$$

Return on net worth 
$$\frac{\text{Net profit after adjusted tax}}{\text{Net worth as at the end of the year}} \times 100$$

Net asset value per equity share 
$$\frac{\text{Net worth as at the end of the year}}{\text{Number of equity shares outstanding at the end of the year}}$$

2. Restated net profit, as appearing in the summary statement of profits and losses, as restated and net worth as appearing in the statement of assets and liabilities, as restated, has been considered for the purpose of computing the above ratios.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share"

prescribed by the Companies (Accounting Standards) Rules, 2006.

4. For the purpose of computing Return on Net Worth, preference share capital and share application money pending allotment has been included for calculating Net Worth.
5. For the purpose of calculating Net Assets Value, preference share capital has not been included for calculating the Net Worth.

**ANNEXURE XV: Restated unconsolidated statement of Tax Shelters**
**(Rs. In Lakhs)**

Particulars	31st Dec ,10	31st March,10	31st March,09	31st March,08	31st March,07	31st March,06
Net Profit before current and deferred taxes as restated	3902.85	4,184.12	1,824.59	531.63	846.60	1,275.76
Tax Rate	33.22%	33.99%	33.99%	33.99%	33.66%	33.66%
MAT Rate	19.93%	16.99%	11.33%	11.33%	11.22%	8.42%
Tax at Normal Rates	1296.43	1,422.18	620.18	180.70	284.97	429.42
<b>Permanent Differences</b>						
Industrial Promotion Subsidy	1772.53	1,887.14				
Donation		1.46	1.11		0.57	0.05
Others		35.16	66.04	3.09	-	-
<b>Total Permanent Differences</b>	<b>1772.53</b>	<b>1,923.77</b>	<b>67.15</b>	<b>3.09</b>	<b>0.57</b>	<b>0.05</b>
<b>Timing Differences</b>						
Difference between book depreciation and Tax depreciation	(1262.78)	(2,459.61)	(1,494.01)	(1,423.25)	(1,315.93)	(628.24)
Unabsorbed Depreciation		(905.95)	(460.24)			(558.77)
Provision for Doubtful debts	59.37	27.48	38.43	-	-	-
Others	-	38.29	24.08	18.36	69.59	11.80
<b>Total Timing Differences</b>	<b>(1203.41)</b>	<b>(3,299.78)</b>	<b>(1,891.74)</b>	<b>(1,404.89)</b>	<b>(1,246.34)</b>	<b>(1,175.21)</b>
<b>Net adjustment</b>	<b>569.12</b>	<b>(1,376.02)</b>	<b>(1,824.59)</b>	<b>(1,401.80)</b>	<b>(1,245.77)</b>	<b>(1,175.16)</b>
<b>Particulars</b>	<b>31st Dec ,10</b>	<b>31 st March,10</b>	<b>31 st March,09</b>	<b>31 st March,08</b>	<b>31 st March,07</b>	<b>31 st March,06</b>
<b>Total Tax expenses /(Savings)</b>	<b>(988.53)</b>	<b>(1,763.04)</b>	<b>(643.00)</b>	<b>(477.52)</b>	<b>(419.52)</b>	<b>(395.58)</b>
<b>Tax Payable for the year</b>						<b>33.84</b>
<b>Tax payable under MAT</b>	<b>789.69</b>	<b>715.76</b>	<b>211.08</b>	<b>60.23</b>	<b>94.99</b>	<b>107.36</b>
<b>Total Tax as per books of accounts, as restated</b>	<b>789.69</b>	<b>715.76</b>	<b>211.08</b>	<b>60.23</b>	<b>94.99</b>	<b>107.36</b>

**ANNEXURE XVI: Restated unconsolidated statement of Related Party Transactions (As per Accounting Standard 18 - "Related Party Disclosures" notified by Companies (Accounting Standards) Rules, 2006, (as amended))**

List of Related Parties as per Accounting Standard – 18 prescribed by Companies (Accounting Standard) Rules, 2006.

Sl. No.	Nature of relationship		Name of the Party
(i)	Enterprises directly / indirectly are under common control with the Company		Arihant Steel & Metal Wires Pvt. Ltd.
			Arihant Steel Products & Services Pvt. Ltd.
			Arihant Auto Components Pvt. Ltd.
			Sankalp Forgings Pvt. Ltd.
			Saicon Steels Pvt. Ltd.
			Sevenstar Electrodes Pvt. Ltd.
(ii)	Key Management Personnel (KMP) & Their Relatives:		
	Name of KMP	Designation of KMP	Relatives
	Mr. Chandu L. Chavan	Executive Chairman	Dr. Shubhangi Jadhav
	Mr. Ravindra W. Katre	Managing Director	Mrs. Mrunal R. Katre
	Mr. Sanjay Waghulade	Whole time Director	Mrs. Anita Waghulade
	Mr. Sanjay Bhade	Promoter	Mrs. Vishakha S. Bhade
	Mr. Parag Mulye	Promoter	Mrs. Kavita P. Mulye
	Mr. Shivaji Katke	Promoter	Mrs. Smita S. Katke
(iii)	Enterprises over which key management personnel or relatives Exercise control/significant influence		Legal status of such entity
	Yashoday Engineers Pvt. Ltd.		Private Limited Company
	Keytool Engineering Solutions Pvt. Ltd.		Private Limited Company
	Opal Luxury Time Products Pvt. Ltd.		Private Limited Company
	GeneOmbio Technologies Pvt. Ltd.		Private Limited Company
	Sourcegenie Consulting Pvt. Ltd.		Private Limited Company
	Phoenix Erectors Pvt. Ltd.		Private Limited Company
	Hotel Gaurish Pvt. Ltd.		Private Limited Company
	Gargi Bio Tek Pvt. Ltd.		Private Limited Company
	Membrane Filter (India) Pvt. Ltd.		Private Limited Company
	Aim Filtertech Pvt. Ltd.		Private Limited Company
	Swaymsiddha Mahila Utkarsha Foundation		Section 25 Company
	M/s Saptashrungi Engineering Works		Partnership Firm
	M/s Hollyhock Tours & Travels		Partnership Firm

Details of transactions with Related Parties

(Rs in Lacs)

Nature of Transactions	For the Period ended December 31, 2010	For the year ended March 31, 2010	For the year ended March 31, 2009	For the year ended March 31, 2008	For the year ended March 31, 2007	For the year ended March 31, 2006
<b>Subsidiaries</b>						
<b>Sales</b>						
<b>-Goods</b>						
Arihant Steel and Metal Wires Pvt Ltd	-	41	20.83	350.8	-	-
Arihant Auto Components Pvt Ltd	408.48	1,084.45	342.62	1,334.87	-	-
Sevenstar Electrodes Pvt Ltd		1,560.26	-	1,014.59	-	-
Sankalp Forgings Pvt Ltd	1189.88	1,649.08	1,729.35	-	-	-



Saicon steels Pvt Ltd	261.34	827.99	3,904.32	2,392.19	-	-
<b>-Scrap Sales</b>						
Arihant Steel and Metal Wires Pvt Ltd	164.90	169.83	264.42	1.95	-	-
<b>Purchases</b>						
<b>-Raw material</b>						
Arihant Steel and Metal Wires Pvt Ltd		0.37	-	-	-	-
Arihant Auto Components Pvt Ltd	1,117.05	23.31	110.98	578.59	-	-
Sevenstar Electrodes Pvt Ltd	396.12	4,757.34	1,604.26	-	-	-
Sankalp Forgings Pvt Ltd	224.32	908.43	-	-	-	-
Saicon steels Pvt Ltd	0.10	-	2,609.65	2,504.47	-	-
<b>-Capital Goods</b>						
Arihant Steel and Metal Wires Pvt. Ltd	1.35	1.28	108.91	-	-	-
Arihant Auto Components Pvt. Ltd		45.16	-	-	-	-
Sevenstar Electrodes Pvt. Ltd		-	461.98	-	-	-
<b>-Services</b>						
Arihant Steel and Metal Wires Pvt. Ltd		0.29	-	-	-	-
Arihant Auto Components Pvt. Ltd		0.64	1.49	10.46	-	-
Sankalp Forgings Pvt. Ltd	4.87	0.19	-	-	-	-
Saicon steels Pvt. Ltd		17.92	42.65	27.14	-	-
<b>Interest Income</b>						
Sankalp Forgings Pvt. Ltd		-	119.71	-	-	-
Saicon Steels Private Limited				110.38	-	-
<b>-Receivables</b>						
Arihant Steel and Metal Wires Pvt. Ltd	1387.52	1,364.14	794.1	495	-	-
Arihant Auto Components Pvt. Ltd	2568.50	3,256.38	1,651.28	1,141.56	-	-
Sevenstar Electrodes Pvt. Ltd		-	-	176.93	-	-
Sankalp Forgings Pvt. Ltd	1768.19	1,459.14	510.36	-	-	-
Saicon steels Pvt. Ltd	1231.69	1,224.48	816.44	465.27	-	-
<b>-Payables</b>						
Arihant Steel and Metal Wires Pvt. Ltd		-	108.91	-		
Arihant Auto Components Pvt. Ltd		9.08	-	-		
Sevenstar Electrodes Pvt. Ltd	2880.86	3,391.56	756.7	-		
Saicon steels Pvt. Ltd		-	7	-		
<b>Advances</b>						
Arihant Steel Product & Services P Ltd		-	-	0.27		
Sankalp Forgings P Ltd			94.13	221.28		
<b>Reimbursement of Expense</b>						
Arihant Auto Components Pvt. Ltd		-	3.81	-	-	-
Sevenstar Electrodes Pvt. Ltd		-	2.65	-		-
Sankalp Forgings Pvt. Ltd		-	0.99	-		-
<b>Investment in subsidiaries</b>						
Sankalp Forgings Pvt. Ltd		-	896.45	-	-	-
<b>Other Related Concerns - Nature of Transactions</b>						
<b>Sales</b>						
<b>-Goods</b>						
Phoenix Enterprises Pvt. Ltd		-	-	3.01	50.4	1,762.64
Opal Luxury time products Pvt. Ltd		0.43	-	-	-	-

Yashoday Engineers Pvt. Ltd	403.03	1,696.59	1,066.57	281.34	-	-
Keytool Engineering Solutions Pvt. Ltd		-	33.33	90.59	-	-
Phoenix Erectors Pvt. Ltd		-	0.29	3.89	6.22	-
Mambrane Filters (India) Pvt. Ltd		-	8.07	-	-	-
Saptashrungi Engineering Works	0.8	-	0.76	-	0.27	-
Source genie Consulting Pvt. Ltd		-	-	1.51	-	-
Arihant Steel and Metal Wires Pvt. Ltd		-	-	-	163.98	12.63
Arihant Auto Components Pvt. Ltd		-	-	-	310.14	-
Aim Filtertech Private Limited		0.34	-	-	-	-
<b>Purchases</b>						
<b>-Raw material</b>						
Phoenix Enterprises Pvt. Ltd		-	-	-	-	35.7
Keytool Engineering Solutions Pvt. Ltd		0.42	0.85	0.41	-	-
Saptashrungi Engineering Works		0.03	-	-	-	-
<b>-Capital goods</b>						
Saptashrungi Engineering Works		192.67	-	149.67	-	-
Arihant Auto Components Pvt. Ltd		-	-	-	107	-
<b>-Services</b>						
Opal Luxury time products Pvt. Ltd		0.59	-	-	-	-
Mambrane Filters (India) Pvt. Ltd		0.24	-	-	-	-
Sourcegenie Consulting Pvt. Ltd		-	11.06	-	-	-
Hotel Gourish Pvt. Ltd		-	1.3	-	0.33	0.08
Swaymsiddha Mahila Utkarsha Foundation		-	0.93	0.08	-	-
M/s Hollyhock Tours and Travels		8.05	18.35	-	-	-
Saicon steels Pvt. Ltd		-	-	0.85	-	-
<b>Receivables</b>						
Phoenix Enterprises		-	-	-	310.49	790.84
Yashoday Engineers Pvt. Ltd	2204.65	1,797.97	203.76	340.9	-	-
Keytool Engineering Solutions Pvt. Ltd		-38.35	-	111.74	-	-
Opal Luxury time products Pvt. Ltd		44.93	98.32	-	-	-
GeneOmbio Technologies Pvt. Limited	1.08	11.98	11.98	11.98	-	-
Source genie Consulting Pvt. Ltd	71.23	67.32	69.08	44.92	1.75	-
Membrane Filters (India) Pvt. Ltd		104.52	8.39	-	-	-
Phoenix Erectors Private Limited	917.77	1,085.62	1,026.34	630.31	292.82	-
Aim Filtertech Private Limited	0.96	0.96	-	11.23	-	-
Saptashrungi Engineering Works	30.40	68.44	175.54	-	-	0.28
Arihant Steel and Metal Wires Pvt. Ltd		-	-	-	185.26	37.23
Arihant Auto Components Pvt. Ltd		-	-	-	90.37	-
Arihant Steel products and services Pvt. Ltd		-	-	-	0.27	0.27
<b>Payables</b>						
Yashoday Engineers Pvt. Ltd		-	84.55	-	-	-
Keytool Engineering Solutions Pvt. Ltd		-	16.94	-	-	-
Opal Luxury time products Pvt. Ltd		-	3.6	0.07	-	-
Source genie Consulting Pvt. Ltd		8.02	3.65	-	-	-
Gargi Bio Tek Private Limited	1.45	1.45	2.4	-	-	-
Swayam Siddha Utkarsha Foundation	0.41	0.31	0.31	-	-	-
Saptashrungi Engineering Works		-	0.11	174.15	-	-

<b>Reimbursement of Expenses-</b>						-
Yashoday Engineers Pvt. Ltd		-	0.05	-	-	-
Opal Luxury time products Pvt. Ltd		-	4.85	-	-	-
Source genie Consulting Pvt. Ltd		-	0.61	-	-	-
Hotel Gourish Pvt. Ltd		-	0.59	-	-	-
<b>Advances</b>						
Arihant Autocomponants Pvt. Ltd					201.41	0.27
Opal Luxury time products Pvt. Ltd		-	65.31	-	-	-
Source genie Consulting Pvt. Ltd		-	19.16	-	-	-
Membrane Filters (India) Pvt. Ltd		-	10.00	-	-	-
<b>Managerial remuneration</b>						
Mr. Chandu L. Chavan	22.33	34.93	12	6	4.84	5.81
Mr. Ravindra W. Katre	24.10	21.1	12.5	9	3.87	3.46
Mr. Sanjay Waghulade	10.50	10.22	8.55	6	2.2	2.4
Mr. Shivaji Katke	-	11.66	6.95	7.8	2.5	2.23
Mr. Sanjay Bhade	-	9.76	9.76	6	3.2	2.7
Mr. Parag Mulye	-	18.33	5.35	4.2	2.79	2

**ANNEXURE XVII: Restated unconsolidated statement of Segment Reporting (As per Accounting Standard 17 - "Segment Reporting" notified by Companies (Accounting Standards) Rules, 2006, (as amended))**

Segment information in accordance with Accounting Standard 17 prescribed by Companies (Accounting Standard) Rules, 2006.

The Company is engaged in the business of manufacture and sale of tubes and products, MV parts, and others. The risk and returns of the Company are affected predominantly by the fact that it operates in different business segments i.e. tubes and products, MV Parts, and Others and accordingly business segment have been considered as the primary segment information.

(Rs. in Lakhs)

Particulars	31st Dec. 2010				31 <sup>st</sup> Mar 2010			
Particulars	MV Parts	Tubes & Products	Others	TOTAL	MV Parts	Tubes & Products	Others	TOTAL
External Sales	12493.13	21279.62	4161.45	37934.20	10,817.51	22,940.29	5,348.15	39,105.95
Segment Profits	2892.16	5644.68	221.31	8758.13	1,929.92	7,190.99	206.3	9,327.21
Unallocable Expenses (Net)	-	-	-	139.41	-	-	-	227.84
Interest				4715.87				4,915.25
Profit Before Taxes				3902.85				4,184.12
Less:								
Provision for Current Tax				789.69				715.76
Provision for Wealth Tax								0.21
Provision for Deferred Tax				708.62				729.90
Provision for Fringe Benefit Tax								-
Mat Credit				(772.76)				(715.76)
Profit After Taxes for the year				3177.30				3454.01
Segment Assets	6542.8	48409.0	2506.6	57458.35	4,123.62	41,683.90	3,944.87	49,752.40
Unallocated Corporate Assets				7046.70				2,995.61
Total Assets				64505.05				52,748.01
Segment Liabilities	3420.20	15916.94	778.33	20127.47	2,069.16	15,426.40	166.98	17,662.54
Capital Expenditure	28.30	3605.01	2.89	3636.20	199.75	5,060.70	0.32	5,260.77
Depreciation	79.39	1226.48	0.14	1306.01	96.78	1,169.82	0.07	1,266.66

Segment information in accordance with Accounting Standard 17 prescribed by Companies (Accounting Standard) Rules, 2006. (Continued)

Particulars	31 <sup>st</sup> Mar 2009				31 <sup>st</sup> Mar 2008			
Particulars	MV Parts	Tubes & Products	Others	TOTAL	MV Parts	Tubes & Products	Others	TOTAL
External Sales	8,870.00	15,284.04	10,666.00	34,820.04	-	17,587.86	9,836.62	27,424.48
Segment Profits	2,396.00	2,372.40	77.00	4,845.40	-	1,606.80	382.67	1,989.47
Unallocable Expenses (Net)	-	-	-	-	-	-	-	170.46
Interest				3,020.81				1,287.38
Profit Before Taxes				1,824.59				531.63
Less:				-				-
Provision for Current Tax				211.08				60.23
Provision for Wealth Tax				0.43				0.43
Provision for Deferred Tax				644.41				191.09
Provision for Fringe Benefit Tax				16.9				10.4
Mat Credit				-211.08				-60.23
Profit After Taxes for the year				1,162.86				329.7
Segment Assets	2,327.05	35,773.33	3,003.62	41,104.00	-	29,254.74	517.52	29,772.26
Unallocated Corporate Assets				2,820.95				1,786.52
Total Assets				43,924.95				31,558.78
Segment Liabilities	2,097.85	10,525.81	104.36	12,728.02	-	11,940.98	417.21	12,358.19
Capital Expenditure	1,472.05	10,647.38	33.26	12152.69	-	4,976.91	37.44	5,014.35
Depreciation	88.04	779.1	1.32	868.46	-	513.4	62.83	576.23

Segment information in accordance with Accounting Standard 17 prescribed by Companies (Accounting Standard) Rules, 2006. (Continued)

Particulars	31 <sup>st</sup> Mar 2007				31 <sup>st</sup> Mar 2006			
Particulars	MV Parts	Tubes & Products	Others	TOTAL	MV Parts	Tubes & Products	Others	TOTAL
External Sales	-	11,798.41	7,412.34	19,210.75	-	9,010.06	2,675.98	11,686.04
Segment Profits	-	1,488.14	300.93	1,789.06	-	1,763.73	114.98	1,878.72
Unallocable Expenses (Net)	-	-	-	104.59	-	-	-	97.49
Interest				837.87				505.47
Profit Before Taxes				846.6				1,275.76
Less:				-				-
Provision for Current Tax				94.99				107.36
Provision for Wealth Tax				0.25				0.08
Provision for Deferred Tax				287.93				214.33
Provision for Fringe Benefit Tax				8				9.79
Mat Credit				-94.99				-73.5
Profit After Taxes for the year				550.92				1,017.70
Segment Assets	-	17,099.50	517.52	17,617.02	-	9,775.65	481.68	10,257.33
Unallocated Corporate Assets				69.58				0.77
Total Assets				17,686.60				10,258.10
Segment Liabilities	-	7,899.94	367.67	8,267.11	-	3,108.34	224.12	3,332.46
Capital Expenditure	-	3,687.24	-	3,687.24	-	1,117.89	37.44	1,155.33
Depreciation	-	420.15	4.39	424.54	-	338.27	4.36	342.63

## FIXED ASSETS SCHEDULE

**Innoventive Industries Limited**

**Financial Year: 2005-06**

**Stand Alone Restated Schedule of Fixed Assets**

Descriptions	Gross Block				Depreciation				Net Block
	as at	Addition s / Reclassifi cations	Deduct ion and Adjus tment s	as at	As on 1.4.2005	For the year	Deducti on and Adjust ments	As on 31.3.2006	As on 31.3.2006
	01.04.2005			31.3.2006	period				
Free Hold Land Account	95.73	63.99		159.72	-	-	-	-	159.72
Leasehold Land Account	-			-				-	-
Building	628.26	300.50		928.76	23.50	22.45		45.96	882.80
Plant & Machinery	1,433.55	348.89		1,782.43	125.00	110.18		235.18	1,547.25
Tools & Dies	1,823.55	71.24		1,894.79	469.73	204.66		674.39	1,220.40
Furniture & Fixtures	1.00	1.86		2.86	0.10	0.08		0.18	2.68
Vehicles	3.56	76.89		80.45	0.29	5.26		5.55	74.90
<b>Total</b>	<b>3,985.64</b>	<b>863.37</b>	<b>-</b>	<b>4,849.01</b>	<b>618.62</b>	<b>342.63</b>	<b>-</b>	<b>961.26</b>	<b>3,887.75</b>
<b>Capital Work In Progress</b>									
Building	-			-					47.05
Plant & Machinery									322.18
Software WIP									14.11

Patents									
Expenditure Pending allocation									
Tools & Dies									4.77
<b>TOTAL CWIP</b>									<b>388.11</b>
<b>TOTAL FIXED ASSETS</b>	<b>3,985.64</b>	<b>863.37</b>	<b>-</b>	<b>4,849.01</b>	<b>618.62</b>	<b>342.63</b>	<b>-</b>	<b>961.26</b>	<b>4,275.86</b>
Less:- Revaluation Reserve on Free Hold Land									65.64
<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>									<b>4,210.22</b>



**Innovative Industries  
Limited**

**Financial Year: 2006-07**

**Stand Alone Restated Schedule of Fixed Assets**

Descriptions	Gross Block				Depreciation				Net Block	
	as at	Additions / Reclassifi cations	Ded ucti on and Adj ust men ts	as at	As on 1.4.2006	For the year	Deduct ion and Adjust ments	As on 31.3.2007	As on 31.3.2007	As on 31.3.2006
	01.04.20 06			31.3.200 7	period					
Free Hold Land Account	159.72	2.49		162.21	-	-	-	-	162.21	159.72
Leasehold Land Account	-			-	-			-	-	-
Building	928.76	88.84		1,017.60	45.96	31.89		77.85	939.75	882.80
Plant & Machinery	1,782.43	1,464.61		3,247.04	235.18	177.23		412.41	2,834.63	1,547.25
Tools & Dies	1,894.79	2,322.85		4,217.64	674.39	210.99		885.38	3,332.26	1,220.40
Furniture & Fixtures	2.86	2.42		5.28	0.18	0.24		0.42	4.85	2.68
Vehicles	80.45	3.50		83.95	5.55	4.20		9.75	74.20	74.90
<b>Total</b>	<b>4,849.01</b>	<b>3,884.71</b>	<b>-</b>	<b>8,733.72</b>	<b>961.26</b>	<b>424.55</b>	<b>-</b>	<b>1,385.81</b>	<b>7,347.91</b>	<b>3,887.75</b>
<b>Capital Work In Progress</b>										
Building	-			-						47.05
Plant & Machinery									185.72	322.18
SAP Implementation								-		14.11

Patents										
Expenditure Pending allocation										
Tools & Dies										4.77
<b>TOTAL CWIP</b>									<b>185.72</b>	<b>388.11</b>
<b>TOTAL FIXED ASSETS</b>	<b>4,849.01</b>	<b>3,884.71</b>	<b>-</b>	<b>8,733.72</b>	<b>961.26</b>	<b>424.55</b>	<b>-</b>	<b>1,385.81</b>	<b>7,533.63</b>	<b>4,275.86</b>
Less:- Revaluation Reserve on Free Hold Land									65.64	65.64
<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>									<b>7,467.99</b>	<b>4,210.22</b>

**Innovative Industries  
Limited  
Financial Year: 2007-  
08  
Stand Alone Restated Schedule of Fixed  
Assets**

Descriptions	Gross Block				Depreciation				Net Block	
	as at	Additio ns / Reclassi fications	Deduc tion and Adjus tment s	as at	As on 1.4.2007	For the year	Deduc tion and Adjus tment s	As on 31.3.200 8	As on 31.3.200 8	As on 31.3.200 7
	01.04. 2007			31.3. 2008	period					
Free Hold Land Account	162.22	520.71	23.13	659.80	-			-	659.80	162.21
Leasehold Land Account	-	0.10		0.10		0.00		0.00	0.10	-
Building	1,017.60	49.98		1,067.58	77.87	47.67		125.53	942.05	939.75
Plant & Machinery	3,251.03	331.16		3,582.19	433.76	223.95		657.71	2,924.49	2,834.63
Tools & Dies	4,217.57	1,563.31		5,780.88	885.36	274.30		1,159.66	4,621.22	3,332.26
Furniture & Fixtures	5.28	26.16		31.44	0.42	0.78		1.21	30.23	4.85
Vehicles	83.96	0.89	1.94	82.91	9.76	8.17		17.93	64.99	74.20
Patents										
<b>Total</b>	<b>8,737.67</b>	<b>2,492.31</b>	<b>25.07</b>	<b>11,204.91</b>	<b>1,407.16</b>	<b>554.87</b>	<b>-</b>	<b>1,962.03</b>	<b>9,242.87</b>	<b>7,347.91</b>

Previous year										
<b>Capital Work In Progress</b>										
Building	-			-						
Plant & Machinery									861.39	185.72
SAP Implementation									153.07	-
Patents									-	
Expenditure Pending allocation									1,710.38	
<b>TOTAL CWIP</b>	-	-	-	-	-	-	-	-	<b>2,724.84</b>	<b>185.72</b>
<b>TOTAL FIXED ASSETS</b>	<b>8,737.67</b>	<b>2,492.31</b>	<b>25.07</b>	<b>11,204.91</b>	<b>1,407.16</b>	<b>554.87</b>	<b>-</b>	<b>1,962.03</b>	<b>11,967.71</b>	<b>7,533.63</b>
Less:- Revaluation Reserve on Free Hold Land									65.64	65.64
<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>									<b>11,902.07</b>	<b>7,467.99</b>

**Innoventive Industries Limited**
**Financial Year: 2008-09**
**Stand Alone Restated Schedule of Fixed Assets**

Descriptions	Gross Block				Depreciation				Net Block	
	as at	Additions / Reclassifications	Deductions and Adjustments	as at	As on 1.4.2008	For the year	Deductions and Adjustments	As on 31.3.2009	As on 31.3.2009	As on 31.3.2008
	01.04. 2008			31.3. 2009	period					
Free Hold Land Account	659.80	224.68		884.48	-	-		-	884.48	659.80
Leasehold Land Account	0.10			0.10	0.00	-		0.00	0.10	0.10
Building	1,067.58	147.62		1,215.20	125.53	25.39		150.92	1,064.28	942.05
Plant & Machinery	3,582.19	2,912.94		6,495.13	657.71	466.36		1,124.07	5,371.07	2,924.49
Tools & Dies	5,780.88	2,487.09		8,267.97	1,159.66	346.50		1,506.16	6,761.81	4,621.22
Furniture & Fixtures	31.44	1.74		33.18	1.21	20.52		21.73	11.45	30.23
Vehicles	82.91	35.35	32.06	86.20	17.93	9.68	9.69	17.92	68.29	64.99
Patents										
<b>Total</b>	<b>11,204.91</b>	<b>5,809.42</b>	<b>32.06</b>	<b>16,982.27</b>	<b>1,962.03</b>	<b>868.45</b>	<b>9.69</b>	<b>2,820.79</b>	<b>14,161.47</b>	<b>9,242.87</b>
<b>Capital Work</b>	-									

<b>In Progress</b>										
Building									3,817.88	
Plant & Machinery							-		4,451.10	861.39
SAP Implementation							-		191.91	153.07
Patents							-		63.65	-
Expenditure Pending allocation							-		430.39	1,710.38
<b>TOTAL CWIP</b>	-	-	-	-	-	-	-	-	<b>8,954.93</b>	<b>2,724.84</b>
<b>TOTAL FIXED ASSETS</b>	<b>11,204.91</b>	<b>5,809.42</b>	<b>32.06</b>	<b>16,982.27</b>	<b>1,962.03</b>	<b>868.45</b>	<b>9.69</b>	<b>2,820.79</b>	<b>23,116.40</b>	<b>11,967.71</b>
Less:- Revaluation Reserve on Free Hold Land									65.64	65.64
<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>									<b>23,050.76</b>	<b>11,902.07</b>

**Innovative Industries Limited**
**Financial Year: 2009-**
**10**
**Stand Alone Restated Schedule of Fixed Assets**

Descriptions	Gross Block				Depreciation				Net Block	
	as at	Additio ns / Reclassi fications	Deduc tion and Adjus tment s	as at	As on 1.4.2009	For the year	Deduc tion and Adjust ments	As on 31.3.201 0	As on 31.3.201 0	As on 31.3.200 9
	01.04. 2009			31.3. 2010	period					
Free Hold Land Account	884.48	-	-	884.48	-	-	-	-	884.48	884.48
Leasehold Land Account	0.10	-	-	0.10	0.00	0.00	-	0.00	0.10	0.10
Building	1,215.20	4,117.85	-	5,333.05	150.92	114.19	-	265.11	5,067.94	1,064.28
Plant & Machinery	6,495.14	5,676.81	-	12,171.95	1,124.08	713.87	-	1,837.94	10,334.01	5,371.07
Tools & Dies	8,267.97	1,296.64	-	9,564.60	1,506.16	409.31	-	1,915.47	7,649.14	6,761.81
Furniture & Fixtures	33.18	1.97	-	35.14	21.73	0.82	-	22.55	12.59	11.45
Vehicles	86.20	33.64	24.36	95.48	17.92	9.71	(9.38)	37.02	58.47	68.29
Patents										
<b>Total</b>	<b>16,982.28</b>	<b>11,126.90</b>	<b>24.36</b>	<b>28,084.82</b>	<b>2,820.80</b>	<b>1,247.90</b>	<b>(9.38)</b>	<b>4,078.09</b>	<b>24,006.73</b>	<b>14,161.47</b>
<b>Capital Work In Progress</b>										
Building									1,115.87	3,817.88
Plant & Machinery								-	1,158.36	4,451.10
SAP Implementation								-	255.28	191.91
Patents								-	522.75	63.65
Expenditure Pending								-		430.39

allocation										
Tools & Dies									36.55	
<b>TOTAL CWIP</b>	-	-	-	-	-	-	-	-	<b>3,088.80</b>	8,954.93
<b>TOTAL FIXED ASSETS</b>	<b>16,98 2.28</b>	<b>11,126.9 0</b>	<b>24.36</b>	<b>28,08 4.82</b>	<b>2,820.80</b>	<b>1,247.9 0</b>	<b>(9.38)</b>	<b>4,078.09</b>	<b>27,095.5 3</b>	23,116.4 0
Less:- Revaluation Reserve on Free Hold Land									65.64	<b>65.64</b>
<b>Total Fixed Assets after adjustment for Revaluation Reserve</b>									<b>27,029.8 9</b>	<b>23,050.7 6</b>



**Innoventive Industries Limited**
**For the Period Ended 31st Dec 2010**
**Stand Alone Restated Schedule of Fixed Assets**
**Rs in Lacs**

Descriptions	Gross Block				Depreciation				Net Block	
	as at	Additions / Reclassifica tions	Deductio n and Adjustme nts	as at	As on 1.4.2010	For the Period Ended 31st Dec 2010	Deducti on and Adjust ments	As on 31.12.201 0	As on 31.12.2010	As on 31.3.2010
	01.04.2010			31.12.2010						
Free Hold Land Account	884.48	-	-	884.48	-	-	-	-	884.48	884.48
Leasehold Land Account	0.10	-	-	0.10	0.00	-	-	0.00	0.10	0.10
Building	5,333.05	942.58	-	6,275.63	265.11	143.42	-	408.53	5,867.10	5,067.94
Plant & Machinery	12,171.95	892.32	-	13,064.27	1,837.94	762.36	-	2,600.30	10,463.97	10,334.01
Tools & Dies	9,564.60	1,249.17	-	10,813.77	1,915.47	346.74	-	2,262.20	8,551.58	7,649.14
Furniture & Fixtures	35.15	7.83	-	42.98	22.55	0.77	-	23.32	19.65	12.59
Vehicles	95.49	57.49	-	152.98	37.02	10.89	-	47.90	105.08	58.47
Software	-	305.11	-	305.11	-	41.83	-	41.83	263.28	-
<b>TOTAL</b>	<b>28,084.82</b>	<b>3,454.50</b>	<b>-</b>	<b>31,539.33</b>	<b>4,078.09</b>	<b>1,306.00</b>	<b>-</b>	<b>5,384.09</b>	<b>26,155.24</b>	<b>24,006.73</b>
<b>Capital Work in Progress</b>										
Building									264.03	-
Plant & Machinery										

SAP									1,355.87	1,115.87
Implementation									-	1,158.36
Patents									643.40	255.28
Expenditure										
Pending allocation									186.15	522.75
Tools & Dies									239.48	-
Research &										
Development									581.56	36.55
<b>TOTAL CWIP</b>	-	-	-	-	-	-	-	-	<b>3,270.48</b>	<b>3,088.80</b>
<b>TOTAL FIXED ASSETS</b>									<b>29,425.72</b>	<b>27,095.53</b>
Less:- Revaluation										
Reserve on Free									65.64	<b>65.64</b>
Hold Land										
<b>Total Fixed Assets</b>									<b>29,360.08</b>	<b>27,029.89</b>
<b>after adjustment</b>										
<b>for Revaluation</b>										
<b>Reserve</b>										

**ANNEXURE XVIII: Restated Consolidated Summary Statement of assets and liabilities as at:**

**(Rs. In Lakhs)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>31<sup>st</sup> Dec 2010</b>	<b>31<sup>st</sup> Mar 2010</b>	<b>31<sup>st</sup> Mar 2009</b>	<b>31<sup>st</sup> Mar 2008</b>
<b>A</b>	<b>Fixed Assets :</b>				
	(i) Gross Block	38,561.56	34,872.08	23,493.63	14,117.65
	Less :- Depreciation	6,591.74	4,944.69	3,450.58	2,278.14
	<b>Net Block</b>	<b>31,969.82</b>	<b>29,927.39</b>	<b>20,043.05</b>	<b>11,839.51</b>
	(ii) Capital Work in Progress/Advances	5,398.96	4,450.34	9,444.70	4,173.58
	<b>Total</b>	<b>37,368.78</b>	<b>34,377.73</b>	<b>29,487.75</b>	<b>16,013.09</b>
	Less:- Revaluation Reserve	65.64	65.64	65.64	65.64
	<b>Total Fixed Assets after revaluation reserve</b>	<b>37,303.14</b>	<b>34,312.09</b>	<b>29,422.11</b>	<b>15,947.45</b>
<b>B</b>	<b>Goodwill on Consolidation</b>	671.34	671.34	671.34	238.60
<b>C</b>	<b>Other Investments</b>	7.04	7.04	7.04	4.25
<b>D</b>	<b>Investments in Associates</b>				97.52
<b>E</b>	<b>Current Assets, Loans and Advances :</b>				
	(i) Inventories	18,953.82	14,775.93	9,805.05	8,988.58
	(ii) Sundry Debtors	3,797.08	130.90	177.12	2,512.56
	(iii) Cash and Bank Balances	4,082.18	1,794.10	6,752.06	5,767.56
	(iv) Loans & Advances	13,550.98	9283.19	6,323.03	3,638.60
	<b>Subtotal (E)</b>	<b>40,384.05</b>	<b>25,984.12</b>	<b>23,057.26</b>	<b>20,907.31</b>
<b>F</b>	<b>Liabilities &amp; Provisions</b>				
	(i) Secured Loans	29,422.93	27,966.51	28,064.57	16,524.59
	(ii) Unsecured Loans	6,176.81	4,685.06	3,508.16	2,717.54
	(iii) Current Liabilities & Provisions	23,391.90	17,318.26	14,807.73	13,892.74
	(iv) Deferred Tax Liabilities	3,144.26	2,424.68	1,708.41	1,005.59
	<b>Subtotal (F)</b>	<b>62,135.90</b>	<b>52,394.50</b>	<b>48,088.87</b>	<b>34,140.45</b>
<b>G</b>	Minority Interest	1,356.04	867.58	790.45	150.34
<b>H</b>	<b>Net Worth (A+B+C+D+E-F-G)</b>	<b>14,873.63</b>	<b>7,712.51</b>	<b>4,278.43</b>	<b>2,904.34</b>
	<b>Represented by:</b>				
<b>I</b>	<b>Share Capital</b>				
	- Equity Share Capital	3846.23	500.01	500.01	500.01
<b>J</b>	<b>Reserves and Surplus</b>				
	- Capital Redemption Reserve	362.07	400.00	400	400
	- General Reserve	464.83	464.83	190.92	74
	- Profit and Loss Account (Refer Annex XXII )	6994.33	6347.67	3,187.51	1,930.33
	Share Premium	3,206.16			
	<b>Subtotal (J)</b>	<b>11,027.39</b>	<b>7212.50</b>	<b>3,778.43</b>	<b>2,404.33</b>
<b>K</b>	<b>Net Worth (I+J)</b>	<b>14,873.63</b>	<b>7712.51</b>	<b>4,278.43</b>	<b>2,904.34</b>

Note: The above statement should be read with the notes to restated consolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexures XXI A, XXI B, XXIC.

**ANNEXURE XIX: Restated Consolidated Summary Statement of profits and loss for the year ended**

**(Rs. In Lakhs)**

Sr. No.	Particulars	31 <sup>st</sup> Dec 2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008
<b>A</b>	<b>Income</b>				
I	Sales and Services	45,316.89	42,147.51	36,196.31	32,305.99
II	Other Income	384.89	367.54	913.57	232.38
	<b>TOTAL (A)</b>	<b>45,701.78</b>	<b>42,515.05</b>	<b>37,109.88</b>	<b>32,538.37</b>
<b>B</b>	<b>Expenditure</b>				
a	Raw Material Consumed	26,017.51	22,842.76	23,241.13	22,966.97
b	Staff Costs	1,742.99	2,149.56	1,529.61	820.82
c	Other Manufacturing Expenses	3,471.87	3,547.13	3,098.34	3,440.42
D	Selling & Administration Expenses	2,170.82	2,462.36	2,225.87	1,595.38
	<b>TOTAL (B)</b>	<b>33,403.19</b>	<b>31,001.82</b>	<b>30,094.95</b>	<b>28,823.59</b>
<b>C</b>	<b>Profit before Interest, Depreciation, Tax and Adjustments (C) = (A) - (B)</b>	<b>12,298.58</b>	<b>11,513.23</b>	<b>7,014.92</b>	<b>3,714.78</b>
<b>D</b>	Interest & Finance Cost	5,328.48	5,601.59	3,529.63	1,555.11
<b>E</b>	Depreciation and amortisation	1,649.14	1,631.55	1,160.77	708.42
<b>F</b>	<b>TOTAL F = (D+E)</b>	<b>6,977.62</b>	<b>7,233.14</b>	<b>4,690.40</b>	<b>2,263.54</b>
<b>G</b>	<b>Profit before tax and adjustments as restated (G) = (C) - (F)</b>	<b>5,320.96</b>	<b>4,280.10</b>	<b>2,324.52</b>	<b>1,451.25</b>
<b>H</b>	<b>Add: Share of profit in Associate</b>				<b>15.23</b>
<b>I</b>	<b>Provision for taxation</b>				
a	Provision for taxation- current	1,207.92	771.72	276.96	297.04
b	- Deferred tax	719.60	716.25	690.54	349.49
c	- Fringe Benefit Tax	-	-	25.22	13.78
d	- MAT Credit	(786.61)	(719.28)	(221.12)	(93.3)
e	- Wealth Tax	-	0.21	0.43	-
	<b>TOTAL I = (a+b+c+d+e)</b>	<b>1,140.90</b>	<b>768.90</b>	<b>772.03</b>	<b>567.02</b>
<b>J</b>	<b>Profit after Tax as restated (J) = (G) + (H) - (I)</b>	<b>4,180.06</b>	<b>3,511.20</b>	<b>1,552.49</b>	<b>899.46</b>
<b>K</b>	Less: Unrealised Profit on Stock	-	-	-	42.71
<b>L</b>	Less: Share of Minority Interest	488.46	77.13	138.78	55.46
<b>M</b>	<b>Profit/(Loss) after tax and after minority interest Restated (M) = (J) - (K) - (L)</b>	<b>3,691.60</b>	<b>3,434.07</b>	<b>1,413.71</b>	<b>801.29</b>
<b>N</b>	Profit / (Loss) at the beginning of the year as restated	<b>6,347.67</b>	<b>3,187.51</b>	<b>1,930.33</b>	<b>1,598.73</b>
<b>O</b>	Transfer to pre-acquisition profit	0	0	39.62	40.01
<b>P</b>	<b>Profit balance available for appropriation (P) = (M) + (N) - (O)</b>	<b>10,039.27</b>	<b>6,621.58</b>	<b>3,304.43</b>	<b>2,360.01</b>
<b>Q</b>	<b>Less : Appropriations</b>		<b>273.91</b>	<b>116.92</b>	<b>429.68</b>
a	Dividend on Preference Shares		-	-	4
b	Capital Redemption Reserve		-	-	400
c	Dividend Tax		-	-	0.68
d	Transfer to General Reserve/Reserve Fund		273.91	116.92	25
<b>R</b>	<b>Balance Carried Forward to balance sheet (R) = (P) - (Q) (Refer Annex XXII)</b>	<b>10,039.27</b>	<b>6,347.67</b>	<b>3,187.51</b>	<b>1,930.33</b>

Note: The above statement should be read with the notes to restated consolidated summary statements of Assets and Liabilities, Profit and losses and Cash flows as appearing in Annexures XXI A, XXI B, XXI C.

**ANNEXURE XX: Restated Consolidated Summary Statement of Cash Flows for the year ended**  
**Rs. In Lakhs**

	Rs. In Lakhs							
<b>PARTICULARS</b>	<b>31st Dec 2010</b>		<b>31st March 2010</b>		<b>31st March 2009</b>		<b>31st March 2008</b>	
<b>Cash flow from operating activities</b>								
Net Profit Before tax as Restated		5,320.96		4,280.10		2,324.52		1,466.48
<b>Adjustments for</b>								
Depreciation	1,649.14		1,631.55		1,160.77		708.42	
Interest Expenditure	5,328.48		5,601.59		3,529.63		1,555.11	
Interest Income	(23.32)		(54.54)		(243.20)		(4.95)	
Loss on sale of fixed Asset	2.09		53.25		11.00		1.41	
Sundry balances Write off			96.81		17.74		2.15	
Provision for Doubtful Debts	59.37		27.48		38.43		-	
Other Provisions	88.04		90.70		68.71		36.72	
Forex (Gain) / Loss	(117.13)	<b>6,986.67</b>	(1.35)	<b>7,445.50</b>	(69.13)	<b>4,513.95</b>	(64.20)	<b>2,234.66</b>
<b>Operating Profit before Working Capital Changes</b>		<b>12,307.63</b>		<b>11,725.59</b>		<b>6,838.47</b>		<b>3,701.14</b>
<b>Adjustments for changes in working capital</b>								
(Increase)/Decrease In Trade Debtors	(3,725.55)		(78.07)		2,348.40		1,540.42	
(Increase)/Decrease In Inventories	(4,177.89)		(4,970.88)		(816.47)		(4,535.41)	
(Increase)/Decrease In Loans and advances	(4,267.79)		(3,033.04)		(2,684.43)		(2,541.55)	
Increase/(Decrease) In current Liabs. and Provisions	6,703.92	<b>(5,467.31)</b>	2,627.57	<b>(5,454.41)</b>	686.99	<b>(465.51)</b>	5,461.98	<b>(74.56)</b>
<b>Cash generated from Operations</b>		<b>6,840.32</b>		<b>6,271.18</b>		<b>6,372.95</b>		<b>3,626.57</b>
Income Tax Paid		(1,066.70)		(186.03)		89.12		-
<b>Net Cash from operation activities (A)</b>		<b>5,773.62</b>		<b>6,085.15</b>		<b>6,462.07</b>		<b>3,626.57</b>
<b>B. Cash flow from Investing activities</b>								
(Purchase)/Sale of Fixed Assets	(4,636.01)		(6,574.84)		(14,658.10)		(9,373.20)	
(Purchase)/Sale of Investments			-		123.69		(118.39)	
Interest Received - Revenue	23.32		54.54		243.20		4.95	
<b>Net cash used in investing activities</b>		<b>(4,612.69)</b>		<b>(6,520.30)</b>		<b>(14,291.21)</b>		<b>(9,486.65)</b>

<b>(B)</b>								
C. Cash flow from Financing activities								
Issue of Equity/preference Share Capital	3,507.45		-		-		(400.00)	
Receipt(payment) of Share Application Money			-		-		(254.18)	
Net Proceeds from Long Term Borrowings	2,833.40		(1,439.06)		11,201.46		9,388.40	
Net Proceeds from Short Term Borrowings	114.77		2,517.84		1,141.81		3,956.87	
Interest Paid	(5,328.48)		(5,601.59)		(3,529.63)		(1,555.11)	
<b>Net cash used in financing activities ( C)</b>		<b>1,127.15</b>		<b>(4,522.82)</b>		<b>8,813.64</b>		<b>11,135.98</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A)+(B)+( C)</b>		<b>2,288.08</b>		<b>(4,957.96)</b>		<b>984.50</b>		<b>5,275.91</b>
<b>Cash &amp; Cash Equivalents as at Opening</b>		<b>1,794.11</b>		<b>6,752.06</b>		<b>5,767.56</b>		<b>491.66</b>
<b>Cash &amp; Cash Equivalents as at Closing</b>		<b>4,082.18</b>		<b>1,794.10</b>		<b>6,752.06</b>		<b>5,767.57</b>
Cash and Cash equivalents Comprise								
Cash on hand		12.54		15.55		210.85		15.77
Bank balances		4,069.64		1,778.56		6,541.21		5,751.79

3. Figures in brackets indicate cash outflow.

4. The above statement should be read with the notes to restated consolidated summary statements of assets and liabilities, profits and losses and cash flows as appearing in annexures XXI A, XXI B, XXIC.

**ANNEXURE XXI: Notes to the Restated Consolidated Summary Statements of Assets and Liabilities, Profits and Losses and Cash Flows for the nine months period ended December 31, 2010 and for the years ended March 31, 2010, 2009 and 2008**

*[All amounts in Indian Rupees Lakhs, except number of shares including share price, unless otherwise stated. The amounts have been rounded off to 'Lakhs rupees' and Rs 0.00 represent amounts that are rounded off, being immaterial amounts]*

**ANNEXURE XXIA: Statement of Significant Accounting Policies adopted by the Group in the preparation of financial statements as at and for the period ended December 31, 2010**

**a) Basis of preparation**

The Restated Consolidated Summary Statements have been prepared by applying the necessary adjustments to the Consolidated Financial Statements of the Group. The consolidated financial statements are prepared under historical cost convention, on accrual basis of accounting in accordance with the Companies Act, 1956 and the accounting principles generally accepted in India ('Indian GAAP') and comply in all material respects with the accounting standards notified by Companies Accounting Standards (Rules), 2006 (as amended), to the extent applicable. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard (AS) 21, Consolidated financial statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India as notified by the Companies Accounting Standards Rules, 2006 (as amended). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

The Subsidiaries included in the consolidated financial statements are as under

<b>Name of the Subsidiary company</b>	<b>Financial Year of becoming a subsidiary</b>	<b>Type of Subsidiary</b>
Saicon Steel Private Limited	2007-2008	51%
Arihant Steel and Metal Wires Private Limited	2007-2008	100%
Arihant Auto Components Private Limited	2007-2008	100%
Sevenstar Electrodes Private Limited	2007-2008	100%
Arihant Steel Products & Services Private Limited	2007-2008	100%
Sankalp Forgings Private Limited	2008-2009	51%

**b) The consolidated financial statements are prepared on the following basis:**

- i) Subsidiary companies are consolidated on a line by line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all intra group balances or transactions and also the unrealized profit or losses except where cost cannot be recovered. The results of operations of subsidiaries are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.
- ii) Associate company has been consolidated on the basis of equity method of accounting wherever applicable. Goodwill arising on the acquisition of an associate is included in the carrying amount of investment in the associate and is disclosed separately. Unrealised profits and losses resulting from transactions between the Parent company, subsidiaries and the associate are eliminated to the extent of the investor's interest in the associate.
- iii) Minority interest in the net profit/(loss) of the subsidiary for the period is identified and adjusted against the income/(loss) in order to arrive at the net income attributable to the shareholders of the group.
- iv) Goodwill represents the cost to the Parent Company of its investment in subsidiaries over the Parent Company's portion of equity of the subsidiary, at the date on which the investment in the subsidiaries is made.

<b>Sr. No.</b>	<b>Subsidiary</b>	<b>Goodwill / (Capital Reserve)</b>	<b>Consideration</b>
1	Seven Star Electrodes Pvt. Ltd.	363.70	1,200.00
2	Sankalp Forgings Pvt. Ltd.	432.74	978.49
3	Arihant Steel & Metal Wires Pvt. Ltd	(9.35)	80.00
4	Arihant Autocomponents Pvt. Ltd.	(7.89)	190.00
5	Saicon Steels Pvt. Ltd.	(107.86)	0.51
<b>Total Goodwill carried to Balance Sheet</b>		<b>671.34</b>	



v) As far as possible, consolidated financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Parent Company's stand alone financial statements.

vi) The financial statements of subsidiaries and associate used for the purpose of consolidation are drawn up to the same reporting date as that of the Parent Company.

#### **c) Accounting Convention**

The financial statements have been prepared under the historical cost convention, having due regard to fundamental accounting assumptions of going concern, consistency and accrual, in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

#### **d) Use of estimates**

The preparation of Financial Statements requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provision for doubtful debts, employee benefits, provision for income taxes, the useful lives of depreciable fixed assets and provision for impairment. Actual results may differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods.

#### **e) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation or amortization. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use. Accelerated depreciation rates have been used in some cases for which management is of the view that the treatment reflects useful life of certain fixed assets. Capital work in progress includes the cost of fixed assets that are not ready for intended use as at the Balance Sheet date.

#### **f) Depreciation**

Depreciation is provided using the Straight Line Method rates as per the useful lives of the fixed assets as estimated by the management, which equal to the corresponding rates prescribed under Schedule XIV of the Companies Act, 1956 as below:

<b>Particulars</b>	
Building	1.63%
Office Equipment	4.75%
Plant and Machinery	4.75% - 14.28%
Computers	16.21%
Furniture and Fixtures	6.33%
Vehicles	7.07% - 16.21%
Tools & Equipments	4.75% - 11.31%
Assets costing less than Rs. 5,000	Fully depreciated in the year of acquisition

#### **g) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in

use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### **h) Borrowing Cost**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets upto the date the asset is put to use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account in the year in which they are incurred.

#### **i) Investments**

- i. Investments that are readily realizable and intended to be held for not more than one year from the date on which such investment is made are classified as current investments.
- ii. Long term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment.
- iii. Current investments are carried at lower of cost and fair value, which is determined for each individual investment. Cost includes related expenses such as commission / brokerage etc.

#### **j) Inventories**

- i. Inventories are stated at cost or realizable value, whichever is lower.
- ii. Raw Materials are valued on Weighted Average basis.
- iii. In case of Semi-finished & Finished goods, cost includes material cost, conversion costs, and excise duty, wherever applicable.

#### **k) Revenue recognition**

- i. Revenue from sales are recognized on dispatch of goods to the customers and are recorded net of trade discounts, rebates, price adjustments, rejections and shortage in transit, taxes and duties.
- ii. Revenue from services is recognized as and when services are rendered and related costs are incurred, in accordance with the terms of specific contracts.
- iii. Dividends are recorded when the right to receive payment is established.
- iv. Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### **l) Employee Benefits**

- i. Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by an independent actuary.
- ii. Group's contribution paid/payable during the year to Provident Fund are recognized in the Profit and loss Account.
- iii. Long term compensated absences are provided for based on actuarial valuation, using the projected credit method.

#### **m) Foreign Currency Transactions**

- i. Transactions denominated in foreign currency are accounted for at rates that approximate the exchange rate prevailing on the date of the respective transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.
- ii. Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end closing exchange rate and the resultant exchange differences are recognized in the Profit and loss account.

#### **n) Taxation**

- i. Income tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax (reflecting the tax effect of timing differences between accounting income and taxable income for the year).
- ii. In accordance with Accounting Standard 22 – ‘Accounting for taxes on Income’, issued by the Institute of Chartered Accountants of India, the deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that they will be realised in future; however, where there is unabsorbed depreciation and carry forward loss under taxation laws, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available to realize such assets.
- iii. Deferred tax assets are reviewed at each Balance sheet date and written down or written-up, to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.
- iv. Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

#### **o) Provisions and contingent liabilities**

- i. A provision is recognized when the group has present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date.
- ii. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
- iii. Contingent assets are neither recognized nor disclosed in the financial statements.

#### **p) Segment Reporting**

##### **a) Primary Segment**

Based on the guiding principles given in the Accounting Standard – 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India, the Group’s primary segments are Motor Vehicle Parts, Tubes, Cold Rolled (CRCA) Coils, Oil Country Tubular Goods (OCTG) & Others.

The above business segments have been identified considering -

- i. The nature of the products,
- ii. The related risks and returns, and
- iii. The internal financial reporting systems.

Revenue and expenses have been accounted for based on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under “Unallocable Expenses.” Assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under “Unallocable Assets/Liabilities.”

**b) Secondary Segment**

The Group caters mainly to the needs of Indian markets. Export turnover during the year being less than 10% of the total turnover, there are no reportable geographical segments.

**q) Government Grants and Subsidies**

Revenue grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

**r) Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased Asset are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**s) Earnings per share**

Basic earning per share is computed using the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed using the weighted average number of shares and dilutive equity equivalent shares outstanding during the period, except when results would be anti dilutive.

**t) Unhedged Foreign Currency exposures**

The Group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations with its business viz. foreign exchange, interest rate.

**ANNEXURE XXI B: Notes on material adjustments**

- I. Below mentioned is the summary of results of adjustments / rectifications made in the accounts of the respective years and its impact on profits and losses and assets and liabilities.

		31-Dec-10	31-Mar-10	31-Mar-09	31-Mar-08
Sr .No	Particulars	Amount in Rs. Lakhs			
	<b>Profit after tax as per Consolidated financial statements before Minority Interest</b>	<b>4,862.31</b>	<b>3,053.48</b>	<b>1,158.13</b>	<b>830.15</b>
<b>A</b>	<b>Changes in Accounting Policies</b>				
	(a) Accounting for restatement of Closing Stock {refer Annexure XXIB Note A (1)}	5.33	(480.46)	(13.69)	154.93
	(b) Accounting for restatement of fixed assets {refer Annexure XXIB Note A (2)}	-	(72.47)	11.20	29.18
	(c) Accounting for Gratuity expenses as per the AS - 15 Employee Benefits {refer Annexure XXIB Note A (3)}	-	(0.18)	33.64	(13.25)
	<b>Sub Total</b>	<b>5.33</b>	<b>(553.10)</b>	<b>31.16</b>	<b>170.86</b>
<b>B</b>	<b>Other Adjustments</b>				
	<b>Prior Period Items</b>				
	Other Expenses {refer Annexure XXIB Note B (1)}		0.74	181.07	(75.29)
	Deferred Revenue Expenditure {refer Annexure XXIB Note B (1)}	-	-	27.85	18.41
	Profit on sale of fixed assets {refer Annexure XXIB Note B (1)}			272.91	
	<b>Sub Total</b>		<b>0.74</b>	<b>481.83</b>	<b>(56.88)</b>
	<b>Net profit after adjustment but before tax impact</b>	4,867.05	2,501.12	1,671.12	944.12
	Current Tax Impact on adjustments {refer Annexure XXIB Note B (3)}	(488.77)	105.45	(30.67)	(60.63)
	Deferred Tax Impact on adjustments {refer Annexure XXIB Note B (3)}	(462.03)	481.65	(141.67)	(95.43)
	MAT Credit Impact on adjustments {refer Annexure XXIB Note B (3)}	263.21	422.98	53.74	111.81
	<b>Net Profit After Tax, before minority Interest as restated</b>	<b>4,180.06</b>	<b>3,511.20</b>	<b>1,552.52</b>	<b>899.87</b>

## **Notes:**

### **A. Changes in accounting policies / correction of incorrect accounting policies**

#### **1) Change in Valuation of Closing Stock**

The Company was in the process of implementation of SAP- R/3 ERP System which entails adoption of universally tested business practices which are pre- defined and formatted in the system. Consequent to this the Company had changed the basis of valuation of inventory from FIFO to Weighted Average in the FY 2008-09 and subsidiaries have changed to Weighted Average in FY 2009-10.

However the figures considered for reinstatement of closing stock have been reworked on the basis of valuation of inventory on Weighted Average method. We have reviewed the calculation to arrive at the weighted average cost on the basis of said figures.

#### **2) Write Off of Fixed Assets costing below Rs. 5,000/-**

Up to FY 2007-08 Fixed Assets costing below Rs. 5,000/- were not depreciated @ 100% as provided in Schedule XIV of the Companies Act, 1956. From FY 2008-09 the company has started to charge off amount below Rs.5000/-to Profit & Loss Account. Accordingly, adjustments have been made in the summary statement of profit and loss, as restated and the summary statement of assets and liabilities as restated.

#### **3) Retirement Benefit**

Up to FY 2007-08 Retirement Benefits in respect of gratuity and Leave Encashment was provided for on actual basis. However the company has provided retirement benefit in respect of the gratuity and leave encashment on the basis of valuations, as at the Balance Sheet date, made by an independent actuary from FY 07-08, FY 08-09 and FY 09-10 respectively.

### **B. Other Adjustments**

#### **1. *Prior period items***

Prior period items for a particular period has been adjusted in the year in which the expenses has actually accrued to the profit and loss account for the period ended on 31st March 2008, 31st March 2009 and 31st March 2010.

#### **2. *Regroupings***

Figures have been regrouped to ensure consistency of presentation. Appropriate adjustments have been made in the restated summary statements of Assets and Liabilities, Profits and Losses and Cash flows, wherever required, by reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the regroupings as per the audited financials of the Group for the year ended March 31, 2010.

#### **3. *Taxation***

Provision for taxation (income tax and deferred tax) for the respective years has been recomputed on the above adjusted profits on the basis of the rates applicable to the respective years.

Amount sanctioned under Industrial Promotional subsidy (grouped under sales) by State Government of Maharashtra for setting up Mega Project unit is considered as non-taxable based on the legal opinion obtained by the company. Accordingly tax expenses related to IPS scheme for 31st March 2010 of Rs. 644.30 Lacs (Current tax Rs. 489.12 Lacs, Deferred Tax Rs. 467.15 Lacs and Mat Credit Rs. -311.97 Lacs), is written back in the Profit and Loss statement for the nine months period ended on December 31, 2010. In Statement of Profits and Losses,

as restated, for nine month period ended December 31, 2010, the tax expense of Rs. 644.30 Lacs is adjusted to reflect the same in the Statement of Profits and Losses, as restated for the period ended March 31, 2010.

II. Following are the audit qualifications which do not require any corrective adjustment in the financial information:

**i. For the nine month period ended 31 December 2010**

There are no audit qualifications to be reported.

**ii. Financial year ended 31 March 2010**

There are no audit qualifications to be reported.

**iii. Financial year ended 31 March 2009**

- *The Company is in the process of implementation of ERP Solution – SAP R/3. As explained due to inadequate training/implementation process, the reports as required are not adequately configured and therefore not made available to us. In view of this we are not in a position to comment on the discrepancies that would have been noticed between physical stock and book records.*
- *Company has an Internal Audit System. In our opinion the scope, coverage and the frequency of Internal Audit needs to be strengthened in order to be commensurate with the size and nature of the Company's business.*

**iv. Financial year ended 31 March 2008**

There are no audit qualifications to be reported.

**ANNEXURE XXI C: Notes to the restated consolidated summary statements of assets and liabilities, profits and losses and cash flows for the nine months period ended December 31, 2010 and for the year's ended March 31, 2010, 2009, 2008**

**1) Significant notes (based on audited financial statements) and changes in the business of the Group during the last three financial years**

**During the year ended 31 March 2008, the parent company has acquired -**

- 18,99,999 shares of Rs. 10 each i.e. 99.99% of Arihant Auto Components Pvt. Ltd. thereby making it a subsidiary company.
- 7,99,999 shares of Rs. 10 each i.e. 99.99% of Arihant Steel and Metal Wires Pvt. Ltd. thereby making it a subsidiary company.
- 9,999 shares of Rs. 10 each i.e. 99.99% of Arihant Steel Products and Services Pvt. Ltd. thereby making it a subsidiary company.
- 22,69,499 shares of Rs. 10 each i.e. 99.99% of Saicon Steels Pvt. Ltd. thereby making it a subsidiary company, present share holding of the company in Saicon Steels Pvt. Ltd is 51%.
- 3,99,999 shares of Rs. 10 each i.e. 99.99% of Seven Star Electrodes Pvt. Ltd. thereby making it a subsidiary company.
- 75,584 shares of Rs. 10 each i.e. 26% of Sankalp Forgings Pvt. Ltd. thereby making it an Associate company.

**Year ended 31 March 2009**

During the year, the Parent Company further acquired additional 25% share in Sankalp Forgings Pvt. Ltd. And by which Company's holding in the extended to 51% and as such Sankalp Forgings Pvt. Ltd. Became subsidiary of the company w.e.f. 1<sup>st</sup> December, 2008

**2) Contingent Liabilities**

(Rs. in Lakhs)

	As at 31 <sup>st</sup> Dec 2010	As at 31 <sup>st</sup> March 2010	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008
Corporate Guarantees	3015.00	3148.00	13,248.00	3430.00
Other Guarantees	0.00	0.00	20.00	20.00
Export obligation against EPCG Licenses	199.68	0.00	0.00	0.00
Claims against the Group not acknowledged as debts	458.91	3.01	0.92	0.00

**3) Capital Commitments**

Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 258.59 Lakhs as at December 31, 2010( March 31, 2010 - Rs 240.25 Lakhs, March 31, 2009 - Rs 1429.04 Lakhs, March 31, 2008 - Rs. 95.42 Lakhs).

**4) Fixed Assets and CWIP**

Capital Work in Progress includes expenditure on patents applied for by the company to the tune of Rs. 120.65 Lakhs for Apr – Dec 2010, Rs. 459.10 lakhs for FY 09-10 and Rs. 63.65 for FY 08-09.



## 5) Deferred Tax

Deferred Tax Asset/Liability has been reviewed and restated to the respective years. The Break-up of Deferred Tax Assets / (Liabilities) is as follows:

(Rs. in Lakhs)

Particulars	31st Dec 2010	31st March 2010	31st March 2009	31st March 2008
		Amount in Rs. Lacs		
<b>Deferred Tax Liability</b>				
On Fiscal allowances of Fixed Assets	(3,618.59)	(3,162.47)	(2,286.16)	(1,573.62)
<b>Less: Deferred Tax Assets</b>				
On Unabsorbed Depreciation	22.79	134.41	162.31	306.83
On Other Timing Differences	451.54	603.39	415.44	261.21
<b>Net Asset/(Liability)</b>	<b>(3,144.26)</b>	<b>(2,424.68)</b>	<b>(1,708.41)</b>	<b>(1,005.58)</b>

## 6) Disclosures under Micro, Small and Medium Enterprises Act, 2006

Suppliers covered under **Micro, Small & Medium Enterprises Development Act, 2006**, have not furnished required information regarding filing of necessary memorandum with appointed authority. In view of this, information required under Section 22 of the said Act is not given.

## 7) Employee Defined Benefits-

From the year ended March 31, 2009, the Parent Company changed its accounting policy for provision for Gratuity, and accrued on the basis of an actuarial valuation made at the end of each financial year, which was earlier made on actual basis. For the purposes of the Restated Summary Statements, the revised policy has been applied retrospectively.

### Defined Benefit Plans

The following table sets out the status of the Gratuity Plan as required under AS 15 (Revised):

(Rs. in Lakhs)

<i>Reconciliation of opening and closing balance of obligation</i>				
Particulars	Dec 2010	FY 2010	FY 2009	FY 2008
Liability at the beginning of the Period	65.20	69.82	24.44	14.91
Interest Cost	3.99	5.24	0.00	1.19
Current Service Cost	16.19	36.52	45.38	8.38
Benefits Paid	(2.39)	(0.91)	(0.94)	0.00
Actuarial (Gain)/Loss on obligation	(21.26)	(45.45)	0.94	(0.04)
Liability at the end of the period	61.73	65.22	69.82	24.44

(Rs. in Lakhs)

<i>Reconciliation of Op and Cl bal of Fair Value of Plan Assets</i>				
Particulars	Dec 2010	FY 2010	FY 2009	FY 2008
Fair Value of Plan Assets at the beginning of the Period	115.16	96.30	21.00	0.00

<i>Reconciliation of Op and Cl bal of Fair Value of Plan Assets</i>				
Expected Return on Plan Assets	7.05	7.22	1.68	0.00
Contributions	0.01	14.07	45.55	21.00
Benefit Paid	(2.39)	(0.91)	(0.94)	0.00
Actuarial gain/(loss) on Plan Assets	(1.46)	(1.52)	29.01	0.00
Fair Value of Plan Assets at the end of the Period	118.37	115.16	96.30	21.00
Total Actuarial Gain/(Loss) To Be Recognized	19.80	43.93	28.07	0.04

(Rs. in Lakhs)

<i>Expenses Recognized in Profit and Loss Account</i>				
	<b>Dec 2010</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
Current Service Cost	16.19	36.52	45.38	8.38
Interest Cost	3.99	5.24	0.00	1.19
Expected Return on Plan Assets	(7.05)	(7.22)	(1.68)	0.00
Net Actuarial (Gain)/Loss To Be Recognized	(19.80)	(43.93)	(28.07)	(0.04)
Expense Recognized in Profit & Loss account	(6.67)	(9.39)	15.63	9.53

(Rs. in Lakhs)

<i>Amount Recognized in the Balance Sheet:</i>				
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
Opening net liability	(49.94)	(26.48)	24.44	14.91
Expense as above	(6.67)	(9.39)	15.63	9.53
Employers Contribution paid	(0.01)	(14.07)	(45.55)	0.00
Closing net Liability	(56.63)	(49.94)	(26.48)	24.44

(Rs. in Lakhs)

<i>Actual Return on Plan Assets</i>				
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
Expected Return on Plan Assets	7.05	7.22	1.68	0.00
Actuarial gain/(loss) on Plan Assets	(1.46)	(1.52)	29.39	0.00
Actual Return on Plan Assets	5.59	5.70	30.07	0.00

(Rs in Lakhs)

<i>Principal Actuarial Assumptions for Defined Benefit Plans</i>				
<b>Particulars</b>	<b>Dec 2010</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
Discount Rate	8.25%	8.25%	7.50%	8.00%
Rate of Return on Plan Assets	8.25%	8.25%	7.50%	8.00%
Salary Escalation	5.00%	5.00%	6.00%	4.00%

**ANNEXURE XXII: Restated consolidated statement of Reserves & Surplus**

(Rs. in Lakhs)

<b>Sr. No.</b>	<b>Particulars</b>	<b>31-Dec-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>
<b>1</b>	<b>Capital Redemption Reserve</b>				
	Opening Balance	400.00	400.00	400.00	-
	Add:- Transfer from Profit & Loss A/C				400.00
	Less:- Utilization for Bonus Issue	37.93			-
	<b>Subtotal</b>	<b>362.07</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>
<b>2</b>	<b>General Reserve</b>				
	Opening Balance	464.83	190.92	74.00	49.00
	Add:- Transfer from Profit & Loss A/C		273.91	116.92	25.00
	<b>Subtotal</b>	<b>464.83</b>	<b>464.83</b>	<b>190.92</b>	<b>74.00</b>
<b>3</b>	<b>Profit and Loss Account</b>				
	Opening Balance	6,347.67	2,913.60	1,930.33	1,598.73
	Add:- Profit for the year after Appropriation	3,691.60	3,434.07	1,374.10	761.28
	Less:- Utilization for Bonus Issue	3,044.94			
	<b>Subtotal</b>	<b>6,994.33</b>	<b>6,347.67</b>	<b>3,304.43</b>	<b>2,360.01</b>
<b>4</b>	<b>Share Premium</b>				
	Opening Balance	-	-	-	-
	Add:- Addition during the year	3,428.97	-	-	-
	Less: Share issue expenses	222.82	-	-	-
	<b>Subtotal</b>	<b>3,206.16</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Reserves &amp; Surplus</b>	<b>11,027.39</b>	<b>7,212.50</b>	<b>3,895.35</b>	<b>2,834.01</b>

The figures disclosed above are based on the restated consolidated summary statement of Assets & Liabilities of the Company.

**ANNEXURE XXIII: Restated consolidated statement of Secured Loans and Unsecured Loans and assets charged as securities against Secured Loans**

**Unsecured Loans**

(Rs. in Lakhs)

Particulars	31st Dec 2010	31st Mar 2010	31st Mar 2009	31st Mar 2008
Sales Tax Loan	3,201.71	3,201.71	3,151.47	2,205.18
Fully Convertible Warrants		0.05	0.05	0.05
Loan from Financial Institutions	2,862.46	1,388.30	11.47	-
Unsecured Loans from others	112.64	95	345.17	512.31
<b>Total</b>	<b>6,176.81</b>	<b>4,685.06</b>	<b>3,508.16</b>	<b>2,717.54</b>

The figures disclosed above are based on the restated consolidated summary statement of Assets & Liabilities of the Company. For details of the terms and conditions of the unsecured loans please refer to the section titled 'Financial Indebtness'.

**Secured Loans**

(Rs. in Lakhs)

Source	As at 31 <sup>st</sup> Dec` 2010	As at 31 March 2010	As at 31 March 2009	As at 31 March 2008
Term Loans from bank	18729.88	17171.44	15966.94	8931.87
Term Loan from Financial Institutions	568.24	800.44	4,612.33	1,262.23
Working capital loan from banks	10,089.21	9,878.54	2,588.56	1,295.37
Overdraft against Fixed Deposit	0.00	95.90	4,868.04	5,019.42
Car loans from bank	35.60	20.20	28.70	15.70
<b>Total</b>	<b>29,422.93</b>	<b>27,966.51</b>	<b>28,064.57</b>	<b>16,524.59</b>

Loans – Secured Borrowings are secured by a pari passu charge on tangible & intangible properties of the group both present and future.

**ANNEXURE XXIV: Consolidated Capitalisation Statement as at December 31, 2010**

(Rs in Lakhs)

<b>Particulars</b>	<b>Pre-issue</b>	<b>Post-issue*</b>
<b>Borrowings</b>		
Short term debts	1,2951.67	[●]
Long term debts	22,648.07	[●]
<b>Total debts</b>	<b>35,599.74</b>	<b>[●]</b>
<b>Shareholders' funds</b>		
Share capital		
- Equity share capital	3,846.23	[●]
- Preference share capital	0.00	[●]
Reserves		
- General reserve	464.83	[●]
- Capital Redemption Reserve	362.07	[●]
- Profit and Loss Account	6,994.33	[●]
- Share Premium	3,206.16	[●]
<b>Total shareholders' funds</b>	<b>14,873.63</b>	<b>[●]</b>
Long term debt / equity ratio	1.52	[●]

\*The corresponding post issue capitalization data is not determinable at this stage pending the completion of the Book Building process and hence have not been furnished

Notes:

The figures disclosed in the above table are based on the restated consolidated summary statement of Assets and Liabilities of the Group.

Long term debt / equity ratio

$$\frac{\text{Long term debt}}{\text{Total shareholder's funds}}$$

**ANNEXURE XXV: Restated consolidated statement of Investments**

(Rs in Lakhs)

Particulars	No. of Shares	Face Value (in Rs.)	As at			
			31 December 2010	31 March 2010	31 March 2009	31 March 2008
<b>Others</b>						
The Saraswat Co Op Bank Ltd.	250	10	0.75	0.75	0.75	0.25
The Thane Janata Sahakari Bank Ltd.	22905	10	2.29	2.29	2.29	
Investment in Associates						26.59
Goodwill (Associate)						70.93
<b>Sub Total</b>			<b>3.04</b>	<b>3.04</b>	<b>3.04</b>	<b>97.77</b>
<b>Other Quoted Investments</b>						
Mutual Funds			4.00	4.00	4.00	4.00
<b>Sub Total</b>			<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
<b>Total</b>			<b>7.04</b>	<b>7.04</b>	<b>7.04</b>	<b>101.77</b>

The figures disclosed above are based on the Restated Consolidated Summary statement of assets and liabilities of the Group.

**ANNEXURE XXVI: Restated consolidated statement of Sundry Debtors**

**(Rs in Lakhs)**

	<b>As at 31 December 2010</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>	<b>As at 31 March 2008</b>
<i>Unsecured and considered good</i>				
Debts outstanding for a period - exceeding six months	678.59	172.23	32.13	249.40
- less than six months	3,243.77	24.58	183.42	2,263.16
	3,922.36	196.81	215.55	2,512.56
Less: Provision for doubtful debts	125.29	65.92	38.43	-
<b>Total</b>	<b>3,797.08</b>	<b>130.90</b>	<b>177.12</b>	<b>2,512.56</b>

The figures disclosed above are based on the restated consolidated summary statement of Assets & Liabilities of the Company.

**ANNEXURE XXVII: Restated consolidated statement of Loans and Advances****(Rs. in Lakhs)**

<b>Particulars</b>	<b>As at Dec 31</b>	<b>As at March 31</b>	<b>As at March 31</b>	<b>As at March 31</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Advances recoverable in cash or in kind or for value to be received	3,573.41	3,633.06	2,465.42	1,754.49
Balances with Excise/ Customs/ Sales tax authorities	5,552.18	3,095.37	1,843.28	1,052.05
Deposits	270.85	315.38	309.06	483.72
Advance to supplier	2,054.81	1,024.53	1,170.73	85.96
MAT Credit	2,090.15	1200.66	482.34	262.38
Advance Income Tax	9.57	14.19	52.19	0
<b>Total</b>	<b>13,550.98</b>	<b>9,283.19</b>	<b>6,323.03</b>	<b>3,638.60</b>

The figures disclosed above are based on the restated consolidated summary statement of Assets & Liabilities of the Company. For details of loans outstanding from the promoters, KMP etc please refer to Annexure XXXIII for related party transactions



**ANNEXURE XXVIII: Restated consolidated statement of Current Liabilities & Provisions**

(Rs. in Lakhs)

Particulars	As at Dec 31	As at March 31	As at March 31	As at March 31
	2010	2010	2009	2008
<b>CURRENT LIABILITIES</b>				
Sundry Creditors other than dues of small scale industries	18,475.28	13,770.23	12,394.19	10,587.79
Other Liabilities	3,114.16	2,679.00	2,106.57	3,268.23
<b>Total A</b>	<b>21,589.45</b>	<b>16,449.24</b>	<b>14,500.76</b>	<b>13,856.02</b>
<b>PROVISIONS</b>				
Provision for Taxation & Duties	1,714.41	778.32	238.26	
Provision for Employee Welfare	88.04	90.7	68.71	36.72
<b>Total B</b>	<b>1,802.45</b>	<b>869.02</b>	<b>306.97</b>	<b>36.72</b>
<b>Grand Total A+B</b>	<b>23,391.90</b>	<b>17,318.26</b>	<b>14,807.73</b>	<b>13,892.74</b>

The figures disclosed above are based on the restated consolidated summary statement of Assets & Liabilities of the Company.

**ANNEXURE XXIX: Restated consolidated statement of items of Other Income****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the year ended</b>			
	<b>31st December 2010</b>	<b>31<sup>st</sup> March 2010</b>	<b>31 March 2009</b>	<b>31 March 2008</b>
<b>Other Income</b>				
Exchange Gain	134.25	50.62	172.1	64.2
Job work charges		-	7.52	33.54
Interest Income	23.32	54.54	243.2	4.95
Miscellaneous Income	31.45	262.23	447.63	51.05
Excess provision written back		-	43.02	0.13
Gain on sale of Assets	2.09	-		78.46
DEPB Incentive	193.73			
Dividend	0.05	0.15	0.1	0.05
<b>Total</b>	<b>384.89</b>	<b>367.54</b>	<b>913.57</b>	<b>232.38</b>

The figures disclosed above are based on the restated consolidated summary statement of Profits and Losses of the Company.

**ANNEXURE XXX: Restated consolidated statement of Dividend paid**

**The Group has declared dividends on the Preference Shares during the year ended 31 March 2008.**

<b>(Rs. in Lakhs)</b>	
Particulars	FY 2008
Preference Share Capital	
Number of shares of face value of Rs. 10 each	4,000,000
Rate of Dividend	12.00%
Amount of Dividend Paid (Rs. in Lakhs)	4.00
Total Corporate Dividend Tax (Rs. in Lakhs)	0.68

**Note:**

- Dividend for all the years includes dividend on Preference Shares of 40,00,000 of Rs. 10 each. These Preference Shares has been redeemed fully during the FY 2007-08.
- No dividends on equity share capital were declared for the years ended 31st March 2008, 31st March 2009 and 31st March 2010.

**ANNEXURE XXXI: Restated consolidated statement of Accounting Ratios**

(Rs. in Lakhs)

Particulars	31st December 2010	31 <sup>st</sup> Mar 2010	31 <sup>st</sup> Mar 2009	31 <sup>st</sup> Mar 2008
<b>Net Profit/(Loss) as restated after tax</b>	4,180.06	3,511.20	1,552.49	899.46
Less : Minority Interest	488.46	77.13	138.78	55.46
Less : Un realised profit on stock	-	-	-	42.71
Less : Pre acquisition profit	-	-	39.62	40.01
Less : Capital Redemption Reserve	-	-	-	400.00
Less : Dividend for preference share	-	-	-	4.00
Less : Dividend on distribution Tax	-	-	-	0.68
	-			
<b>Balance profit available for equity shareholders</b>	<b>3,691.60</b>	<b>3,434.07</b>	<b>1,374.09</b>	<b>356.60</b>
Net Worth	14,873.63	7,712.51	4,278.43	2,904.34
<b>Ratios</b>				
Earnings/(Loss) per share (Basic)	10.01*	9.58	3.84	1.00
Earnings/(Loss) per share (Diluted)	NA	NA	NA	NA
Return on Net Worth	24.82%*	44.53%	32.12%	12.28%
Net Asset Value per equity share	38.67	20.05	11.12	7.55
Weighted average number of equity shares for calculating Basic EPS	36,868,023	35,828,740	35,828,740	35,828,740
Weighted average number of equity shares for calculating Dilutive EPS	NA	NA	NA	NA
Total No. of equity shares outstanding at the end of the year **	38,462,349	38,462,349	38,462,349	38,462,349

\*Not Annualised

\*\* Adjusted to include issue of Bonus Shares

**ANNEXURE XXXII: Restated consolidated statement of Related Party Transactions (As per Accounting Standard 18 - "Related Party Disclosures" notified by Companies (Accounting Standards) Rules, 2006, (as amended))**

List of Related Parties as per Accounting Standard – 18 prescribed by Companies (Accounting Standard) Rules, 2006.

Sl. No.	Nature of relationship	Name of the Party
(i)	Key Management Personnels (KMP) & Their Relatives:	
	Name of KMP	Relatives
	Mr. Chandu L. Chavan	Dr. Shubhangi Jadhav
	Mr. Ravindra W. Katre	Mrs. Mrunal R. Katre
	Mr. Sanjay Waghulade	Mrs. Anita Waghulade
	Mr. Sanjay Bhade	Mrs. Vishakha S. Bhade
	Mr. Parag Mulye	Mrs. Kavita P. Mulye
	Mr. Shivaji Katke	Mrs. Smita S. Katke
	G Balasubramaniam	
	Sham Agarwal	
(ii)	Enterprises over which key management personnel or relatives Exercise control/significant influence	
	Yashoday Engineers Pvt. Ltd.	Aim Filtertech Pvt. Ltd.
	Keytool Engineering Solutions Pvt. Ltd.	M/s Saptashrungi Engineering Works
	Opal Luxury Time Products Pvt. Ltd.	M/s Hollyhock Tours & Travels
	GeneOmbio Technologies Pvt. Ltd.	New Tradelink Impex Pvt Ltd
	Sourcegenie Consulting Pvt. Ltd.	Gunjan Steel Corporation
	Phoenix Erectors Pvt. Ltd.	Dehu Engineering
	Hotel Gaurish Pvt. Ltd.	Opec Services
	Gargi Bio Tek Pvt. Ltd.	B K Engineering Works
	Membrane Filter (India) Pvt. Ltd.	Sankalp Industries

Details of transactions with Related Parties

(Rs. In Lakhs)

Nature of Transactions	31 <sup>st</sup> December 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
<b><u>Other Related Concerns</u></b>	-			
Sale of Goods	-			
Gunjan Steel Corporation	-	11.06	-	-
Opal Luxury time products Pvt Ltd	-	0.43	-	-
Yashoday Engineers Pvt Ltd	403.03	1,696.59	1,066.57	281.34
Keytool Engineering Solutions Pvt Ltd	-	-	33.33	90.59
Phoenix Erectors Pvt Ltd	-	-	0.29	5.1

Mambrane Filters (India) Pvt Ltd	-	-	8.07	-
Saptashruni Eengineering Works	0.80	-	0.76	-
Sourcegenie Consulting Pvt Ltd	-	-	-	1.51
Aim Filtertech Private Limited	-	0.34	-	-
New Trade Link Impex	234.43	47.53	172.08	-
<b>-Fixed Assets</b>				
Mambrane Filters (India) Pvt Ltd	-	11.06	1.05	-
Saptashruni Eengineering Works	-	-	-	133.24
<b>-Services</b>				
Saptashruni Eengineering Works	-	-	1.13	0.4
Sankalp Industries	-	-	1.9	-
<b>-Rent Income</b>				
Aim Filtertech Private Limited	-	-	16.21	-
	-			
Purchases	-			
<b>-Raw material</b>				
Keytool Engineering Solutions Pvt Ltd	-	0.42	0.85	0.41
Saptashruni Eengineering Works	-	0.03	0.08	-
<b>-Capital goods</b>				
Dehu Engineering	-	-	22.57	-
Keytool Engineering Solutions Pvt Ltd	-	-	1.24	53.44
Phoenix Erectors Private Limited	-	-	-	0.77
Mambrane Filters (India) Pvt Ltd	-	-	-	1.21
Saptashruni Eengineering Works	-	192.67	-	149.67
<b>-Services</b>				

Gunjan Steel Corporation	2.12	5.81	-	-
Opec Services	-	-	6.5	-
Sourcegenie Consulting Pvt Ltd	-	-	0.16	0.4
Sankalp Industries	-	-	393.24	-
Swayam siddha	-	-	1.25	2.85
Hollyhock Tours and Travels	-	8.2	24.94	7.35
B. K. Engineering Works	-	-	11.7	-
Saptashruni Eengineering Works	-	0.03	2.01	-
Dehu Engineering	-	-	6.21	-
<b>-Rent Payment</b>				
Phoenix Erectors Private Limited	-	-	-	107.74
<b>-Receivables</b>				
Yashoday Engineers Pvt Ltd	2,204.65	1,803.27	203.76	340.9
Keytool Engineering Solutions Pvt Ltd	-	6.65	45	111.74
Opal Luxury time products Pvt Ltd	-	44.93	98.32	-
GeneOmbio Technologies Private Limited	-	11.98	11.98	11.98
Sourcegenie Consulting Pvt Ltd	73.27	84.6	76.56	49.37
Mambrane Filters (India) Pvt Ltd		104.52	8.52	-
Phoenix Erectors Private Limited	917.77	1,598.57	1,450.6 6	768.47
Aim Filtertech Private Limited		-	14.69	-
Saptashruni Eengineering Works	30.40	68.44	175.54	173.22
Hotel Gourish		-	0.97	-
New Trade Link Impex	57.69	62.42	25.8	-
<b>-Payables</b>				
Yashoday Engineers Pvt Ltd		-	84.55	-
Dehu Engineering	-	-	9.2	-

Sankalp Industries	-	-	15.28	-
Sourcegenie Consulting Pvt Ltd		8.16	3.79	-
Mambrane Filters (India) Pvt Ltd		3.47	-	0.18
B. K. Engineering works	-	-	0.03	-
M/s Hollyhock Tours and Travels	-	-	0.17	0.6
Saptashruni Eengineering Works		4.57	27.26	174.15
Gunjan Steel Corporation	5.12	0.04	-	-
Keytool Engineering Solutions Pvt Ltd	-	-	16.94	-
Opal Luxury time products Pvt Ltd	-	-	3.6	0.07
Gargi Bio Tek Private Limited	1.45	1.45	2.4	-
Swayam siddha	0.41	0.31	0.31	-
Phoenix Enerprises				
<b>Reimbursement of Expense</b>				
Yashoday Engineers Pvt Ltd	-	-	0.05	-
Opal Luxury time products Pvt Ltd	-	-	4.85	-
Sourcegenie Consulting Pvt Ltd	-	-	0.61	-
Hotel Gourish Pvt Ltd	-	-	0.59	-
New Trade Link Corporation	-	-	21.01	-
Phoenix Erectors Private Limited	-	-	-	104.99
<b>Advance</b>				
Opal Luxury time products Pvt Ltd	-	-	65.31	-
Sourcegenie Consulting Pvt Ltd		-	19.16	-
Mambrane Filters (India) Pvt Ltd	-	-	10	-
Phoenix Erectors Private Limited				
<b>Managerial remuneration</b>				
Mr. Chandu L. Chavan		34.93	12	6



	22.33			
Mr. Ravindra W. Katre	24.10	21.1	12.5	9
Mr. Sanjay Waghulade	10.50	10.22	8.55	6
Mr. Shivaji Katke	11.25	11.66	6.95	7.8
Mr. Sanjay Bhade	9.90	9.76	9.76	6
Mr. Parag Mulye	11.25	18.33	5.35	4.2
G Balasubramaniam	13.50	12	8	-
Sham Agarwal	11.25	21.98	15	13.75
<b><u>Relatives of Key management personnel - Managerial Remuneration</u></b>				
Mrs. Mrunal R. Katre	-	-	8.08	4.8
Mrs. Anita Waghulade	-	-	-	6
Mrs. Kavita P. Mulye	-	-	5	5.5
Mrs. Smita S. Katke	-	6.98	4.28	3.6

**ANNEXURE XXXIII: Restated consolidated statement of Segment Reporting (As per Accounting Standard 17 - "Segment Reporting" notified by Companies (Accounting Standards) Rules, 2006, (as amended))**

Segment information in accordance with Accounting Standard 17 prescribed by Companies (Accounting Standard) Rules, 2006.

The Group is engaged in the business of manufacture and sale of tubes and products, Motor Vehicle (MV) parts, CRCA Coils, OCTG and others. The risk and returns of the Group are affected predominantly by the fact that it operates in different business segments and accordingly business segment have been considered as the primary segment information.

Description	2010-11					
	MV Parts	Tubes & Products	CR Coil	OCTG	Others	TOTAL
External Revenue	12,493.13	21,279.62	3,547.01	5,475.12	2,521.40	45,316.89
Segment Result	2,892.16	5,644.68	547.04	1,426.17	278.19	10,788.23
Unallocable Expenses (Net of Other Income)						138.79
Interest						5,328.48
Profit Before Taxes						5,320.96
Less:- Prior Period Items (Net)						-
Provision for taxation- current						1,207.92
- Deferred tax						719.60
- Fringe Benefit Tax						-
- MAT Credit						(786.61)
- Wealth Tax						-
Profit After Taxes						4,180.06
Minority Interest						488.46
Net Profit						3,691.60
SEGMENT ASSETS	6,542.76	48,409.03	5,092.04	8,634.12	3,818.14	72,496.08
Unallocated Corporate Assets						5,869.50
TOTAL ASSETS						78,365.58
SEGMENT LIABILITIES	3,432.20	15,916.94	1,261.50	2,289.78	491.47	23,391.90
CAPITAL EXPENDITURE	28.30	3,605.01	412.52	579.88	10.30	4,636.01
DEPRECIATION	79.39	1,226.48	37.75	152.56	152.96	1,649.14

(Rs. In Lakhs)		2009-10				
Description	MV Parts	Tubes & Products	CR Coil	OCTG	Others	Total
External Revenue	10,817.51	22,751.98	3,880.94	3,528.95	1,168.15	42,147.51
Segment Result	1,929.92	7,190.99	260.80	580.57	147.27	10,109.55
Unallocable Expenses						227.86

Interest	-	-	-	-	-	<b>5,601.59</b>
Profit Before Taxes	-	-	-	-	-	<b>4,280.10</b>
Less:- Prior Period Items	-	-	-	-	-	-
Provision for Current Tax	-	-	-	-	-	771.72
- Deferred tax	-	-	-	-	-	716.25
- Fringe Benefit Tax	-	-	-	-	-	-
- MAT Credit	-	-	-	-	-	(719.28)
- Wealth Tax	-	-	-	-	-	0.21
Profit After Taxes	-	-	-	-	-	<b>3,511.20</b>
Segment Assets	4,123.62	41,683.90	5,130.97	5,717.75	1,323.49	57,979.73
Unallocated Assets	-	-	-	-	-	2,994.86
Total Assets	-	-	-	-	-	60,974.59
Segment Liabilities	2,069.16	12,025.76	264.98	1,196.75	1762.32	17,318.97
Capital Expenditure	199.75	5,036.71	994.72	550.21	282.98	7,064.37
Depreciation	96.78	1,169.82	47.4	180.98	136.58	1,631.55

(Rs. In Lakhs)		2008-09				
Description	MV Parts	Tubes & Products	CR Coil	OCTG	Others	Total
External Revenue	8,870.00	15,284.04	3,895.98	3,660.01	4,486.28	36,196.31
Segment Result	2,396.28	2,372.00	268.03	625.46	210.37	5,872.15
Unallocable Expenses	-	-	-	-	-	18.00
Interest	-	-	-	-	-	3,529.63
Profit Before Taxes	-	-	-	-	-	2,324.52
Less:- Prior Period Items	-	-	-	-	-	-
Provision for Current Tax	-	-	-	-	-	276.96
- Deferred tax	-	-	-	-	-	690.54
- Fringe Benefit Tax	-	-	-	-	-	25.22
- MAT Credit	-	-	-	-	-	(221.12)

- Wealth Tax						0.43
Profit After Taxes						1,552.49
Segment Assets	2,327.05	33,611.69	3,249.23	4,684.94	8,128.72	52,001.64
Unallocated Assets						1,156.11
Total Assets						53,157.75
Segment Liabilities	2,097.85	11,263.74	199.00	408.89	838.24	14,807.72
Capital Expenditure	1,472.05	10,502.14			33.26	12,007.45
Depreciation	88.00	779.00	44.10	57.65	192.02	1,160.77

(Rs. In Lakhs)		2007-08				
Description	MV Parts	Tubes & Products	CR Coil	OCTG	Others	Total
External Revenue	7,843.27	17,587.86	2,561.68	4,313.18		32,305.99
Segment Result	695.10	1,606.80	426.15	448.78		3,176.82
	0.09	0.09	0.17	0.10		
Unallocable Expenses	-	-		-		155.23
Interest						1,555.11
Profit Before Taxes						1,466.48
Less:- Prior Period Items						
Provision for Current Tax						297.04
- Deferred tax						349.49
- Fringe Benefit Tax						13.78
- MAT Credit						(93.30)
- Wealth Tax						-
Profit After Taxes						899.46
Segment Assets	2,402.64	27,131.18	2,047.74	5,268.37		36,849.94
Unallocated Assets						345.19
Total Assets						37195.13

Segment Liabilities	1,044.98	11,867.49	190.60	789.67	13892.74
Capital Expenditure	-	4,976.91	-	37.44	5,014.35
Depreciation	37.41	513.40	43.05	114.56	708.42

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with our restated consolidated and unconsolidated financial statements which appear in this Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our restated consolidated financial statements as of and for the years ended March 31, 2010, 2009 and 2008 and the restated unconsolidated financial statements as of and for the year ended March 31, 2010, 2009 and 2008. Our restated consolidated and unconsolidated financial statements have been derived from our consolidated and unconsolidated financial statements, respectively. Our Company's fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.*

### Basis of Preparation of Accounts

We have prepared our consolidated accounts in accordance with Indian GAAP as restated for the F.Y. 2010, 2009, and 2008.

As on December 31, 2010, we had five direct subsidiary companies, details of which are set out below:

Name of the Subsidiary	Financial Year of becoming a subsidiary	Type of Subsidiary	Type of activity
Sankalp Forgings Private Limited	2008-09	51%	Manufacture of machined components and assemblies
Saicon Steel Private Limited	2007-08	51%	Manufacture of CRCA
Arihant Steel and Metal Wires Private Limited	2007-08	100%	Manufacture of metal wires from steel strips
Arihant Auto Components Private Limited	2007-08	100%	Manufacture of auto components
Seven Star Electrodes Private Limited	2007-08	100%	Manufacture & trading of auto components

### Overview of our industry

#### Precision Tubes Industry in India

The precision tubes industry in India is dominated by mild/carbon steel and stainless steel grade tubes which accounted for 87.0% of the total domestic production in FY 2009-10. The domestic production of precision tubes industry in India was about 558,760 tonnes in FY 2009-10, of which domestic sales amounted to 433,857 tonnes and exports amounted to 124,903 tonnes. Exports are also dominated by mild/carbon and stainless steel grade precision tubes and these accounted for more than 80.0% of the total exports in FY 2010. The import of precision tubes during FY 2010 was about 47,500 tonnes. Thus the overall domestic consumption of precision tubes in India comprising of domestic sales and imports, amounted to 481,357 tonnes in FY 2010. The seamless grade precision tubes dominated the imports during this period whereas the import of mild/carbon steel grade ERW precision tubes was negligible.

In terms of value, the domestic consumption (domestic sales and imports) of precision tubes amounted to Rs. 3,484.6 Cr. in FY 2009-10 and exports worth Rs. 575.2 Cr. were made during the same period. The mild/carbon and stainless steel grade precision tubes accounted for a revenue share of 75.0% of this market

In terms of revenue, the precision tubes market in India is forecasted to grow at a CAGR of 16.8% from FY 2010 to FY 2015. In terms of volumes, the domestic consumption of precision tubes amounted to 481,357 tonnes in FY 2009-10. From FY 2010 to FY 2015, the overall precision tube market is projected to grow at a CAGR of 10.7% in terms of volume. The ERW, CEW and Seamless tube segments are projected to grow at a CAGR of 9.9%, 14.2% and 9.3% respectively over the same period.

Source: “Precision Tubes Market in India”, June 2010, Frost & Sullivan

## Overview of our business

We are a multiproduct engineering company engaged in the manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products which find application in diverse industrial sectors such as transportation, oil & gas, power, farm equipments and general engineering. We have six manufacturing facilities located in Pune and Silvassa. We sell our products in the domestic as well as in export markets.

Our Promoters, first generation technocrats, acquired the company in 2002 under the leadership Mr. Chandu Chavan.

We manufacture a wide range of precision steel tubes and other value added products mentioned as below:

- **ERW Precision Tubes:** We manufacture Electric Resistance Welding (ERW) precision steel tubes from mild and carbon steel alloys that conform to various industrial standards as desired by our customers from transportation, power and general engineering sectors.
- **CEW Tubes:** Cold Drawn Electric Welded (CEW) tubes are value added products manufactured by cold drawing ERW tubes using draw benches and/or cold pilgering respectively. We also machine these tubes to manufacture tubular components. Our CEW tubes and components find applications in power, agricultural equipments, transportation and general engineering sectors.
- **Auto Components:** We manufacture a variety of machined components, press fabricated parts, welded components & assemblies catering to the transportation and farm equipments sector
- **Power Equipment Components:** We manufacture membrane strips and energy tubes that are used for boilers and heat exchangers.
- **Oil Country Tubular Goods (OCTG):** We manufacture, through our subsidiary, fully machined ready-to-assemble parts such as machined tubing, couplings, casing couplings, pup joints, cross-overs, open-die and closed-die forgings which are used in oil & gas sector.
- **Other Steel Products:** We manufacture, through our subsidiaries, cold rolled (CR) sheets, metal wires, laminates and stampings. These products are used in transportation, consumer durables, energy and general engineering sectors.

Our major customers include Bajaj Auto Limited, BHEL, Thermax Limited, John Deere India, Sundram Industries Limited, Gabriel India Limited and Alstom Projects Limited.

## Our Strategy

We shall continue to focus on developing technology based innovative products which will result in significant cost saving for our customers with improved quality and performance. We see significant opportunities in certain applications where seamless tubes, bars and non-ferrous tubes and tubular components can be replaced with our CEW tubes and machined components. We are also expanding our product portfolio by designing new products such as hydraulic cylinders, bearing spacers and drag linkages amongst others, where our lower cost and comparable quality/performance provides a superior value proposition to our customers. Our Company has a track record of successfully introducing and establishing new products in new and existing segments. Our Company is committed to maintaining modern manufacturing facilities, which we believe improves the quality of our products, improves the efficiency in the production processes and reduces operational costs. There exists immense

potential in our existing line of business and our Company intends to maintain competitiveness of its existing business and achieve growth by capitalizing on its efficient and strong execution and implementation skills which shall help us realize our vision to evolve globally as value creator for customers by specializing in Total Engineering Solutions and Supply Chain Management.

Further we see a significant potential in the market for CEW tubes and tubular products manufactured by us. We are currently investing in our manufacturing facility at Pimple Jagtap, Pune. The current CEW facility expansion is expected to get fully operational by FY 2011 which will increase our CEW manufacturing capacity from 23,265 MT to 28,785 MT and through IPO proceeds, we will further expand the capacity to 76,701 MT by 2012. This facility will be utilized for manufacturing CEW tubes, tubular components and assemblies. Further we intend to reduce the concentration of ERW tubes by focussing on selling more CEW tubes and other value added products like strips and machined components, which provide higher realization and profitability.

### **Factors Affecting Our Results of Operations**

Our results of operations and financial condition are affected by a number of factors, including the following, which are of particular importance:

#### *General economic and business conditions;*

As a company operating in India, we are affected by the general economic conditions in the country. The Indian economy has grown steadily over the past several years. This improved performance was propelled by the growth in industrial activity and robust services sector. The overall economic growth will therefore impact the results of its operations. The growth prospects of the business of the Company and its ability to implement the strategies will be influenced by macro economic growth.

#### *Our ability to successfully implement its strategy and its growth and expansion plans;*

Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in implementation of its strategy and its growth and expansion plans could impact the Company's roll out schedules and cause cost and time over runs. We are undergoing expansion in our company and our subsidiaries and our ability to successfully implement these projects and utilise the increased capacity will determine our success in the future.

#### *Factors affecting industrial activity;*

Any change in the factors such as industrial policies, tariffs, excise duties etc which may affect the activities of the steel, oil & gas, pharmaceutical industry etc. may affect our results of operation.

#### *Increasing competition in the industry;*

We face competition from other precision tube manufacturers and integrated steel manufacturing companies which have an in-house tube manufacturing division. Our auto division also faces competition from other OEMs and suppliers to OEMs which is a very fragmented market. Our major competitors include Tube Investments of India Limited, Ratnamani Metals Limited and Tata Steel Limited, Bhushan Steel Limited and Bhushan Power & Steel Limited amongst the major steel manufacturers.

#### *Approval on our patent application on the pilgering process*

We have applied for the patent for the pilgering process of CEW tube manufacturing process. Award of the patent to our company shall serve as an entry barrier and have a positive impact on the revenues, growth and margins of our company.

#### *Changes in laws and regulations that apply to the industry;*



There are some laws and regulations applicable to the industry in which we operate, which we have to comply/ follow. In case of a failure to comply with these laws and regulations or to obtain or renew the necessary permits and approvals our business may be affected.

#### *Procurement of raw materials*

We procure raw materials (primarily HR & CR Coils) from steel manufactures based on the prevailing market rates and we do not enter into any long term contract with any of the manufacturers for purchase of steel. Our inability to procure raw materials at competitive rates may impact our profitability.

#### *Changes in fiscal, economic or political conditions in India;*

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain our ability to do business, increase the costs and negatively affect our financial performance. Further dependence on the economic activity in the industry overall will determine the success of our company.

#### *Changes in the foreign exchange control regulations, interest rates and tax laws in India.*

Any change in the foreign exchange control regulation, interest rates and tax laws pertaining to India affects the liquidity of cash in the market which in turn affects the purchasing power of the economy. The movement of the US Dollar vis-a-vis the Indian Rupee will be a key factor in determining the success of our exports.

#### *Ability to attract, recruit and retain skilled personnel:*

Our ability to retain the existing talent pool in the company as well as attracting and retaining the future employees of the company might have a negative impact on the future performance of our company and our expansion and diversifications plans.

#### *Ability to raise funds at competitive rates*

Our ability to reduce our cost of borrowings will have a significant impact on our results of operations. A reduction in debt levels coupled with a lower interest burden will help improve our margins.

### **Critical Accounting Policies**

Preparation of financial statements in accordance with Indian GAAP, the applicable accounting standards notified by Companies (Accounting Standards) Rules, 2006, as amended, and the relevant provisions of the Companies Act require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of income and expenditure. Certain key accounting policies relevant to our business and operations have been described below.

#### *Revenue Recognition*

- i. Revenue from sales are recognized on dispatch of goods to the customers and are recorded net of trade discounts, rebates, price adjustments, rejections and shortage in transit, taxes and duties.
- ii. Revenue from services is recognized as and when services are rendered and related costs are incurred, in accordance with the terms of specific contracts.
- iii. Dividends are recorded when the right to receive payment is established.
- iv. Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### *Government Grants and Subsidies*

Revenue grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

### *Investments*

- i. Investments that are readily realizable and intended to be held for not more than one year from the date on which such investment is made are classified as current investments.
- ii. Long term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment.
- iii. Current investments are carried at lower of cost and fair value, which is determined for each individual investment. Cost includes related expenses such as commission / brokerage etc.

### *Inventories*

- i. Inventories are stated at cost or realizable value, whichever is lower.
- ii. Raw Materials are valued on Weighted Average basis.
- iii. In case of Semi-finished & Finished goods, cost includes material cost, conversion costs, and excise duty, wherever applicable.

### *Retirement & Other Employee Benefits*

- i. Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by an independent actuary.
- ii. Group's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognized in the Profit and loss Account.
- iii. Long term compensated absences are provided for based on actuarial valuation, using the projected credit method.

### *Foreign Currency transactions*

- i. Transactions denominated in foreign currency are accounted for at rates that approximate the exchange rate prevailing on the date of the respective transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.
- ii. Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end closing exchange rate and the resultant exchange differences are recognized in the Profit and loss account.

### *Income Taxes*

- i. Income tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax (reflecting the tax effect of timing differences between accounting income and taxable income for the year).
- ii. In accordance with Accounting Standard 22 – 'Accounting for taxes on Income', issued by the Institute of Chartered Accountants of India, the deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that they will be realised in future; however, where there is unabsorbed depreciation and carry forward loss under taxation laws, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available to realize such assets.
- iii. Deferred tax assets are reviewed at each Balance sheet date and written down or written-up, to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.
- iv. Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent

there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

Our significant accounting policies are more fully described in Annexure XXI of the restated consolidated summary statements included in the section “*Financial Information*” beginning on page number 214 of this Red Herring Prospectus.

## Results of Operations

The following table provides summarized financial data from our restated consolidated profit and loss accounts for the financial years 2010, 2009, and 2008, the components of which are expressed as a percentage of total income for such periods.

*(Rs. in lakhs)*

Particulars	9 Month ending Dec. 31, 2010		Year ending March 31, 2010		Year ending March 31, 2009		Year ending March 31, 2008	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Income</b>								
Total income from operations	45,316.89	99.2%	42,147.51	99.1%	36,196.31	97.5%	32,305.99	99.3%
Other Income	384.89	0.8%	367.54	0.9%	913.57	2.5%	232.38	0.7%
<b>TOTAL</b>	<b>45,701.78</b>	<b>100.0%</b>	<b>42,515.05</b>	<b>100.0%</b>	<b>37,109.88</b>	<b>100.0%</b>	<b>32,538.37</b>	<b>100.0%</b>
<i>y-o-y growth %</i>	8%		15%		14%		69%	
<b>Expenditure</b>								
Raw Material Consumed	26,017.51	56.9%	22,842.76	53.7%	23,241.13	62.6%	22,966.97	70.6%
Staff Costs	1,742.99	3.8%	2,149.56	5.1%	1,529.61	4.1%	820.82	2.5%
Other Manufacturing Expenses	3,471.87	7.6%	3,547.13	8.3%	3,098.34	8.3%	3,440.42	10.6%
Selling & Administration Expenses	2,170.82	4.7%	2,462.36	5.8%	2,225.87	6.0%	1,595.38	4.9%
<b>Profit before Interest, Depreciation, Tax and Adjustments</b>	<b>12,298.58</b>	<b>26.9%</b>	<b>11,513.23</b>	<b>27.1%</b>	<b>7,014.92</b>	<b>18.9%</b>	<b>3,714.78</b>	<b>11.4%</b>
Interest and Finance Charges	5,328.48	11.7%	5,601.59	13.2%	3,529.63	9.5%	1,555.11	4.8%
Depreciation / Amortisations	1,649.14	3.6%	1,631.55	3.8%	1,160.77	3.1%	708.42	2.2%
<b>Total Expenditure</b>	<b>40,380.81</b>	<b>88.4%</b>	<b>38,234.95</b>	<b>89.9%</b>	<b>34,785.35</b>	<b>93.7%</b>	<b>31,087.12</b>	<b>95.5%</b>
Profit before Tax	5,320.96	11.6%	4,280.10	10.1%	2,324.52	6.3%	1,451.25	4.5%
Add: Share of profit in Associate							15.23	0.0%
Profit before tax and adjustments	5,320.96	11.6%	4,280.10	10.1%	2,324.52	6.3%	1,466.48	4.5%
Provision for Taxation								
- Current Tax	1,207.92	2.6%	771.72	1.8%	276.96	0.7%	297.04	0.9%
- Deferred Tax Charges / (Release)	719.60	1.6%	716.25	1.7%	690.54	1.9%	349.49	1.1%
- Wealth Tax	--		0.21		0.43		-	
- Fringe Benefit Tax	--		-	0.0%	25.22	0.1%	13.78	0.0%
- MAT Credit	(786.61)	-1.7%	(719.28)	-1.7%	(221.12)	-0.6%	(93.30)	-0.3%
<b>Profit after Tax as restated</b>	<b>4,180.06</b>	<b>9.1%</b>	<b>3,511.20</b>	<b>8.3%</b>	<b>1,552.49</b>	<b>4.2%</b>	<b>899.46</b>	<b>2.7%</b>
Less: Unrealised profit on stock							42.71	
Less: Share of Minority Interest	488.46	1.1%	77.13	0.2%	138.78	0.4%	55.46	0.2%
<b>Profit/(Loss) after tax and after minority interest Restated</b>	<b>3,691.60</b>	<b>8.1%</b>	<b>3,434.07</b>	<b>8.1%</b>	<b>1,413.71</b>	<b>3.8%</b>	<b>801.29</b>	<b>2.5%</b>

Our financial statements as of nine months period ended December 31, 2010 cannot be compared with the financial statements as of nine months period ended December 31, 2009 as the audited statement of the latter is not available.

## Income

We are a multiproduct engineering company engaged in the manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products which find application in diverse industrial sectors.

Our total income was Rs. 42,515.05 lakhs for the FY 2010 as compared to Rs. 37,109.88 lakhs for the FY 2009 and Rs. 32,538.37 lakhs for the FY 2008, representing year over year increases of 14.6% and 14.0% respectively. Our total income increased at a CAGR of 14.3% over FY 2008 to FY 2010. Our revenues comprise income from sale of various products like ERW, CEW tubes, membrane strips, automotive components, machined products and other steel products supplied to various segments and benefits received on account of Mega Project status available to the Pimple Jagtap manufacturing facility..

Given below is a break-up of our Total Sales *on the basis of industry segments*:

*(Rs. in lakhs)*

	For the Year ended			
Particulars	As of December 31, 2010	31st March,2010	31st March,2009	31st March,2008
Transportation	22,347.6	20,098.0	19,190.6	20,200.6
y-o-y growth %	11.2%	4.7%	-5.0%	-
Oil & Gas	5,475.7	4,389.0	3,746.7	458.0
y-o-y growth %	24.8%	17.1%	718.1%	-
Power	5,187.2	5,265.6	3,964.9	3,650.2
y-o-y growth %	(1.5%)	32.8%	8.6%	-
Farm Equipments	1,224.1	1,239.7	488.2	-
y-o-y growth %	(1.3%)	153.9%	-	-
General Engineering	11,082.23	11,155.2	8,805.6	7,997.2
y-o-y growth %	(0.7%)	26.7%	10.1%	-
<b>Total Income</b>	<b>45,316.9</b>	<b>42,147.5</b>	<b>36,196.3</b>	<b>32,306.0</b>

#### *Expenditure*

Our total expenditure consists of expenses incurred on Raw materials consumed, Staff costs, other manufacturing expenses, Selling and Administration expenses, Interest & Finance charges and Depreciation and Amortization. Our total expenditure as a percentage of our total income was 89.9%, 93.7%, and 95.5% for the financial years 2010, 2009 and 2008 respectively which in turn in conjunction with the income growth has allowed registering restated EBIDTA and PAT after minority interest CAGR of 76% and 86% over FY 2008 to FY 2010. Our significant improvement in margins is on account of efficient production process through the innovation of pilgering process, higher concentration of sale of CEW products with better margins and innovative use of precision tubes in different applications.

#### *Raw Materials Consumed*

Raw Materials consumed consist of expenses on purchase of primary raw material which is HR coil for most of our products which is procured directly from steel manufacturers such as Essar Steel Limited, Ispat Industries Limited among others. Raw Materials consumed amounted to 53.7%, 62.6% and 70.6% of our total income for the financial years 2010, 2009 and 2008 respectively.

#### *Staff Costs*

Staff costs consist of expenses of salary, wages and bonus, contribution to provident funds, gratuity and other employee welfare benefits and miscellaneous staff welfare expenses. Staff costs amounted to 5.1%, 4.1% and 2.5% of our total income for the financial years 2010, 2009 and 2008 respectively.

#### *Other Manufacturing Expenses*

Other manufacturing expenses consist of power and fuel, consumables, repairs and maintenance and miscellaneous manufacturing expenses. Other manufacturing expenses amounted to 8.3%, 8.3% and 10.6% of our total income for the financial years 2010, 2009 and 2008 respectively.

#### *Selling and Administration Expenses*

Selling & administration expenses consists of rent rates and taxes, insurance, freight and packaging, printing and stationery, telephone expenses, travelling and conveyance, provision for doubtful debts, auditors remuneration, and other administration expenses. It has accounted for 5.8%, 6.0% and 4.9% of our total income for the financial years 2010, 2009 and 2008 respectively. Company has been incurring selling & administration expenses on an increasing basis year after year for better market penetration and expanding the geographical reach as well as product base worldwide.

### *Interest and Financial Charges*

Interest and financial charges consist of bank charges, interest on term loans, working capital loans, vehicle loans, cash discounts and other financial charges. Interest and financial charges accounted for 13.2%, 9.5% and 4.8% of our total income for the financial years 2010, 2009 and 2008 respectively. For further details on our “*Financial Indebtedness*” please refer sections titled “*Secured Borrowings*” and “*Unsecured Borrowings*” beginning on page number 319 of the Red Herring Prospectus.

### *Depreciation*

Depreciation on Fixed assets is provided on Straight Line Method as per rates prescribed in Schedule-XIV to the Companies Act 1956. The rates of depreciation used for our accounting purpose is mentioned as follows:

<b>Particulars</b>	<b>Rate of Depreciation</b>
Buildings	1.63%
Office Equipments	4.75%
Plant & Machinery	4.75%-14.28%
Computers	16.21%
Furniture & Fixtures	6.33%
Vehicles	7.07%-16.21%
Tools & Equipments	4.75%-11.31%
Assets costing less than Rs. 5,000	Fully depreciated in the year of acquisition

### *Taxation*

We provide for current taxes, comprising of income tax, wealth tax, fringe benefit tax, and deferred taxes. Tax on income is determined on the basis of taxable income and is computed in accordance with the provisions of applicable law. Deferred tax arises mainly due to the timing difference between accounting income and the taxable income for the period and is quantified using the tax rates and laws enacted as on the relevant balance sheet date. Our deferred tax liability is recognized net of deferred tax assets, if any. We have also claimed MAT Credit in the financial years 2010, 2009 and 2008 amounting to Rs. 719.28 lakhs, Rs. 221.12 lakhs and Rs. 93.30 lakhs respectively.

For further information on tax benefits available to us, please refer to section titled “*Statement of Tax Benefits*” beginning on page number 108 of this Red Herring Prospectus.

### *Adjustments*

The financial statements for the financial years 2010, 2009, and 2008 have been restated in compliance with the SEBI (ICDR) Regulations. The effects of restatement are shown as a total effect rather than as restatement of individual items in our profit and loss account. For detailed break-up of adjustments refer Annexure XXI B and Notes on restated financial statements in Annexure XXI C in Chapter titled “*Financial Information*” beginning on page number 214 of this Red Herring Prospectus.

### ***Overview of the Results of Operations of our Company on a Restated Consolidated Basis over the period FY 2008 to FY 2010***

#### ***Financial year 2010 compared to financial year 2009***

Our results of operations for the FY 2010 were particularly influenced by the following factors:

- Increase in CEW manufacturing capacity to 23,265 MT from 12,105 MT
- Growth in volume of CEW tubes and membrane strips
- Improvement in production and material handling efficiencies

- Benefits available on account of Mega Project status available to the Pimple Jagtap Manufacturing facility.
- Streamlining of operations of the subsidiaries acquired by us.
- Increase in exports

#### *Income*

Our total income increased by 14.6% to Rs. 42,515.05 lakhs for the FY 2010 from Rs. 37,109.88 lakhs for the FY 2009, primarily due to growth in sales volume and realization of CEW tubes, auto components, membrane strips and exports and better realizations from ERW tubes.

#### *Income from Operations*

Our primary source of income from operations on a consolidated basis is sale of ERW and CEW tubes and sale of value added products such as membrane strips, ready to assemble machined components, laminates, stamping, auto components, farm equipment, etc. Our Income from operations increased by 16.4% to Rs. 42,147.51 lakhs for FY 2010 from Rs.36,196.31 lakhs in FY 2009.

#### *Other Income*

Other Income decreased by 59.8% to Rs. 367.54 lakhs for FY 2010 from Rs. 913.57 lakhs for the FY 2009 on account of lower foreign exchange gains of Rs. 50.62 lakhs for FY 2010 as compared to Rs. 172.10 lakhs for FY 2009 and lower interest income of Rs. 54.54 lakhs in FY 2010 as compared to Rs. 243.20 lakhs in FY 2009. The main reasons for the year on year decrease are certain non-recurring items in FY 2009 discussed in detail in the later part of this section.

#### *Expenditure*

Our total expenditure increased by 9.9% to Rs. 38,234.95 lakhs for the FY 2010 from Rs. 34,785.35 lakhs for the FY 2009. However, on year on year basis total expenditure as a percentage of Total Income has reduced from 93.7% in FY 2009 to 89.9% in FY 2010 primarily because of better realizations, increase in operational efficiency and product mix in the sales composition of our company as described above.

#### *Raw Materials consumed*

Our raw materials consumed decreased by 1.7% to Rs. 22,842.76 lakhs for the FY 2010 from Rs. 23,241.13 lakhs for the FY 2009. Raw materials consumed as a percentage to Total Income has reduced from 62.6% in FY 2009 to 53.7% in FY 2010 due to increase in the volume of high value products like CEW tubes and membrane strips. Our long term raw material procurement arrangements and material handling efficiency also contributed to the reduction in the overall raw material cost.

#### *Staff Costs*

Our staff cost increased by 40.5% to Rs. 2,149.56 lakhs for the FY 2010 from Rs. 1,529.61 lakhs for the FY 2009, primarily on account of increase in the number of employees from 748 in FY 2009 to 1054 in FY 2010 and also because of increase in salary levels during the year.

#### *Other Manufacturing Expenses*

Our Other manufacturing expenses increased by 14.5% to Rs. 3,547.13 lakhs for FY 2010 from Rs. 3,098.34 lakhs for FY 2009, in line with the increase in sales. However, the costs have remained at 8.3% of total income for FY 2009 and FY 2010.

#### *Selling & Administration Expenses*

Our Selling & administration expenses increased by 10.6% to Rs. 2,462.36 lakhs for the FY 2010 from Rs. 2,225.87 lakhs for the FY 2009, mainly due to increase in bad debts written off to Rs. 96.81 lakhs in FY 2010 as compared to Rs. 17.74 lakhs in FY 2009 and increase in travelling and conveyance expenses to Rs. 301.52 lakhs from Rs. 256.12 lakhs in FY 2009.

#### *Interest and Finance Charges*

Our interest and finance charges increased by 58.7% to Rs. 5,601.59 lakhs for the FY 2010 from Rs. 3,529.63 lakhs for the FY 2009. The increase is not on account of increase in borrowings in FY 2010 but because of capitalisation of borrowing costs on term loans in FY 2009. Further, there was a net repayment of long term borrowings to the extent of Rs. 1,439.06 lakhs towards the end of the financial year. Hence, there has not been any significant net increase in borrowings as at March 31, 2010. Further, there were cash discounts amounting to Rs. 156.98 lakhs given during the year.

#### *Depreciation / Amortization*

Our depreciation charge increased by 40.6% to Rs. 1,631.55 lakhs for the FY 2010 from Rs. 1,160.77 lakhs for the FY 2009 due to addition in the gross block by Rs. 11,378.45 lakhs to Rs. 34,872.08 lakhs during the FY 2010. Further this increase can be attributed to high level of capital work in progress in FY 2009 of Rs. 9,444.70 lakhs which decreased to Rs. 4,450.34 lakhs in FY 2010.

#### *Provision for Taxation*

Our provision for taxation (net of MAT Credit) decreased to Rs. 768.90 lakhs for the FY 2010 from Rs. 772.03 lakhs for the FY 2009. These include current tax, deferred tax, wealth tax, fringe benefit tax and a MAT credit amounting to Rs. 719.28 lakhs for the FY 2010 as compared to Rs. 221.12 lakhs for the FY 2009. The effective tax rate for FY 2010 was 17.96% as compared to 33.21% for FY 2009.

Amount sanctioned under Industrial Promotional subsidy (grouped under sales) by State Government of Maharashtra for setting up Mega Project unit is considered as non-taxable based on the legal opinion obtained by the company. Accordingly tax expenses related to IPS scheme for 31st March 2010 of Rs. 644.30 Lacs (Provision for Current Tax Rs.489.12 lakhs and Provision for Deferred Tax Rs.155.18 lakhs) is written back during the nine month period ending December 31, 2010. This reversal resulted in twin impact of increase in MAT Credit entitlement as well as decrease in tax liability leading to change in restated profit for FY2010. Accordingly, the the tax implication for the financial year 2010 has reduced substantially.

#### *Minority Interest*

Minority Interest for the financial 2010 amounted to Rs. 77.13 lakhs as compared to Rs. 138.78 lakhs for FY 2009. There was no change in the number of subsidiaries in FY 2010 as compared to FY 2009.

#### *Net Profit, As Restated*

Our Net profit after tax, as restated, increased by 143% to Rs. 3,434.07 lakhs for the FY 2010 from Rs. 1,413.71 lakhs for the FY 2009. Our Profit margin for the FY 2010 has been increased to 8.3% from 4.2% as achieved in FY 2009.

This is primarily due to efficient raw material procurement, benefits of the mega project status, improved operational efficiencies and better product mix whereby the composition of CEW tubes, membrane strips, auto components have increased as a percentage of total sales. These products provide a higher realisation as compared to ERW tubes due to value addition made by further processing to convert them into finished products. Further, our unique pilgering process, for which we have applied for a patent, increases our operating margins on account of savings in labour and electricity costs. Our membrane strips have been able to successfully substitute imports for use in power generation equipment as these strips offer good quality at lower costs compared to imported strips simultaneously providing us higher margins.

### ***Financial year 2009 Compared to Financial year 2008***

Our results of operations for the FY 2009 were particularly influenced by the following factors:

- Increase in CEW manufacturing capacity to 12,105 MT from 7,920 MT
- Commissioning of our Mega Project- located in Pimple Jagtap
- Increase in stake in Sankalp Forgings Private Limited to 51%
- Poor market conditions due to global economic slowdown

#### ***Income***

Our total income increased by 14.0% to Rs. 37,109.88 lakhs for the FY 2009 from Rs. 32,538.37 lakhs for the FY 2008, whereas our total income had increased substantially in 2008. This is primarily due to significant slowdown in the economic environment where the demand for the steel products and automobile sales had gone down significantly as compared to earlier years.

#### ***Income from Operations***

We commenced manufacturing at our Pimple Jagtap plant successfully in FY 2009. Our income from Operations increased by 12.0% to Rs.36,196.31 lakhs for the FY 2009 from Rs. 32,305.99 lakhs for the FY 2008 due to higher realisation on our sales. This has been set off to some extent as our capacity utilisation as a percentage of normal capacity was 81.9% for ERW tubes as compared to 85.0% in FY 2008.

#### ***Other Income***

Other Income increased by 293.1% to Rs.913.57 lakhs for FY 2009 from Rs. 232.38 lakhs for the FY 2008 on account of foreign exchange gains amounting to Rs. 172.10 lakhs as compared to Rs. 64.20 lakhs for FY 2008. Further in Miscellaneous Income, there were non-recurring items including Rs. 272.91 lakhs on account of profits arising from sale of fixed assets of Seven Star Electrodes Private Limited and write back of excess provisions to the extent of Rs. 43.02 lakhs.

#### ***Expenditure***

Our total expenditure increased by 11.9% to Rs. 34,785.35 lakhs for the FY 2009 from Rs. 31,087.12 lakhs for the FY 2008, primarily because of scaling up of operations by our Company. However, on year on year basis total expenditure as a percentage of total income has decreased to 93.6% in FY 2009 as compared to 94.7% in FY 2008.

#### ***Raw Materials Consumed***

Total raw materials consumed increased by 1.2% to Rs. 23,241.13 lakhs for the FY 2009 from Rs. 22,966.97 lakhs for the FY 2008. Raw materials consumed as a percentage to Total Income has reduced from 70.6% in FY 2008 to 62.6% in FY 2009 due to increase of value added products in the sales mix.

#### ***Staff costs***

Our staff costs increased by 86.4% to Rs. 1,529.61 lakhs for the FY 2009 from Rs. 820.82 lakhs for the FY 2008, primarily on account of increase in the number of employees from 690 in FY 2008 to 748 in FY 2009 due to the commencement of operations in our Pimple Jagtap manufacturing facility and increase in the overall salary levels.

#### ***Other manufacturing Expenses***

Other manufacturing expenses decreased by 9.9% to Rs. 3,098.34 lakhs for the FY 2009 from Rs. 3,440.42 lakhs for the FY 2008, primarily due to the increase in scale of operations over the previous year.

#### ***Selling & Administration Expenses***



Our selling & administration expenses increased by 39.5% to Rs. 22,25.87 lakhs for the FY 2009 from Rs.1,595.38 lakhs for the FY 2008 due to increase in travelling and conveyance expenses to Rs. 256.12 lakhs in FY 2009 from Rs. 203.01 lakhs in FY 2008, increase in Rent, Rates and Taxes to Rs. 156.68 lakhs in FY 2009 from Rs. 72.97 lakhs in FY 2008 and increase in Insurance cost to Rs. 218.21 lakhs from Rs. 68.58 lakhs in FY 2008 on account of the commencement of operations in the new facility.

#### *Interest and Finance Charges*

Our interest and financial charges increased by 127.0% to Rs. 3,529.63 lakhs for the FY 2009 from Rs. 1,555.11 lakhs for the FY 2008, as compared to overall increase in the total expenditure by 11.9%. The incremental interest expense is higher due to increase in total borrowings by 69.84% to Rs. 28,064.57 lakhs in FY 2009 from Rs. 16,524.59 lakhs in FY 2008. This can be further attributed to capitalisation of borrowing cost during the construction Pimple Jagtap manufacturing facility in FY 2008.

#### *Depreciation / Amortization*

Our depreciation charge increased by 63.9% to Rs. 1,160.77 lakhs for the FY 2009 from Rs. 708.42 lakhs for the FY 2008 due to addition in the gross block by Rs. 9,375.98 lakhs to Rs. 23,493.63 lakhs in FY 2009 as compared to Rs. 14,117.65 lakhs in FY 2008.

#### *Provision for Taxation*

Our provision for taxation (net of MAT Credit) increased by 36.2% to Rs. 772.03 lakhs for the FY 2009 from Rs. 567.02 lakhs for the FY 2008. These include current tax, deferred tax, wealth tax, fringe benefit tax and a MAT credit amounting to Rs. 221.12 lakhs for the FY 2009 as compared to Rs. 93.30 lakhs for the FY 2008. The effective tax rate for FY 2009 was 33.21% as compared to 38.70% for FY 2008.

#### *Minority Interest*

Minority Interest for the financial 2009 amounted to Rs. 138.78 lakhs as compared to Rs. 55.46 lakhs for FY 2008. The number of subsidiaries in FY 2009 was 6 as compared to 5 for FY 2008 as the company increased its stake to 51% in Sankalp Forging Private Limited.

#### *Net Profit, As Restated*

Our profit after tax, as restated, increased by 76.4% to Rs. 1,413.71 lakhs for the FY 2009 from Rs. 801.29 lakhs for the FY 2008, as our profit margin for FY 2009 has increased to 3.8% as compared to achieved in FY 2008 at 2.5% primarily due to higher capacity, better product mix and higher margins.

#### *Cash Flows*

The table below summarizes our cash flows for nine month ending December 31, 2010 and the financial years 2010, 2009 and 2008:

(Rs. in lakhs)

Particulars	Financial Year			
	As on 31 <sup>st</sup> December 2010	2010	2009	2008
Net Cash generated from (used in) operating activities	5,773.62	6,085.15	6,462.07	3,626.57
Net Cash generated from (used in) investing activities	(4,612.69)	(6,520.30)	(14,291.21)	(9,486.65)
Net Cash generated from (used in) financing activities	1,127.15	(4,522.82)	8,813.64	11,135.98
<b>Net increase in cash and cash equivalents</b>	<b>2,288.08</b>	<b>(4,957.96)</b>	<b>984.50</b>	<b>5,275.91</b>

Cash and cash equivalents reduced to Rs. 1,794.10 lakhs as of March 31, 2010 against Rs. 6,752.06 lakhs as of March 31, 2009. Cash and cash equivalents include bank deposits, bank overdrafts, current account balances and cash in hand.

#### *Operating Activities*

Net cash generated from operating activities was Rs. 6,085.15 lakhs for FY 2010, and consisted of net profit before taxation as restated of Rs. 4,280.10 lakhs, as adjusted for non-cash items like Depreciation and amortization of Rs. 1,631.55 lakhs, non operating expenses of Interest & Finance charges of Rs. 5,601.59 lakhs, provision for doubtful debts of Rs. 27.48 lakhs, sundry debtors written off amounting to Rs. 96.81 lakhs and for income from non operating sources like interest income of Rs.54.54 lakhs, a foreign exchange gain of Rs. 1.35 lakhs, loss on sale of fixed assets of Rs.53.25 lakhs and provision for expenses of Rs. 90.70 lakhs. The total income tax paid for FY 2010 was Rs. 186.03 lakhs. The total outflows due to changes in working capital amounted to Rs. 5,454.41 lakhs.

Net cash generated from operating activities was Rs. 6,462.07 lakhs for FY 2009, and consisted of net profit before taxation as restated of Rs.2,324.52 lakhs, as adjusted for non-cash items like Depreciation and amortization of Rs. 1,160.77 lakhs, non operating expenses of Interest & Finance charges of Rs.3,529.63 lakhs provision for doubtful debts of Rs. 38.43 lakhs, sundry debtors written off amounting to Rs. 17.74 lakhs and for income from non operating sources like interest income of Rs. 243.20 lakhs, a foreign exchange gain of Rs. 69.13 lakhs, loss on sale of fixed assets of Rs. 11.00 lakhs and provision for expenses of Rs. 68.71 lakhs. The total income tax refund for FY 2009 was Rs. 89.12 lakhs. The total outflows due to changes in working capital amounted to Rs. 465.51 lakhs.

Net cash generated from operating activities was Rs. 3,626.57 lakhs for FY 2008, and consisted of net profit before taxation as restated of Rs. 1,466.48 lakhs, as adjusted for non-cash items like Depreciation and amortization of Rs. 708.42 lakhs, non operating expenses of Interest & Finance charges of Rs 1,555.11 lakhs and for sundry debtors written off amounting to Rs. 2.15 lakhs and for income from non operating sources like interest income of Rs. 4.95 lakhs, a foreign exchange gain of Rs. 64.20 lakhs, loss on sale of fixed assets of Rs. 1.41 lakhs and provision for expenses of Rs. 36.72 lakhs. The total income tax paid for FY 2008 was nil. The total outflows due to changes in working capital amounted to Rs. 74.56 lakhs.

#### *Investing Activities*

Net cash used in investing activities was Rs.6,520.30 lakhs for FY 2010, primarily due to additions of fixed assets amounting to Rs.6,574.84 lakhs and interest income of Rs. 54.54 lakhs.

Net cash used in investing activities was Rs.14,291.21 lakhs for FY 2009, primarily due to additions of fixed assets amounting to Rs. 14,658.10 lakhs, sale of investments of Rs. 123.69 lakhs and interest income of Rs. 243.20 lakhs

Net cash used in investing activities was Rs. 9,486.65 lakhs for FY 2008, primarily due to additions of fixed assets amounting to Rs. 9,373.20 lakhs, purchase of investments (Sankalp Forging Private Limited) Rs. 118.39 lakhs and interest income of Rs. 4.95 lakhs.

#### *Financing Activities*

Net cash used in financing activities was Rs. 4,522.82 lakhs for FY 2010, as a result of net reduction of the long term borrowings by Rs. 1,439.06 lakhs, net increase in short term borrowings by Rs. 2,517.84 lakhs and interest payment amounting to Rs. 5,601.59 lakhs.

Net cash generated from financing activities was Rs.8,813.64 lakhs for FY 2009, as a result of net increase in the long term borrowings by Rs. 11,201.46 lakhs, net increase in short term borrowings by Rs. 1,141.81 lakhs and interest payment amounting to Rs. 3,529.63 lakhs.

Net cash from financing activities was Rs.11,135.98 lakhs for FY 2008, as a result of redemption of preference share capital of Rs. 400.00 lakhs, refund of share application money of Rs. 254.18 lakhs, net increase in the long term borrowings by Rs. 9,388.40 lakhs, net increase in short term borrowings by Rs. 3,956.87 lakhs and interest payment amounting to Rs. 1,555.11 lakhs.

### Financial Condition

As per our restated statements, as of December 31, 2010 our net worth was Rs. 14,873.63 lakhs.

Amount sanctioned under Industrial Promotional subsidy (grouped under sales) by State Government of Maharashtra for setting up Mega Project unit is considered as non-taxable based on the legal opinion obtained by the company. Accordingly tax expenses related to IPS scheme for 31st March 2010 of Rs. 644.30 Lacs (Provision for Current Tax Rs.489.12 lakhs and Provision for Deferred Tax Rs.155.18 lakhs) is written back during the nine month period ending December 31, 2010. This reversal resulted in twin impact of increase in MAT Credit entitlement as well as decrease in tax liability leading to change in restated profit for FY2010. Accordingly, the restated networth as on March 31, 2010 is Rs.7,712.51 lakhs as compared to Rs. 4,278.43 lakhs as on March 31, 2009.

The average current ratio of the comparable industry peers for the year ended March 31, 2010, 2009 and 2008 were 1.76, 1.70 and 1.77 respectively whereas the same for the Issuer Company stands at 1.03, 1.15 and 1.25 on a consolidated basis for the financial year ended March 31, 2010, 2009 and 2008 respectively. The current ratio of the Issuer Company stands at 1.24 for the nine month period ending December 31, 2010. The company has traditionally been maintaining the current ratio in the range of 1.00-1.25. There is a deviation in the peers because of high figures reported by Gandhi Special Tubes but otherwise it is very much in line with the industry average. Hence, we believe that the current ratio of the Issuer Company is not adverse in nature and is in line with the industry standards.

### Assets

The following table sets forth the principal components of our assets for the periods indicated as per our restated consolidated summary statements:

Particulars	As at March 31			
	As on 31 <sup>st</sup> December 2010	2010	2009	2008
Fixed Assets	37,303.14	34,312.08	29,422.11	15,947.45
Intangible Assets	671.34	671.34	671.34	238.60
Investments	7.04	7.04	7.04	101.77
Current Assets, Loans & Advances	40,384.05	25,984.12	23,057.26	20,907.31
<b>Total</b>	<b>78,365.57</b>	<b>60,974.58</b>	<b>53,157.75</b>	<b>37,195.13</b>

### Fixed Assets

Our fixed assets include gross block of assets, capital work in progress and expenditure pending allocation less depreciation. Gross Block of fixed assets (net of Capital WIP) increased by Rs.4,638.1 lakhs during the nine month period ending December 31, 2010 as compared to the FY 2010, on account of investments in balance equipments of Mega Project. Gross Block of fixed assets (net of Capital WIP) increased by Rs.6,384.09 lakhs during the FY 2010 as compared to the FY 2009, on account of investments in balance equipments of Mega Project. Gross block of fixed assets increased by Rs.14647.10 lakhs during the FY 2009 as compared to the FY 2008, on account of Mega Project.

### Intangible Assets

Intangible assets include goodwill on consolidation of Sankalp Forging Private Limited and Seven Star Electrodes Private Limited amounting to Rs. 671.34 in FY 2010 and FY 2009 and for Seven Star Electrodes Private Limited amounting to Rs. 238.60 lakhs for FY 2008.

### Investments

Investments include Rs. 7.04 lakhs invested in mutual fund schemes and shares of cooperative banks which are carried in FY 2010 and FY 2009 and Rs. 4.25 lakhs in FY 2008.

### Liabilities and Provisions

Liabilities and provisions consist primarily of:

(Rs. in lakhs)

Particulars	As at March 31			
	As on 31 <sup>st</sup> December 2010	2010	2009	2008
Secured Loan	29,422.93	27,966.51	28,064.57	16,524.59
Unsecured Loan	6,176.81	4,685.06	3,508.16	2,717.54
Current Liabilities & Provisions	23,391.90	17,318.97	14,807.73	13,892.74
Deferred Tax Liabilities	3,144.26	2,424.68	1,708.41	1,005.59

### Secured and Unsecured Loans

As on December 31, 2010 our total secured and unsecured loan (as per our Restated consolidated Summary Statements) was Rs. 35,599.74 lakhs.

As of March 31, 2010, our total secured and unsecured loan (as per our Restated consolidated Summary Statements) was Rs. 32,651.57 lakhs.

This represents term loan facilities sanctioned to our group from United Bank of India, IDBI Bank, Axis Bank Ltd, UCO Bank, Central Bank of India, Oriental Bank of Commerce, State Bank of Mysore, GE capital Services India, Canara Bank, State Bank of India and the Saraswat co-op Bank Ltd.

### Contractual Obligations and Commercial Commitments

There are no contractual obligations and commercial commitments where our company is involved.

### Contingent Liabilities

The following table provides our contingent liabilities as of:

(Rs. in lakhs)

Particulars	As at 31st March			
	As on 31 <sup>st</sup> December 2010	2010	2009	2008
Corporate Guarantees	3,015.00	3,148.00	13,248.00	3,430.00
Other Guarantees	0.00	0.00	20.00	20.00
Export obligation against EPCG Licenses	199.68	0.00	0.00	0.00
Claims against the Group not acknowledged as debts	458.91	3.01	0.92	0.00

### Historical and Planned Capital Expenditure

We commenced commercial operations at our mega project plant located in Pimple Jagtap in FY 2009 where the total capital expenditure incurred amounted to Rs. 26,245.76 lakhs till November 30, 2010.

For details of our planned capital expenditure, please refer to the Chapter "*Objects of the Issue*" beginning on page number 93 of this Red Herring Prospectus.

### **Off Balance Sheet Commitments and Arrangements**

We do not have any off-balance sheet arrangements with any party, derivative instruments, swap transactions or relationships with other entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

### **Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of loss related to adverse changes in market prices, which includes interest rate risk and commodities risk. We are exposed to commodity risk to a certain extent, interest rate risk for the borrowings undertaken and deposits and credit risk in the normal course of our business.

#### *Commodity Risk*

We are exposed to market risk with respect to the prices of raw materials used in manufacturing of our tubes and components. These commodities primarily are HR Coils. The costs of these materials are subject to fluctuation based on commodity prices. The cost of materials sourced from outside manufacturers may also fluctuate based on their availability from suppliers. We do not have any long term contracts for purchase of these materials. We currently do not have any hedging mechanism in place in respect of any of the materials we purchase.

#### *Interest Rate Risk*

We are exposed to market risk with respect to changes in interest rates related to our borrowings. Interest rate risk exists with respect to our indebtedness that bears interest at floating rates tied to certain benchmark rates as well as borrowings where the interest rate is reset primarily based on changes in the short-term interest rates set by Indian banks, as well as due to changes in interest rates set by the RBI, which are generally announced through credit policy measures issued twice a year. We have not entered into agreements to hedge risks associated with changes in interest rates.

#### *Inflation Risk*

Although India has experienced fluctuation in inflation rates in recent years, inflation has not had a material impact on our business or results of operation.

### **Information as per Schedule VIII Part A section IX (E) (5) of the ICDR Regulations**

#### **Unusual or Infrequent Events or Transactions**

Except as described in the Red Herring Prospectus, there have been no events or transactions to our knowledge which may be described as "unusual" or infrequent".

#### **Significant economic changes**

Other than as described in the Red Herring Prospectus, particularly in the sections titled "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 17 and 301 respectively, of this Red Herring Prospectus, we do not believe that there are any other significant economic changes that materially affected or are likely to affect income from continuing operations

#### **Known Trends or Uncertainties**

Other than as described in the section titled "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" beginning on page numbers 17 and 301 respectively of this Red

Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or are expected to have a material adverse impact on our income from our operations.

### Future Relationship between Costs and Revenues

Other than as described in this section and section titled "*Risk Factors*" beginning on page number 17, of this Red Herring Prospectus, to our knowledge, there are no known factors which will have affect on the future relationship between costs and revenues and have a material adverse impact on our operations and finances.

### Total turnover of each major industry segment in which Our Company operates

The total turnovers of each of the industry we operate in are as follows:

(Rs. in lakhs)

Particulars	For the Year ended			
	As on 31 <sup>st</sup> December 2010	31st March,2010	31st March,2009	31st March,2008
Transportation	22,347.6	20,098.0	19,190.6	20,200.6
y-o-y growth %	11.2%	4.7%	-5.0%	-
Oil & Gas	5,475.7	4,389.0	3,746.7	458.0
y-o-y growth %	24.8%	17.1%	718.1%	-
Power	5,187.2	5,265.6	3,964.9	3,650.2
y-o-y growth %	(1.5%)	32.8%	8.6%	-
Farm Equipments	1,224.1	1,239.7	488.2	-
y-o-y growth %	(1.3%)	153.9%	-	-
General Engineering	11,082.23	11,155.2	8,805.6	7,997.2
y-o-y growth %	(0.7%)	26.7%	10.1%	-
<b>Total Income</b>	<b>45,316.9</b>	<b>42,147.5</b>	<b>36,196.3</b>	<b>32,306.0</b>

### Status of any publicly announced new products or business segment

The status of any publicly announced new products or business segment is as disclosed in this section and the section titled "*Our Business*" beginning on page number 128 of this Red Herring Prospectus.

### Seasonality

The income from our business is not seasonal. However, it is cyclical in nature to some extent.

### Significant Dependence on a Single or Few Customers or suppliers

Our business is based upon a few customers to a certain extent, especially our top customer (Bajaj Auto Limited) and for others we do not rely upon a few customers for smooth operations and similarly we do not depend upon a few suppliers. For further details, please refer to the section titled "*Risk Factors*" and "*Our Business*" beginning on page numbers 17 and 128 respectively, of this Red Herring Prospectus.

### Competitive Conditions

We expect competition in the sectors that we operate in from existing and potential competitors to intensify. For further details please refer to the discussions of our competitive conditions in the section titled "*Risk Factors*" beginning on page number 17 of this Red Herring Prospectus.

### Related Party Transactions

For details in relation to the related party transactions of the Company, please see Annexure XXI-A of the restated consolidated summary statements of the Company beginning on page number 271 of this Red Herring Prospectus.

**Significant Developments after December 31, 2010**

- *Pursuant to the Pre-IPO Placement, our Company made a preferential allotment of 26,00,000 Equity Shares at a price of Rs. 117 per equity share to Standard Chartered Private Equity (Mauritius) II Limited on February 8, 2011.*

## FINANCIAL INDEBTEDNESS

Our Company and our Subsidiaries are enjoying various credit facilities as sanctioned by Bankers and Financial Institutions for conducting their business operations.

This section has been broadly segregated as under:

### ***I Details of Borrowings of our Company***

- A. Secured Borrowings.
- B. Unsecured Borrowings.
- C. Other Borrowings.

### ***II Details of Borrowings of our Subsidiaries***

- A. Secured Borrowings.
- B. Unsecured Borrowings.
- C. Other Borrowings

### ***I. Details of Borrowings of our Company***

Set forth below is a brief summary of our Company's secured and unsecured borrowings from banks and financial institutions together with a brief description of certain significant terms of such financing arrangements

#### **A. Secured Borrowings**

Our Company's outstanding secured borrowing is Rs. 30,382.62 lakhs as at February 28, 2011.

1. ***Loan of Rs. 35,710 lakhs sanctioned by a Consortium of Bankers namely United Bank of India, State Bank of Mysore, UCO Bank, IDBI Bank Limited, Axis Bank Limited ("Lead Banker"), Central Bank of India and Oriental Bank of Commerce vide Joint Deed of Mortgage dated July 23, 2010, Joint Deed of Hypothecation dated July 23, 2010 and Inter se Agreement dated July 27, 2010.***

Details of the significant terms and conditions of the loan sanctioned by each Consortium Banker is mentioned separately in the tables below and the Security granted to the Consortium Bankers is mentioned all together under a single heading "**Security**" after the tables.

#### ***(i) Loan of Rs. 4,650 lakhs sanctioned from United Bank of India ('UBI')***

Name of the lender	UBI
Facility	Total Term loan (Fund based): Rs. 4,650 lakhs sanctioned as follows:  Term Loan (I) – Rs.500 lakhs; Term Loan (II) – Rs.1,000 lakhs; Term Loan (III) – Rs.2,150 lakhs and Term Loan (IV) – Rs.1,000 lakhs*  <i>*Our Company has been allowed conversion of existing term loans into foreign currency loans in US Dollars for a period of six months subject to availability of foreign currency funds on the date of conversion at an interest rate of LIBOR plus 560bps per annum which is to remain fixed for six months tenor, with facility to roll over after six months at the discretion of UBI vide sanction letter dated October 7, 2010</i>
Interest Rate (%)	Term Loan (I) – 6 months LIBOR +550 BPS



<i>p.a., unless otherwise specified)</i>	Term Loan (II) –6 months LIBOR +550 BPS Term Loan (III) –BPLR -0.75% (Floating) Term Loan (IV) –6 months LIBOR+550 BPS
Purpose	For purchase of machines and equipments and construction of building.
Tenor/ Repayment schedule	<i>Tenor:</i> Term Loans (I), (II) & (III) for a tenor of 7 years each while Term Loan (IV) for a tenor of 2 years.  <i>Repayment schedule:</i> Term Loans (I), (II) & (III) to be repayable in 20 equal quarterly instalments commencing from September 01, 2009 while the Term Loan (IV) to be repayable in 8 quarterly instalments commencing from September 01, 2009.
Drawn-down amount as on February 28, 2011	Rs. 4,650 lakhs
Outstanding facility as on February 28, 2011	Term Loan (I): 342.30 lakhs Term Loan (II): 683.08 lakhs Term Loan (III): 1,441.63 lakhs Term Loan (IV): 416.93 lakhs

***(ii) Loan of Rs. 6,550 lakhs sanctioned from IDBI Bank Limited.***

Name of the lender	IDBI Bank Limited
Facility	Total Amount: Rs. 6,550 Lakhs comprising of the following:  Fund Based: Term loan of Rs. 2,050 lakhs Cash Credit of Rs. 3,000 lakhs* Non Fund Based: Bank Guarantee of Rs.1,500 lakhs  <i>* The Cash credit facility of Rs. 2,000 lakhs was enhanced to Rs. 3,000 lakhs vide sanction letter bearing reference number IDBI/MCG-Pune/10-11/38 dated June 11, 2010</i>
Interest Rate(% <i>p.a., unless otherwise specified)/</i> Commission charges	Term Loan: BPLR+ 1% p.a. Cash Credit: BPLR - 1% p.a. Bank Guarantee: 0.60% p.a.(LC opening charges)
Purpose	Acquisition of fixed assets and for working capital requirements
Tenor/ Repayment schedule	<i>Tenor:</i> 7 years (Moratorium of 6 quarters for the construction, moratorium of 2 quarters of COD)  <i>Repayment schedule:</i> 20 equal quarterly instalments.
Drawn-down amount as on February 28, 2011	Rs. 5,550 lakhs
Outstanding facility as on February 28, 2011	Term Loan: 1,450.78 lakhs Cash Credit: 1,087.02 lakhs Bank Guarantee: 1,492.68 lakhs

***(iii) Loan of Rs. 1,250 lakhs sanctioned from UCO Bank.***

Name of the lender	UCO Bank
Facility	Total Amount: Rs. 1,250 lakhs comprising of the following:  Term loan(Fund based) of Rs. 1,000 lakhs

	Deferred Payment Guarantee “DPG” (Non fund based) of Rs. 250 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	Term Loan: BPLR – 2% p.a. DPG: 1.25% p.a. of the principal amount.
Purpose	Acquisition of fixed assets.
Tenor/ Repayment schedule	<i>Tenor Term Loan:</i> 7 years (Moratorium of 6 quarters for the construction, moratorium of 2 quarters of COD).  <i>Repayment schedule:</i> 20 equal quarterly instalments.
Drawn-down amount as on February 28, 2011	Rs. 1,250 lakhs
Outstanding facility as on February 28, 2011	Rs. 809.74 lakhs

***(iv) Loan of Rs. 2,850 lakhs sanctioned from State Bank of Mysore.***

Name of the lender	State Bank of Mysore
Facility (Rs. Lakhs)	Total Amount: Rs. 2,850 lakhs comprising of the following:  Fund Based: Term Loan of Rs. 750 lakhs Cash Credit of Rs. 1,000 lakhs Non Fund Based: DPG of Rs. 100 lakhs Letter of Credit of Rs. 1,000 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	Term Loan: SBM PLR – 1.50% p.a. Cash Credit: SBM PLR + 0.75% p.a. DPG: 1.25% p.a. of the principal amount.
Purpose	Acquisition of fixed assets and for working capital requirement.
Tenor/ Repayment schedule	<i>Tenor Term Loan:</i> 7 years (Moratorium of 6 quarters for the construction, moratorium of 2 quarters of COD)  <i>Repayment schedule:</i> 20 equal quarterly instalments.
Drawn-down amount as on February 28, 2011	Rs. 2,850 lakhs
Outstanding facility as on February 28, 2011	Term Loan and DPG: Rs. 530.20 lakhs Cash Credit: Rs. 1,058.54 lakhs Letter of Credit: Rs. 987.12 lakhs

***(v) Loan of 9,500 Lakhs sanctioned from Axis Bank Limited.***

Name of the lender	Axis Bank Limited
Facility	Total Amount: Rs. 9,500 Lakhs comprising of the following:  Fund Based: FCNR (B) of Rs. 1,500 lakhs Cash Credit of Rs. 1,000 lakhs Letter of Credit of Rs. 7,000 lakhs*  <i>*Bank Guarantee of Rs. 2,000 lakhs was revoked and the Letter of Credit facility was enhanced from Rs. 5,000 to Rs. 7,000 lakhs was sanctioned by Axis Bank Limited vide Supplementary cum Link Document dated November 21, 2010.</i>
Interest Rate(%	Term Loan: 6 month LIBOR + 300 BPS

<i>p.a., unless otherwise specified)/</i> Commission charges	Cash Credit: BPLR - 3.25% p.a. Bank Guarantee: 0.60% p.a. (LC opening charges) Letter of Credit: 0.60% p.a. (LC opening charges)
Purpose	Acquisition of fixed assets and working capital requirements.
Tenor/ Repayment schedule	<i>Tenor Term Loan:</i> 6 years (Moratorium of one year)  <i>Repayment schedule:</i> 60 equal quarterly instalments.
Drawn-down amount as on February 28, 2011	Rs. 9,500 lakhs
Outstanding facility as on February 28, 2011	FCNR (B): Rs. 1,008.47 lakhs Cash Credit: Rs. 1,003.81 lakhs Bank Guarantee /LC: Rs. 6,126.94 lakhs

***(vi) Loan of Rs. 6,500 lakhs sanctioned from Central Bank of India.***

Name of the lender	Central Bank of India
Facility	Total Amount: Rs. 6,500 lakhs comprising of the following :  Fund Based: Term Loan of Rs. 3,500 lakhs Cash Credit of Rs. 400 lakhs Working Capital Demand Loan "WC DL" of Rs. 1,600 lakhs Non Fund Based: Letter of Credit of Rs. 1,000 lakhs
Interest Rate (% <i>p.a., unless otherwise specified)/</i> Commission charges	Term Loan: BPLR + 1% p.a. Cash Credit: BPLR + 1% p.a. WC DL: BPLR + 1% p.a. Letter of Credit: 0.60% p.a. (LC opening charges)
Purpose	Repayment of high cost debts and working capital requirements.
Tenor/ Repayment schedule	<i>Tenor Term Loan:</i> 30 months with moratorium period of 6 months  <i>Repayment schedule:</i> 8 equal quarterly instalments.
Drawn-down amount as on February 28, 2011	Rs. 6,500 lakhs
Outstanding facility as on February 28, 2011	Term Loan: 3,336.19 lakhs Cash Credit: 405.50 lakhs WC DL: Rs. 1,748.96 lakhs Letter of Credit: Rs. 998.13 lakhs

***(vii) Loan of Rs. 3,500 lakhs sanctioned from Oriental Bank of Commerce.***

Name of the lender	Oriental Bank of Commerce
Facility	Total Term Loan (Fund based) of Rs. 3,500 lakhs
Interest Rate (% <i>p.a., unless otherwise specified)</i>	PLR
Purpose	Augmenting liquidity, meeting working capital requirements and business purpose.
Tenor/ Repayment schedule	<i>Tenor Term Loan:</i> 2 years  <i>Repayment schedule:</i> 8 equal quarterly instalments.

Drawn-down amount as on February 28, 2011	Rs. 3,500 lakhs
Outstanding facility as on February 28, 2011	Rs. 2,280.17 lakhs

**Security:** The above sanctioned facilities as sanctioned by the Consortium Bankers are secured by our Company in the following manner:

**Primary Security:**

1. First Pari passu charge in respect of term lenders and Second Pari passu charge in respect of working capital lenders by way of Mortgage of the following immoveable properties:
  - i. All that pieces and parcels of land bearing Gat number 1261 of village Sanaswadi, Taluka-Shirur, District- Pune, admeasuring 1 Hectors, 39 Acres.
  - ii. Gat number 1262 of village-Sanaswadi, Taluka-Shirur, District-Pune, the portion of non-agricultural land admeasuring 00 Hectors, 20 Acres.
  - iii. Three properties located at Gat Number 56/3, 56/4 and 56/5 in Village-Pimple Jagtap, Taluka-Shirur, District-Pune admeasuring 1 hector 41 Aar, 1hector 90 Aars and 1hector 90 Aars respectively .
  - iv. All pieces and parcels of land out of Gat number 286, which is lying being and situated at revenue village Nanekarwadi, Taluka Rajgurunagar (Khed), District Pune, admeasuring 00 hectors, 40 Aars.
  - v. All pieces and parcels of land out of Gat number 627/2/1/11 which is lying being and situated at revenue village Kuruli, Taluka Rajgurunagar (Khed), District Pune, together with workshop having constructed area of 1000 square meters and industrial shed area of 689 square meters and office building with generator room.
  - vi. All pieces and parcels of land bearing plot number D-36, at Village-Walud, MIDC, Aurangabad admeasuring about 600 meters.
  - vii. All pieces and parcels of land bearing plot number W-26, at Village-Waluj, MIDC, Aurangabad, together with main shed of 1361 square feet, another shed admeasuring about 1485 square feet, office of 582 square feet and side shed of 4056 square feet.
2. First Pari passu charge in respect of term lenders and Second Pari passu charge in respect of working capital lenders by way of hypothecation of fixed moveable assets, both present and future as mentioned in the Balance sheet from time to time particularly plant and machinery, equipments, furniture, fixtures, vehicles, and other moveable assets whether installed in factory shed or not.
3. First Pari passu charge in respect of working capital lenders and Second Pari passu charge in respect of term lenders by way of hypothecation of present and future current assets in the form of stocks of raw materials, stocks in process, semi-finished and finished goods, stores and spares not relating to receivables and book debts (excluding book debts financed by other banks) whether now lying loose or in cases or which are now lying or stored in the Company's factories, premises and godowns situated in Pune or any place wherever the same may be or be held by any party to the order or disposition of the Company or in the courts of the transit or on high seas or on order or delivery howsoever and whatsoever in the possession of the Company and either by way of substitution or addition.
4. By Equitable Mortgage of immoveable properties located at 1) Land property bearing Gat No 55/2 admeasuring about 2 Hectares and 2) Land admeasuring about 48 ares out of land bearing Gat No 56/3(Old Gat No 56/2) totally admeasuring 1 Hectare 89 Ares situated at Village Pimple Jagtap, Taluka Shirur, Dist Pune owned by Phoenix Erectors Private Limited in favour Oriental Bank of Commerce.

**Collateral security:**

1. Capital subsidies receivable from Government of Maharashtra under Mega Project Scheme by way of lien on escrow account on Pari passu basis exclusively between Central Bank of India and Oriental Bank of Commerce.

2. Personal Guarantees jointly given by our present directors namely Mr. Chandu Chavan, Mr. Ravindra Katre, Mr. Sanjay Waghulade and our erstwhile directors namely Mr. Sanjay Bhade, Mr. Parag Mulye and Mr. Shivaji Katke in favor of Corporation Bank, and Central Bank of India while only personal guarantee of Mr. Chandu Chavan is given in favor of Oriental Bank of Commerce.

**2. Loan of Rs. 1,000 lakhs sanctioned from GE Capital Services India.**

Name of the lender	GE Capital Services India
Loan Documentation	Loan agreement dated March 23, 2007 and Unattested Deed of Hypothecation dated March 23, 2007.
Facility	Term loan of 1,000.
Interest Rate (% <i>p.a., unless otherwise specified</i> )	3 months Reuter's commercial paper benchmark plus 250 bps payable monthly in arrears. The interest rate will be reset quarterly.
Purpose	For purchase of specific Plant and Machinery
Security	1. Personal Guarantee of Mr. Chandu Chavan. 2. Notes issued by Borrower in such form as may be acceptable to the Lender. 3. Hypothecation by way of exclusive charge on specific assets being funded out of the loan amount. Borrower to create exclusive charge on the specific approved assets by way of hypothecation prior to first drawdown. Borrower has agreed to undertake to maintain a minimum fixed asset cover of 1.25x on net book value basis. 4. Four security post dated cheques as per requirement of the Lender.
Tenor/ Repayment schedule	<i>Tenor:</i> 60 months from the date of each drawdown.  <i>Repayment schedule:</i> 20 equal quarterly instalments commencing 3 months after draw down.
Drawn-down amount as on February 28, 2011	Rs. 1,000 lakhs
Outstanding facility as on February 28, 2011	Rs. 258.42 lakhs

**3. Loan of Rs. 2,500 lakhs sanctioned from Allahabad Bank.**

Name of the lender	Allahabad Bank
Loan Documentation	Term loan agreement dated July 13, 2010, General letter of Hypothecation dated July 13, 201 and Letter of Mortgage confirming deposit of title deed
Facility	Term loan of Rs. 2,500 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	PLR
Purpose	For purchase of additional plant and machinery.
Security	<i>Primary Security:</i>  1. First Pari passu charge by way of Mortgage of immovable properties by deposit of title deeds with the Lender of the following immovable properties: i. Gat No. 1261 and 1262, Village Sanaswadi, District Shirur, Pune. ii. Gat No. 56/3/4/5, Pimpale Jagtap, Shirur, Pune. 2. First Pari passu charge by way of hypothecation of fixed moveable goods and assets, both present and future including all stocks of raw material work in progress, semi finished goods and finished goods such precision steel tubes, seamless steel tubes, HR CR steel coils, auto components assemblers etc.

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*Collateral Security:*

1. Second pari-passu charge by way of Hypothecation of all the current assets both present and future products, goods and moveable property of any kind of the Company including all moveable plants and machinery, apparatus, tools, motor lorries and cars, furniture and stocks of and other material whether raw or manufactured or in the process of manufacture and other stores and stocks stored or be in or out the premises and godowns at Gat No. 1261, Village Sanaswadi, District Shirur, Pune and factory building at Gat No. 56/ 3/4/5, Village Pimpale Jagtap, District Shirur, Pune or where else the same may be whether in possession of the Company or any of third party including all such products, goods, property as may be in transit by ship, rail or otherwise or waiting by ship, rail. And also all present and future book debts outstanding monies receivables claims, bills, contracts, engagements, securities, investments, cash in hand at Banks, rights and assets in possession or in transit and whether forming the subject or any delivery order document of title negotiable instrument, policy of insurance or other mercantile document in favor of our Company or third party.
2. All those machinery/plant/capital/goods/assets purchased or to be purchased by our Company out of the loan sanctioned whether installed or not or lying loose or in cases or in transit to our Company's premises.

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Tenor/ Repayment schedule	<i>Tenor:</i> 5 year plus 1 year of moratorium period from the date of first drawl. <i>Repayment schedule:</i> 60 instalments of Rs. 41.67 lakh plus interest.
Drawn-down amount as on February 28, 2011	Rs. 2,500 lakhs
Outstanding facility as on February 28, 2011	Rs. 2,557.83 lakhs

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**4. Loan of Rs. 201.49 lakhs from Intec Capital Limited**

Name of the lender	Intec Capital Limited ('lender')
Loan Documentation	Sanction letter dated November 25, 2010; Loan agreement dated November 30, 2010
Facility	Loan of Rs. 201.49 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	8.5% per annum (Flat Rate)
Purpose	For purchase of plant and machinery
Security	Exclusive Hypothecation lien mark on the quotations and invoices in favour of the lender and first charge in favour of the lender; Demand promissory note to be executed under the common seal; Personal Guarantee of Mr. Chandu Chavan, Mrs. Shubhangi Jadhav, Mr. Ravindra Katre and Mr. Sanjay Waghulade; Cash of Rs. 70,521, 76 is to remain as collateral money with interest at 8.5% p.a. that is refundable at the end of the tenure
Tenor/ Repayment schedule	Repayable in 36 monthly instalments with an instalment of Rs. 7,02,419 for the first 24 months and an instalment of Rs. 1,14,738 for the last 12 months
Drawn-down amount as on February 28, 2011	Rs. 201.49 lakhs
Outstanding facility as on February 28,	Rs. 180.43 lakhs

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**5. Loan of Rs. 198.50 lakhs from Intec Capital Limited**

Name of the lender	Intec Capital Limited ('lender')
Loan Documentation	Sanction letter dated November 25, 2010; Loan agreement dated November 30, 2010
Facility	Loan of Rs. 198.50 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	8.5% per annum (Flat Rate)
Purpose	For purchase of plant and machinery
Security	Exclusive Hypothecation lien mark on the quotations and invoices in favour of the lender and first charge in favour of the lender; Demand promissory note to be executed under the common seal; Personal Guarantee of Mr. Chandu Chavan, Mrs. Shubhangi Jadhav, Mr. Ravindra Katre and Mr. Sanjay Waghulade; Cash of Rs. 69,47,794 is to remain as collateral money with interest at 8.5% p.a. that is refundable at the end of the tenure
Tenor/ Repayment schedule	Repayable in 36 monthly instalments with an instalment of Rs. 6,92,022 for the first 24 months and an instalment of Rs. 1,13,039 for the last 12 months
Drawn-down amount as on February 28, 2011	Rs. 198.50 lakhs
Outstanding facility as on February 28, 2011	Rs. 177.75 lakhs

**B. Unsecured Borrowings**

Our Company has not obtained any unsecured loans from its promoters/ group companies/ subsidiaries/material associate companies as on date of this Red Herring Prospectus. Our Company's outstanding unsecured borrowing as on February 28, 2011 is Rs. 5,579.66 lakhs. The following is a list of unsecured loans obtained by our Company:

Name of the lender	Amount Disbursed (Rs. Lakhs)	Outstanding Balance as on 28 <sup>th</sup> February 2011 (Rs. Lakhs)	Purpose of the loan	Utilization of Loan
Bajaj Auto Finance Limited (PO Financing)	800.00	800.00	General Purposes Corporate Business Loan	Advance given to Material Suppliers-Rs.416.65 Lacs. Capex-Tools and Dies-Rs.383.35 Lacs
Bajaj Auto Finance Limited (Term Loan)	750.00	550.17	General Purposes Corporate Business Loan	Capex-Tools and Dies-Rs.352.84 Lacs. Foundation and Construction-Rs.397.16 Lacs.
Reliance Capital Limited	30.24	3.67	General Purposes Corporate Business Loan	Payment to Consumable Suppliers
India Bulls Financial Services Limited	50.00	13.52	General Purposes Corporate Business Loan	Payment to Consumable Suppliers

Religare Finvest Limited	26.00	11.03	General Purposes Corporate Business Loan	Payment to Consumable Suppliers
Government of Maharashtra	3,181.28	3,181.28	Sales Tax Deferral Loan under Package Scheme of Incentives, 1993	Payment towards Working Capital.
S.E. Investments Limited	190.00	161.49	General Purposes Corporate Business Loan	Payment towards procurement of Raw Materials.
S.E. Investments Limited	210.00	178.50	General Purposes Corporate Business Loan	Payment towards procurement of Raw Materials.
S.E. Investments Limited	225.00	191.25	General Purposes Corporate Business Loan	Payment towards procurement of Raw Materials.
S.E. Investments Limited	275.00	233.75	General Purposes Corporate Business Loan	Payment towards procurement of Raw Materials.
S.E. Investments Limited	300.00	255.00	General Purposes Corporate Business Loan	Payment towards procurement of Raw Materials.

A certificate dated March 11, 2011, from our Statutory Auditors B.K. Khare & Co. has been obtained by our Company certifying that the aforementioned unsecured loans were utilized for the purpose for which they were sanctioned.

### C. Other Borrowings

#### Vehicle Loans

Following are the details of the vehicle loans availed by our Company as at February 28, 2011

(Rs. in lakh)

Name of the Bank	Amount Sanctioned	Balance outstanding as on February 28, 2011
HDFC Bank Limited	10.52	6.66
Kotak Mahindra Prime Limited	17.60	14.30

1. Apart from aforesaid loans, our Company also enjoys certain facilities such as:

- Sales Bill Discounting facility\* from United Bank of India upto an amount of Rs.12,500 lakhs and IDBI Bank Limited upto an amount of Rs. 3,500 lakhs.
- Purchase bill discounting\* facility from the Saraswat Co-operative Bank limited upto an amount of Rs. 4,500 lakhs and Corporation Bank upto an amount of Rs. 1,500 lakhs.
- Factoring facility from Can Bank Factors Limited\* upto an Rs. 1,550 lakhs & IFCI Factors Limited of Rs. 1,500 lakhs.

\*These facilities are backed by credit shield insurance policies. The credit risk cover is available upto 90% and first recourse in case of default is on insurance only.

### II Details of Borrowings of our Subsidiaries

Set forth below is a brief summary of our Subsidiaries secured and unsecured borrowings from banks and financial institutions together with a brief description of certain significant terms of such financing arrangements



## A. Secured Borrowings

Our Subsidiaries outstanding secured borrowing is Rs. 8,177.73 lakhs as on February 28, 2011

### 1. *Arihant Steel & Metal Wires Private Limited ('ASMWPL') has been sanctioned loan of Rs. 1,040 lakhs from The Saraswat Co-Operative Bank Limited.*

Name of the lender	The Saraswat Co-Operative Bank Limited
Loan Documentation	Agreement of Hypothecation for moveable property dated March 29, 2008 and Memorandum of Record of Equitable Mortgage dated May 04,2007
Facility	Total Amount: Rs. 1,040 lakhs comprising of the following:  Fund Based: Term loan of Rs. 440 lakhs Cash Credit of Rs. 100 lakhs Non Fund Based: DPG of Rs. 500 lakhs
Interest Rate (% p.a., unless otherwise specified)/ Commission charges	Term loan: PLR Cash Credit: PLR DPG: 1% p.a. on the principal outstanding
Purpose	Acquisition of fixed assets and working capital requirements.
Security	Term Loan has been secured by the following:  1. Equitable Mortgage of Land & Building at Gat No. 1264, Vadu Budruk, Off. Nagar Road, Tal.: Shirur Dist.: Pune 2. Hypothecation of electrical instruments, computers, furniture & fixtures and other assets to be purchased/ already acquired.  Cash Credit has been secured by way of hypothecation of Stock less Sundry Creditors and also Debtors within 90 days.  DPG has been secured by way of hypothecation of plant and machinery, tools & dies and testing equipment and also insurance cover with ICICI Lombard.
Tenor/ Repayment schedule	<i>Tenor Term Loan: 7 years</i> <i>Repayment schedule: 72 equal monthly instalments with moratorium period of 1 year.</i>
Drawn-down amount as on February 28, 2011	Rs. 1,040 lakhs
Outstanding facility as on February 28, 2011	Term Loan: Rs. 126.40 lakhs Cash Credit: Rs. 96.88 lakhs Bank Guarantee: Rs. 233.12 lakhs

### 2. *ASMWPL has been sanctioned loan of Rs. 104.93 lakhs from Electronica Finance Limited.*

Name of the lender	Electronica Finance Limited
Loan Documentation	Agreement of Hypothecation dated December 26, 2007.
Facility	Total Term loan(Fund based): Rs.104.93 lakhs
Interest Rate (% p.a., unless otherwise specified)	11.85% p.a.

Purpose	Acquisition of fixed assets.
Security	Hypothecation of specific assets purchased under the facility.
Tenor/ Repayment schedule	<i>Tenor</i> : 4 years  <i>Repayment schedule</i> : 48 monthly instalments.
Drawn-down amount as on February 28, 2011	Rs. 104.94 lakhs
Outstanding facility as on February 28, 2011	Rs. 20.54 lakhs

**3. Saicon Steels Private Limited ('SSPL') has been sanctioned loan of Rs. 2,937.5 lakhs from Canara Bank.**

Name of the lender	Canara Bank
Loan Documentation	Deed of Hypothecation dated November 10, 2004, Supplemental Common Hypothecation Agreement dated November 26, 2008, Entry No. 111, dated November 10, 2004 for deposit of title deeds of immoveable property and Entry No. 87 dated November 17, 2008 for deposit of title deeds of immoveable property.
Facility	Total Amount: Rs. 2,937.5 lakhs comprising of the following:  Fund Based: Term loan of Rs. 900 lakhs Cash Credit of Rs. 2,000 lakhs Non Fund Based: Bank Guarantee of Rs. 37.50 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	Term loan: 13.75% p.a. Cash Credit: 13.75% p.a. Bank Guarantee: 5% p.a. on principal balance.
Purpose	Acquisition of fixed assets and working capital requirements.
Security	Term Loan has been secured by creating first charge on the fixed assets of the company and by way of hypothecation of plant and machinery.  Cash Credit has been secured by hypothecation of stock and book debts.
Tenor/ Repayment schedule	<i>Tenor Term loan</i> : 6 years  <i>Repayment schedule</i> : 60 equal monthly instalments with moratorium period of 5 months.
Drawn-down amount as on February 28, 2011	Rs. 2,937.50 lakhs
Outstanding facility as on February 28, 2011	Term Loan: Rs. 703.04 lakhs Cash Credit: Rs. 2,223.58 lakhs Bank Guarantee: Rs. 37.50 lakhs

**4. Arihant Auto Components Private Limited has been sanctioned loan of Rs. 1,250 lakhs from State Bank of India.**

Name of the lender	State Bank of India
Loan Documentations	Agreement of Hypothecation of Goods and Assets dated November 9, 2006
Facility	Total Term loan(Fund based): Rs. 1,250 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	SBAR – 0.75% p.a.

Purpose	Acquisition of fixed assets.
Security	1. Hypothecation of plant and machinery and other assets acquired under bank finance situated at Gat No. 55 & 56, Near BPCL Gas Refilling Plant, Village – Pimple Jagtap, Tal.: Shiru, Dist.: Pune. 2. Corporate Guarantee of Innoventive Industries Limited (erstwhile Arihant Domestic Appliances Limited) & Phoenix Erectors Private Limited.
Tenor/ Repayment schedule	<i>Tenor:</i> 7 years  <i>Repayment schedule:</i> 72 equal monthly instalments with moratorium period of 1 year.
Drawn-down amount as on February 28, 2011	Rs. 1,250 lakhs
Outstanding facility as on February 28, 2011	Rs. 306.92 lakhs

5. ***Sankalp Forgings Private Limited has been sanctioned Loan of Rs. 5,542 lakhs from a consortium of Bankers namely The Saraswat Co-operative Bank Limited and Canara Bank vide Joint Deed of Hypothecation dated May 15, 2010, Declaration of Equitable Mortgage dated May 15, 2010, Memorandum for Deposit of Title Deeds dated May 15, 2010.***

Details of the significant terms and conditions of the loan sanctioned by the two Consortium Banker is mentioned separately in the tables below and the Security granted to the Consortium Bankers is mentioned all together under a single heading “**Security**” after the tables.

- (i) ***Sankalp Forgings Private Limited has been sanctioned loan of Rs. 2,437 lakhs from The Saraswat Co-operative Bank Limited.***

Name of the lender	The Saraswat Co-operative Bank Limited
Facility	Total Amount: Rs. 2,437 Lakhs comprising of the following:  Fund Based: Term loan of Rs. 1,605 lakhs Cash Credit and Packing Credit of Rs. 632 lakhs Non Fund Based: Letter of Credit: Rs. 200 lakhs*  <i>*Saraswat Co-operative Bank Limited vide sanction letter November 1, 2010 enhanced the fund based term loan facility from Rs. 1,350 lakhs to Rs. 1,605 lakhs, cash credit and packing credit from Rs. 600 lakhs to Rs. 632 lakhs and granted an additional non-fund based letter of credit facility of Rs. 200 lakhs</i>
Interest Rate (% <i>p.a., unless otherwise specified</i> )	Term loan: PLR presently 15% p.a.
Purpose	Acquisition of fixed assets and various working capital requirements.
Security	Term Loan has been secured by the following: Cash Credit has been secured by Hypothecation of Stock and Book debts.
Tenor/ Repayment schedule	<i>Tenor:</i> 7 years  <i>Repayment schedule:</i> 84 equal monthly instalments including moratorium period of 6 months.
Drawn-down amount as on February 28, 2011	Rs. 1,350 lakhs

Outstanding facility as on February 28, 2011	Term loan: Rs. 801.01lakhs Cash Credit and Packing Credit: 448.09 lakhs Packing Credit: Rs. 397.25 lakhs
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**(ii) Sankalp Forgings Private Limited has been sanctioned loan of Rs. 2,910 lakhs from Canara Bank.**

Name of the lender	Canara Bank
Facility	Total Amount: Rs. 2,390 lakhs comprising of the following:  Fund Based: Term loan of Rs. 410 lakhs Cash Credit of Rs. 420 lakhs Packing Credit of Rs. 780 lakhs Non Fund Based: Letter of Credit of Rs. 1300 lakhs*  <i>* Canara Bank vide Supplemental Common Hypothecation Agreement dated September 28, 2010 enhanced the cash credit facility from Rs. 300 lakhs to Rs. 360 lakhs, packing credit facility from Rs. 650 lakhs to Rs. 780 lakhs and non fund based letter of credit facility from Rs. 700 lakhs to Rs. 840 lakhs. Further, vide letter dated January 25, 2011, Canara Bank enhanced the cash credit facility to Rs. 420 lakhs and non fund based letter of credit facility to Rs. 1,300 lakhs.</i>
Interest Rate (% p.a., unless otherwise specified)	Term loan: PLR presently 15% p.a.
Purpose	Acquisition of fixed assets and various working capital requirements.
Tenor/ Repayment schedule	<i>Tenor:</i> 7 years  <i>Repayment schedule:</i> 84 equal monthly instalments including moratorium period of 6 months.
Drawn-down amount as on February 28, 2011	Rs. 2,715 lakhs
Outstanding facility as on February 28, 2011	Term Loan: Rs. 351.13 lakhs Cash Credit: Rs. 464.89 lakhs Packing Credit: Rs. 778.20 lakhs Letter of Credit: Rs. 1,100.11 lakhs

**Security:** The above facilities as sanctioned by the Consortium Bankers are secured by our Subsidiary, Sankalp Forgings Private Limited in the following manner:

1. First Pari passu charge in respect of working capital facilities and Second Pari passu charge in respect of term loans by way of hypothecation of present and future current assets in the form of stocks of raw materials, stocks in process, semi-finished and finished goods, stores and spares not relating to receivables and book debts (excluding book debts financed by other banks) and all other movable, both present and future whether now lying loose or in cases or which are now lying or stored in the Company's factories, premises and godowns situated in Pune or any place wherever the same may be or be held by any party to the order or disposition of the Company or in the courts of the transit or on high seas or on order or delivery howsoever and whatsoever in the possession of the Company and either by way of substitution or addition.
2. First Pari passu charge in respect of term loans and Second Pari passu charge in respect of working capital facilities by way of hypothecation of fixed moveable assets, both present and future lying or stored in the company's factories, premises, and godowns situated in Pune or any other place. Further gross block of fixed assets as mentioned in the Balance sheet from time to time particularly plant and machinery, equipments, furniture, fixtures, vehicles, and other moveable assets whether installed in factory shed or not and all plant and machinery purchased from time to time by availing of term loans as mentioned above, in possession of or transit to the company together with all its accessories, spares, tools and implements.

3. Four CNC machines owned by the Guarantors, namely partners of M/s. Sankalp Industries and Mr. B.K. Gawade.
4. Second Pari passu charge by way of equitable mortgage of two immovable properties each at PCNTD Plot No. 278, Nigdi, Pune and at Parmar Industrial Complex, Gala No. 104, Akurdi.
5. Personal Guarantees of Directors of the company and also of Smt. Ilwae (3<sup>rd</sup> Party Mortgager).

***(iii) Sankalp Forgings Private Limited has been sanctioned loan of Rs. 144.07 lakhs from Electronica Finance Limited.***

Name of the lender	Electronica Finance Limited
Loan Documentations	Loan Agreement dated June 20, 2007 and Loan Agreement dated July 20, 2008
Facility	Total Term loan(Fund based): Rs. 144.07 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	Term loan: PLR presently 11.82% p.a.
Purpose	Acquisition of fixed assets.
Security	Hypothecation of specific assets purchased under the facility.
Tenor/ Repayment schedule	<i>Tenor:</i> 4 years  <i>Repayment schedule:</i> 48 monthly instalments.
Drawn-down amount as on February 28, 2011	Rs. 144.07 lakhs
Outstanding facility as on February 28, 2011	Rs. 51.96 lakhs

***(iv) Sankalp Forgings Private Limited has been sanctioned loan of Rs. 39.16 lakhs from Electronica Finance Limited.***

Name of the lender	Electronica Finance Limited
Loan Documentations	Term Loan Agreement dated December 24, 2010 and Agreement of Hypothecation dated December 24, 2010
Facility	Total Term loan(Fund based): Rs. 39.16 lakhs
Interest Rate (% <i>p.a., unless otherwise specified</i> )	14.49% p.a.
Purpose	Purchase of machinery
Security	Hyundai Kia SKT 21 CNC Turning Center with Fanuc Oi – TC
Tenor/ Repayment schedule	<i>Repayment schedule:</i> 48 monthly instalments
Drawn-down amount as on February 28, 2011	Rs. 39.16 lakhs
Outstanding facility as on February 28, 2011	Rs. 37.11 lakhs

## **B. Unsecured Borrowings**

Our subsidiaries have not obtained any unsecured loans from our Promoters/ group companies/ subsidiaries/material associate companies as on date of this Red Herring Prospectus. Our Subsidiaries'

outstanding unsecured borrowing is Rs. 301.64 lakhs as at February 28, 2011. Following is the list of unsecured borrowings of our Subsidiaries:

Name of borrower subsidiary	Name of the lender	Amount Disbursed (Rs. In Lakhs)	Outstanding Balance as on 28 <sup>th</sup> February 2011 (Rs. Lakhs)	Purpose of the loan	Utilization of Loan
Seven Star Electrodes Pvt. Ltd.	Government of Maharashtra	NA	20.42	Interest free Sales Tax Loan under package Scheme of Incentives, 1993	Working capital requirement
Arihant Steel & Metal Wires Private Limited	S.E. Investments Ltd	300.00	255.00	Business Loan	Working capital requirement
Sankalp Forgings Private Limited	HDFC Bank Limited	15.00	11.40	Business Loan	Working capital requirement
Sankalp Forgings Private Limited	Kotak Mahindra Bank Limited	20.00	14.82	Business Loan	Working capital requirement

A certificate dated March 11, 2011, from our Statutory Auditors B.K. Khare & Co. has been obtained by our Company certifying that the aforementioned unsecured loans were utilized by our Subsidiaries for the purpose for which they were sanctioned.

### C. Other Borrowings

#### *Vehicle loans*

Following are the details of the vehicle loans availed by our Subsidiary, Sankalp Forgings Private Limited as at February 28, 2011

Name of the Bank	Amount Sanctioned (in Rs. in lakhs)	Balance outstanding as on February 28, 2011
HDFC Bank Limited	9.20	2.82
ICICI Bank Limited	10.20	2.54
HDFC Auto Loan	20.85	19.61
HDFC Auto Loan	12.21	11.21

#### *Restrictive Covenants*

Our Company and our Subsidiaries cannot, without the prior consent of the lenders, undertake, *inter alia*, any of the following

- Effect a change in its capital structure;
- Formulate any scheme of merger, amalgamation, consolidation or reconstruction, or for sale, or lease, transfer or otherwise dispose off any assets;
- Make any material change in the Memorandum and Articles of our Company;

- d. Invest by way of share capital in, or lend or advance funds to, or place deposits with any concern otherwise than in the usual course of business;
- e. Undertake guarantee obligations on behalf of any company, firm or person;
- f. Undertake any drastic change in its management set up;
- g. Undertake any new project/ activities or materially change the scope of the of the existing projects;
- h. Joint shareholding of Mr. Chandu Chavan and Dr. Shubhangi Jadhav shall not fall below 51% in our Company during the facility tenor of GE Capital Services India.
- i. Sell, assign, mortgage or dispose off any of the fixed assets charged to the lenders;
- j. Create any subsidiary or permit any company to become its subsidiary;
- k. Pay commission, brokerage, fees or any such payment in any such form to the Directors, guarantors or any person standing as guarantors, managers or other affiliates in connection with such person furnishing guarantees, counter-guarantees or indemnities on behalf of our Company;
- l. Create any security interest on or in any of the secured property or any of its property or assets;
- m. Revalue its assets at any time during the currency of the loans;
- n. Declare or pay or consider the declaration or payment of any dividend to any of its shareholders, whether the equity or preference, during any accounting year unless the Borrower has paid to dividend is proposed to be declared or has made provisions satisfactory to lenders for making such payment;
- o. Implement any scheme of expansion/diversification/modernisation other than the incurring routine capital expenditure
- p. Appoint a person as director who is also a director on the board of any other company which has been identified as a wilful defaulter by any bank or financial institutions as per the parameters determined by RBI;
- q. Pay compensation to the directors in the event of loss of their office for any reason whatsoever, if there is any default on the part of the Borrower in the payment of any instalment of facility, interest and other monies due and owing by the Borrower to lenders subsisting at the time.

## SECTION VI – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as stated below, there are no outstanding litigations, suits, civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or alleging criminal or economic offences or tax liabilities or show cause notices or legal notices pending or penalties imposed in the last five years against our Company, our Promoters, our Directors, our Subsidiaries, Entities Promoted by our Promoters that would have a material adverse effect on our business and there are no defaults, non-payments or overdue of statutory dues, institutional / bank dues and dues payable to holders of debentures, fixed deposits and arrears on cumulative preference shares that would have a material adverse effect on our business.*

*Further, except as stated below, our Company, our Directors, our Subsidiaries, our Promoters and Entities Promoted by our Promoters have not been declared as wilful defaulters by the Reserve Bank of India, have not been debarred from dealing in securities and/or accessing capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges or any other Governmental authority and, except as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or pending against them. Also none of our Promoters or Directors was or is a promoter, director or person in control of any other company that is debarred from accessing the capital market under any order or directions made by SEBI.*

#### **Contingent liabilities**

As on December 31, 2010 contingent liabilities not provided for were as follows:

<b>Particulars</b>	<b>As on December 31, 2010</b>
In respect of guarantees given to banks/financial institutions on behalf of Subsidiary Companies (Outstanding amount)	3,015.0
Claims against the Company not acknowledged as debt	458.91
Export obligations against EPCG	199.68
<b>TOTAL</b>	<b>3,673.59</b>

#### **Outstanding Litigations involving our Company**

##### **Litigations by our Company**

##### **(A) Criminal cases**

- 1. Our Company (“Complainant”) has filed a private criminal complaint bearing number 226/2007, dated October 16, 2007 (“Complaint”) against Dr. Rohit Dhirajlal Mehta (“Accused 1”), Mr. Hanumant Laxmanrao Pawar (“Accused 2”), Mr. Shivaji Bhagwan Jadhav (“Accused 3”) and Ms. Surekha Hanumant (“Accused 4”)(hereinafter Accused 1 to 4 are collectively referred to as “Accused”) before the Judicial Magistrate First Class, Shirur at Shirur.***

The Accused 1 was the joint owner of the property at gat number 1260/1 Sanaswadi along with his family members and property at gat number 1260/2 (“**said property**”). The Accused 1 orally agreed to sell a portion admeasuring 5,046.50 square meters the said property to the Complainant. The Accused 1 represented that he is the constituted power of attorney holder of all the co-owners of the said property and signed all the documents for and on behalf of the other co-owners. Accused 1 put forth a condition of full payment of the total consideration at the time of execution of the possession receipt and also agreed to execute a sale deed and register the same. Relying on such assurance the Company authorised Mr. Sachin Mehta to sign the possession receipt on behalf of the company and also handed over two demand drafts of Rs. 1.50 lakhs each.

In March 2006, the Complainant discovered that Accused 1 had executed a sale deed with respect to gat number 1260/1 in favour of one Radheya Machining Limited. However, the Accused 1 informed the Complainant that he



had no knowledge of execution of such a sale deed. It was further discovered that the Accused 1 had executed a power of attorney in favour of Accused 2; Accused 2 further executed a power of attorney in favour of Accused 3; and registered a sale deed in favour of Radheya Machining Limited. On April 04, 2006, a notice was issued to Accused 1 demanding execution and registration of the sale deed. The Accused 1 replied to the said notice stating that he had not executed a power of attorney in favour of Accused 2 for the sale of the said property. Thereafter the Complainant discovered that Accused 1 had executed a sale deed with respect to gat number 1260/2 in favour of Accused 4. Accused 1 induced the complainant to pay the consideration amount and in conspiracy with Accused 2 and 3 forged power of attorney with the intention of cheating the Complainant.

The Complainant *inter alia* prays that (i) The court be pleased to issue an order of police investigation of offences committed by the Accused under Section 156(3) of the Code of Criminal Procedure. (ii) The police be directed to investigate whether any other accused persons were involved in committing the offence. (iii) The court be pleased to take cognizance of the offence committed by the Accused and to issue process against the Accused persons under Section 419, 420, 465, 467, 468, 471, 474 read with Section 34 of the Indian Penal Code.

The Judicial Magistrate First Class, Ghodnadi *vide* order dated October 20, 2007 passed the following order:

(i) The Complaint be sent to Shikrpur police station for investigation under Section 156(3) of the Code of Criminal Procedure; and (ii) the officer incharge of the Shikrpur police station is directed to investigate the matter and submit his report within 3 months from the date of receipt of the order.

As on date the Complainant has lead evidence as per order of the Hon'ble Court and the matter is pending for further order. The next date of hearing is on May 19, 2011.

2. ***Our Company ("Complainant") has filed a private criminal complaint bearing number 438095/2009 dated July 14, 2008 against Kishore Engineering Works Private Limited ("Accused 1"), Mr. Harshad Panchal ("Accused 2") and Ms. Kalpana Panchal ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain material from the Complainant on credit and towards payment the Accused issued two cheques bearing numbers 743043 and 743044, both dated March 22, 2008 amounting to Rs. 1.61 lakhs each, both drawn on the Bank of Maharashtra. The Complainant deposited the cheques with United Bank of India, Pune branch and the same were dishonoured whilst stating the reason 'not arranged for'. Thereafter, the Complainant issued a legal notice dated May 26, 2008 and the same was received by the Accused on May 27, 2008.

The Complaint therefore prays *inter alia* that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount, (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be paid compensation as per the provisions of Section 357 of the Criminal Procedure Code, 1973.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of verification is on April 5, 2011.

3. ***Our Company ("Complainant") has filed a private criminal complaint bearing number 32510/2008 dated October 16, 2008 against M/s. Soham Industries ("Accused 1"), Mr. Sandip Khondre ("Accused 2") and Mr. Hemant Wadavat ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before the Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain material from the Complainant on credit and for payment towards the same the Accused issued the following five cheques drawn on the Karad Urban Co-operative Bank Limited Pune branch:

(i) Cheque dated March 10, 2008 bearing number 722056 amounting to Rs. 1.84 lakhs, (ii) Cheque dated March 19, 2008 bearing number 726856 amounting to Rs. 4.80 lakhs, (iii) Cheque dated March 15, 2008 bearing number

722057 amounting to Rs. 1.52 lakhs, (iv) Cheque dated March 05, 2008 bearing number 722054 amounting to Rs. 1.47 lakhs; and (v) Cheque dated March 13, 2008 bearing number 726855 amounting to Rs. 3.66 lakhs.

The Complainant deposited the cheques aggregating to Rs. 13.30 lakhs with HSBC Bank, Pune, however the same were dishonoured whilst stating the reason as 'funds insufficient'. Thereafter, the Complainant issued two legal notices dated August 29, 2008 and September 04, 2008, respectively, which were received by the Accused on September 02, 2008 and September 06, 2008 respectively.

The Complainant *inter alia* prays that (i) Process be issued against the Accused, (ii) the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount. (iii) the Complainant be paid a compensation as per the provisions of Section 357 of the Criminal Procedure Code, 1973.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 13, 2011.

- 4. Our Company ("Complainant") has filed a private criminal complaint bearing number 419532/2008 dated June 30, 2008 against M/s. Soham Industries ("Accused 1"), Mr. Sandip Khondre ("Accused 2") and Mr. Hemant Wadavat ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before the Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.**

The Accused purchased certain material from the Complainant on credit and for payment towards the same the Accused issued a cheque dated February 28, 2008 bearing number 719699 amounting to Rs. 3.92 lakhs drawn on Karad Urban Co-operative Bank Limited, Bhosari branch, Pune. The Complainant deposited the cheque with HSBC Bank, Bund Garden branch, Pune, however the same was dishonoured whilst stating the reason 'funds insufficient'. Thereafter, the Complainant issued a legal notice dated May 14, 2008.

The Complainant therefore prays *inter alia* that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount, (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be paid compensation as per the provisions of Section 357 of the Criminal Procedure Code, 1973.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing is on April 20, 2011.

- 5. Our Company ("Complainant") has filed a private criminal complaint bearing number 15113/2008 dated May 15, 2008 against M/s. Bopack Engineering ("Accused 1"), Mr. Shirish Poharkar ("Accused 2") (hereinafter, Accused 1 and 2 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.**

The Accused purchased certain material from the Complainant on credit and for payment towards the same, the Accused issued a cheque dated February 26, 2008 bearing number 926778 amounting to Rs. 0.25 lakhs drawn on Rupee Co-operative Bank Limited, Chinchwad branch, Pune. The Complainant deposited the cheque with HSBC Bank, Bund Garden branch, Pune, however the same was dishonoured whilst stating the remark 'not arranged for'. The Complainant issued a legal notice dated March 31, 2008 and the same was received by the accused on April 04, 2008.

The Complainant *inter alia* prays that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount, (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be paid compensation as per the provisions of Section 357 of the Criminal Procedure Code, 1973.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing is on April 13, 2011.

6. ***Our Company ("Complainant") has filed a private criminal complaint bearing number 26081/2008 dated June 30, 2008 against Melton Engineers Private Limited ("Accused 1"), Mr. V. S. Rathod ("Accused 2") and Mr. V. Y. Biradar (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain material from the Complainant on credit and for payment towards the same, the Accused issued a cheque dated June 30, 2008 bearing number 046067 amounting to Rs. 1.39 lakhs drawn on HDFC Bank Limited, Pune. The Complainant deposited the cheque with HSBC Bank, Bund Garden branch, Pune however the same was dishonoured whilst stating the reason as 'funds insufficient'. Thereafter, the Complainant issued a legal notice dated July 10, 2008 which was received by the accused on July 12, 2008.

The Complainant *inter alia* prays that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount, (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be paid compensation as per the provisions of Section 357 of the Criminal Procedure Code, 1973.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The matter is pending for listing and the next date of hearing on April 13, 2011.

7. ***Our Company ("Complainant") has filed a private criminal complaint bearing number 50897/2006 dated December 6, 2006 against Jabbal Auto Private Limited ("Accused 1"), Mr. J. H. Jabbal ("Accused 2") and Mr. Harbans Jabbal ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain goods from the Complainant on credit and for payment towards the same, the Accused issued a cheque dated September 28, 2006 bearing number 001577 amounting to Rs. 3.69 lakhs drawn on Abhyudaya Co-operative Bank Limited, Deccan Gymkhana branch, Pune. The Complainant deposited the cheque with United Bank, Pune, however the same was dishonoured whilst stating the reason 'funds insufficient'. Thereafter, the Complainant issued a legal notice dated October 20, 2006 and the same was received by the accused on October 22, 2006. However, the Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount. (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be awarded cost of the case as compensation.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 15, 2011.

8. ***Our Company ("Complainant") has filed a private criminal complaint bearing number 50899/2006 dated December 6, 2006 against Jabbal Auto Private Limited ("Accused 1"), Mr. J. H. Jabbal ("Accused 2") and Mr. Harbans Jabbal ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain goods from the Complainant on credit and for payment towards the same, the Accused issued a cheque dated September 7, 2006 bearing number 000727 amounting to Rs. 3.14 lakhs drawn on Abhyudaya Co-operative Bank Limited, Pune. The Complainant deposited the cheque with United Bank, Pune however the same was dishonoured whilst stating the reason 'funds insufficient'. Thereafter, the Complainant

issued a legal notice dated November 4, 2006 and the same was received by the accused on November 6, 2006. However, the Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount, (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be awarded cost of the case as compensation.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 15, 2011.

- 9. Our Company ("Complainant") has filed a private criminal complaint bearing number 9656/2007 dated March 15, 2007 against Jabbal Auto Private Limited ("Accused 1"), Mr. J. H. Jabbal ("Accused 2") and Mr. Harbans Jabbal ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.**

The Accused purchased certain goods from the Complainant on credit and for payment towards the same, the Accused issued two cheques dated September 15, 2006 bearing number 00741 amounting to Rs. 3.25 lakhs and cheque dated September 14, 2006 bearing number 000735 amounting to Rs. 3.38 lakhs both drawn on Abhyudaya Co-operative Bank Limited, Deccan Gymkhana branch, Pune. The Complainant deposited the cheques with United Bank, Pune, however the same were dishonoured whilst stating the reason as 'funds insufficient'. Thereafter, the Complainant issued a legal notice dated February 08, 2007. However, the Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount, (ii) The Complainant be paid the cheque amount if the fine is paid by the Accused; and (iii) The Complainant be awarded cost of the case as compensation.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing April 6, 2011.

- 10. Our Company ("Complainant") has filed a private criminal complaint bearing number 12553/2009 dated March 04, 2009 against M/s. SVM Auto Products ("Accused 1"), Mr. Sundravadan ( "Accused 2") (hereinafter, Accused 1 and 2 are collectively referred to as "Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.**

The Accused purchased certain materials from the Complainant on credit and for payment towards the same, the Accused issued four cheques, all drawn on Axis Bank Limited, Hosur branch dated November 8, 2008 aggregating to Rs. 21.55 lakhs and deposited these cheques with United Bank, Pune branch and the same were dishonoured whilst stating the reason 'payment stopped by the drawer'. Thereafter, the Complainant issued a legal notice dated January 16, 2009 and the same was received by the Accused on January 20, 2009. However, the Accused failed to make the payment within the time prescribed by law

The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount (ii) accused be punished for committing offence of cheating under Section 420 of the Indian Penal Code (iii) the Complainant be paid the cheque amount and (iv) the Complainant be compensated as per provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 11, 2011.

- 11. Mr. Chandu Chavan, in his capacity as they Chairman of our Company ("Complainant") has filed a private criminal complaint bearing number 447/2006 dated February 10, 2006 against Mr. Ashok B.**

***Pagaria ("Accused") before Judicial Magistrate First Class, Pune under Section 420 of the Indian Penal Code ("IPC").***

The Complainant has an account with Saraswat Co-operative Bank Limited ("**Bank**") wherein he was introduced to the Accused who represented himself as the proprietor of M/s. Pagaria Agro Industries and also the Managing Director & authorized signatory of Chakan Roller Flour Mills (Pune) Private Limited. The accused offered to sell Chakan Roller Flour Mills (Pune) Private Limited ("**said company**") along with the assets consisting of 3.5 acres of land and the shed built on it on the said property situated at Revenue Village, Kharabwadi – Chakan, for a consideration of Rs. 65.00 lakhs. The Complainant, after scrutiny of the documents, discovered that the Accused has falsely represented that the area of the said property was 3.5 acres while the 7/12 extracts indicated the area as 2.5 acres. The accused assured the complainant that he would obtain a no objection certificate from the other directors which he failed to obtain. The Accused deceived the Complainant by inducing him to deposit a huge amount with the Bank and avoided attachment of the said property by the Bank. The Complainant repeatedly approached the Accused to complete the transaction i.e. selling the said company along with its assets, however, the Accused demanded extra amount. The Complainant at the instance of the Accused deposited a sum of Rs.68.00 lakhs including a shortfall of Rs. 3.00 lakhs which was required to be paid by the Accused to the Bank thereby avoiding the attachment of the said property by the Bank. However, the Accused refused to complete the transaction and did not hand over possession of the said property, thereby causing a loss to the Complainant.

The Complaint therefore prays *inter alia* that the Court take cognizance of the offence and process be issued against the Accused under Section 420 of the IPC and the Accused be tried and punished for the offence committed.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The matter is pending for listing and the next date of hearing has not been fixed.

- 12. Our Company ("Complainant") has filed a private criminal complaint bearing number 0425080/2009 dated May 08, 2009 against D. M. Engineering Products ("Accused 1") and Mr. Mandup Kaur ("Accused 2") (hereinafter, Accused 1 and 2 are collectively referred to as "Accused"), before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain materials from the Complainant on credit and for payment towards the same, the Accused issued three cheques, each dated October 20, 2008, drawn on Syndicate Bank, Gurgaon branch aggregating to Rs. 5.99 lakhs and deposited these with United Bank of India, Pune branch. However the same were dishonoured whilst stating the reason as 'funds insufficient'. Thereafter, the Complainant issued a legal notice dated March 21, 2009. However, the Accused failed to make payment within the time prescribed by law.

The Complainant therefore *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with imprisonment for a term of two years (ii) a fine, double the amount of the cheques be imposed on the Accused and the complainant be paid the cheque amount; and (iii) Complainant be compensated as per the provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 11, 2011.

- 13. Our Company ("Complainant") has filed a private criminal complaint bearing number 2562/2009 dated April 13, 2009 against Phoenix Alluminium Products Private Limited ("Accused 1"), Mr. Sanjay Gange ("Accused 2") and Mr. Sanjay Mahata ("Accused 3") (hereinafter, Accused 1 to 3 are collectively referred to as "Accused"), before Judicial Magistrate First Class, Pune under Section 138 and 141 of the Negotiable Instruments Act 1881.***

The Accused purchased certain materials from the Complainant on credit and for payment towards the same, the Accused issued two cheques, one dated September 22, 2008 bearing number 986008 amounting to Rs. 7.79 lakhs and the other dated January 28, 2009 bearing number 090218 amounting to Rs. 1.59 lakhs; both drawn on India Overseas Bank, Chinchwad branch, Pune. The Complainant deposited these cheques aggregating to Rs. 9.38 lakhs

with HSBC Bank, Bund Garden road branch, Pune. However, the same were dishonoured whilst stating the reason as 'exceeds arrangements'. Thereafter, the Complainant issued a legal notice dated February 27, 2009 and the Accused received the same on March 04, 2009. The Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years (ii) a fine of double the cheque amount be imposed on the Accused; and (iii) the Complainant be awarded compensation equal to cheque amount.

The matter is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing is on April 11, 2011.

***14. Our Company ("Complainant") has filed two summary criminal complaint bearing numbers 43867/2009 and 43868/2009 dated August 29, 2009 ("Complaints") against Mr. Uttamrao P. Shinde ("Accused"), before Judicial Magistrate First Class – Court Number 3, Pune at Pune under Section 138 and 141 of the Negotiable Instruments Act 1881.***

The Accused showed and offered the Complainant premises which are owned by Maharashtra Rajya Sahaari Sangha, situated at 5 – B. J. Road, Sadhuwaswani Chowk, Pune ("said premises"). The Complainant on various occasions paid a total amount of Rs. 28.00 lakhs for taking on leave and license the said premises, however, the Accused failed to allot the said premises. Thereafter, the Accused returned the amount by issuing four cheques, aggregating to Rs. 28.00 lakhs all drawn on Central Co-operative Bank Limited but the same were dishonoured.

The Accused requested the Complainant not to initiate legal proceedings and entered into a memorandum of understanding whereby the Accused agreed to pay an amount of Rs. 23.00 lakhs along with 18% interest thereof. The Accused issued three cheques amounting to Rs. 23.00 lakhs out of which one cheque dated June 13, 2009 bearing number 739731 amounting to Rs. 10.00 lakhs was dishonoured whilst stating the reason as 'payment stopped by drawer'. The Complainant issued a legal notice dated July 13, 2009 which was received on July 15, 2009 by the Accused. However, the Accused failed to pay the cheque amount within the time prescribed as per law.

The Complainants pray *inter alia* that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years (ii) a fine of double the cheque amount be imposed on the Accused (iii) the Complainant be awarded compensation equal to cheque amount; and (iv) the Accused be punished for committing an offence under Section 420 of the Indian Penal Code.

The matter is currently pending before the Judicial Magistrate First Class – Court Number 3, Pune. The next date of hearing is on April 6, 2011.

***15. Our Company ("Complainant") has filed a private criminal complaint bearing number 30376/2009 dated June 10, 2009 against Mr. Sundravadanan ("Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain materials from the Complainant on credit. Towards payment for the same, the Accused issued three cheques drawn on Axis Bank, (i) dated November 08, 2008 bearing number 000406 amounting to Rs. 14.85 lakhs, (ii) cheque bearing number 000407 amounting to Rs. 15.67 lakhs and (iii) cheque bearing number 000408 amounting to Rs. 16.14 lakhs. The Complainant deposited these cheques amounting to Rs. 46.65 lakhs with Axis Bank J.M road branch, Pune however same were dishonoured whilst stating the reason as 'payment stopped by the drawer'. The Complainant issued a legal notice dated April 22, 2009 and the Accused received the same on April 28, 2009. However, the Accused failed to make payment within the time prescribed by law.

The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with imprisonment for a term of two years (ii) the accused

be punished for committing an offence of cheating punishable under Section 420 of the Indian Penal Code. (iii) a fine, double the amount of the cheques be imposed on the Accused and the complainant be paid the cheque amount; and (iv) Complainant be compensated as per the provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing is on April 6, 2011.

**16. *Our Company ("Complainant") has filed a private criminal complaint bearing number 0430358/2009 dated June 10, 2009 against Mr. Suhas V. Gaikwad ("Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain materials from the Complainant on credit and for payment towards the same, the Accused issued the following five cheques dated March 28, 2009 drawn on ICICI Bank Limited, Chinchwad branch, Pune aggregating to Rs. 7.58 lakhs and deposited these with United Bank of India, Pune branch and same were dishonoured whilst stating the reason 'insufficient funds'. Thereafter, the Complainant issued a legal notice dated April 22, 2009 which was received by the Accused on April 27, 2009. However, the Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with imprisonment for a term of two years (ii) a fine, double the amount of the cheques be imposed on the Accused and the complainant be paid the cheque amount; and (iii) Complainant be compensated as per the provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 6, 2011.

**17. *Our Company ("Complainant") has filed a private criminal complaint bearing number 36927/2009 dated July 18, 2009 against Mr. Suhas V. Gaikwad ("Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain materials from the Complainant on credit and for payment towards the same, the Accused issued two cheques both dated November 19, 2008 bearing number 713359 amounting to Rs. 2.55 lakhs and cheque bearing number 713360 amounting to Rs. 3.30 lakhs, both drawn on ICICI Bank Limited, Chinchwad branch, Pune. The Complainant deposited these cheques amounting to Rs. 5.85 lakhs with United Bank of India, Pune branch; the same were dishonoured whilst stating the reason 'insufficient funds'. Thereafter, the Complainant issued a legal notice dated May 22, 2009 but the same was returned unclaimed on June 05, 2009. The Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with imprisonment for a term of two years (ii) a fine, double the amount of the cheques be imposed on the Accused and the complainant be paid the cheque amount; and (iii) Complainant be compensated as per the provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 11, 2011.

**18. *Our Company ("Complainant") has filed a private criminal complaint bearing number 36926/2009 dated July 18, 2009 against Mr. S. G. Mhabdi ("Accused") before Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.***

The Accused purchased certain materials from the Complainant on credit. Towards payment for the same, the Accused issued two cheques dated January 20, 2009 bearing number 312773 amounting to Rs. 1.09 lakhs and cheque dated January 07, 2009 bearing number 312767 amounting to Rs. 0.88 lakhs, both drawn on Bank of Maharashtra, Akurdi branch, Pune. The Complainant deposited these cheques amounting to Rs. 1.97 lakhs with United Bank of India, Pune branch. However the same were dishonoured whilst stating the reason 'not arranged

for'. Thereafter the Complainant issued a legal notice dated May 22, 2009 and the same was received by the Accused on June 08, 2009. The Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that: i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with imprisonment for a term of two years (ii) a fine, double the amount of the cheques be imposed on the Accused and the complainant be paid the cheque amount; and (iii) Complainant be compensated as per the provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune. The next date of hearing is on April 11, 2011.

**19. Our Company ("Complainant") has filed a private criminal complaint bearing number 6347/2009 dated November 8, 2009 against Mr. Sachin Thorat ("Accused") before the Judicial Magistrate First Class, Pune at Pune under Section 138 of the Negotiable Instruments Act 1881.**

The Accused purchased certain materials from the Complainant on credit from time to time. The total outstanding balance for the purchased materials was Rs.14.75 lakhs as per the invoices issue to the Accused. Towards part payment for the same the Accused issued a cheque bearing No. 318011 dated June 22, 2009 for an amount of Rs. 5.00 lakhs drawn on Bank of India, Kasarwadi Branch. The Complainant deposited the above said cheque with United Bank of India, Chinchwad Branch which was dishonoured on September 12,2009 whilst stating the reason 'Insufficient Funds'. Thereafter the Complainant issued a legal notice dated October 9, 2009 and the same was received by the Accused on October 14, 2009. The Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that: (i) Process be issue against the Accused Under Section 138 read with Section 141 of the Negotiable Instruments Act 1881 and Accused be tried and punished for committing the said offence, with maximum imprisonment for the term of two years and fine the of double the cheque amount (ii) complainant may be awarded compensation equal to cheque amount from the accused; and (iii) any order deemed fit and proper in the interest of justice may kindly be passed in favour of the Complainant.

The Complaint is currently pending for listing before the Judicial Magistrate, First Class, Pune and the next date of hearing has not been fixed.

**20. Our Company ("Complainant") has filed a private criminal complaint bearing number 4766/2009 dated July 13, 2009 against M/s. Soham Industries ("Accused 1") and Mr. Sandip Khondre ("Accused 2") and Mr. Hemant Wadavat ("Accused 3") (hereinafter Accused 1, 2 and 3 are collectively referred to as "Accused") before the Judicial Magistrate First Class, Pune at Pune under Section 138 read with Section 141 of the Negotiable Instruments Act 1881.**

The Accused purchased certain materials from the Complainant on credit. Towards its part payment for the same, the Accused issued four cheques all dated December 12, 2008 aggregating to Rs. 10.31 lakhs and deposited these with United Bank of India , Chinchwad, Pune Branch which was dishonoured on May 11, 2008 whilst stating the reason 'Funds Insufficient'. Thereafter the Complainant issued a legal notice dated June 6, 2009 and the same was received by the Accused on June 7, 2009. The Accused failed to make the payment within the time prescribed by law.

The Complainant *inter alia* prays that: (i) Process be issue against the Accused Under Section 138 read with Section 141 of the Negotiable Instruments Act 1881 and Accused be tried and punished for committing the said offence, with maximum imprisonment for the term of two years and fine the of double the cheque amount (ii) complainant may be awarded compensation equal to cheque amount from the accused; and (iii) any order deemed fit and proper in the interest of justice may kindly be passed in favour of the Complainant.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing has not been fixed.

**(B) Tax cases**



1. ***Notice of Demand issued under Section 156 of the Income Tax Act, 1961 (“Notice”) together with order passed under section 201 (1) Income Tax Act, 1961 (“Order”), both dated March 31, 2010 by the Income Tax Officer (TDS-1), Pune against our Company (the “Assessee”) for the Financial Years 2008-09 and 2009-10.***

Our Company has been issued the Notice demanding a payment of Rs. 0.58 lakhsto be payable by us for the Financial Years 2008-09 and 2009-10 and passed the Order stating that the Assessee company has deducted tax on payments of salary under Section 192 of the Income Tax Act (“Act”), professional fees under Section 194J of the Act, rent under Section 194I of the Act, contractual payments under Section 194C of the Act and on scrap under Section 206 of the Act. However the Assessee Company failed to deposit the same payments within the prescribed time. For delay in depositing the same payments, the Assessee has been treated as an assessee in default under Section 201(1) of the Act and an Interest under Section 201(1A) of the Act has been levied on the Assessee Company resulting in demand of Rs. 0.58 lakhs payable by our Company. Further also our Company is liable for penal proceedings under Section 271C(1) of the Act for the said default. However our Company has paid the demand of Rs. 0.58 lakhs and the case is pending before the Additional Commissioner of Income Tax, Pune.

2. ***Our Company (“Appellant”) has filed an appeal dated May 20, 2009 (“Appeal”) against the order dated March 30, 2009 passed by the Assistant Commissioner of Income Tax, Circle 1(1), Pune (“Respondent”) before the Commissioner Of Income Tax (Appeals) I, Pune for the assessment year 2007-2008.***

The Appeal has been filed *inter alia* on the grounds that that the Assessing Officer erred:

- (i) In the disallowance of deferred revenue expenditure of Rs. 11.57 lakhs charged to the profit and loss account by conducting that they pertain to earlier year.
- (ii) In the disallowance of Rs. 1.65 lakhs, 5% of the Postage and Telephone expenses by treating it as for non business.
- (iii) In the disallowance of Rs. 2.18 lakhs, 5% of the Travelling Expenses by treating it as for non business.

The Appeal is pending before the Commissioner of Income Tax (Appeals) I, Pune. The next date of hearing is yet to be fixed.

3. ***Our Company (“Appellant”) has filed an appeal dated November 30, 2010 (“Appeal”) against the order dated October 6, 2010 passed by the Assistant Commissioner of Income Tax, Circle 1(1), Pune (“Respondent”) before the Income Tax Appellate Tribunal, Pune for the assessment year 2006-2007.***

The Appeal has been filed *inter alia* on the grounds that that the Respondent erred in:

- (i) The disallowance of deferred revenue expenditure of Rs. 41. 72 lakhs charged to the profit and loss account being in nature of processing charges and fees for conducting total productive maintenance on the grounds that the said claim was not made in the original return;
- (ii) The ad hoc disallowance of Rs. 0.39 lakhs out of staff welfare expenses
- (iii) The ad hoc disallowance of Rs. 0.40 lakhs out of local Conveyance and Rs. 0.81 lakhs out of travelling expenses

The Appeal is pending before ITAT, Pune and the next date of hearing has not been fixed.

4. ***Our Company (“Appellant”) has filed an appeal bearing number ITA474/PN/08 (“Appeal”), dated April 04, 2008, before the Income Tax Appellate Tribunal, Pune Bench, Pune, against the order dated February 18, 2008, passed by the Commissioner of Income Tax (Appeals) I, Pune (“Respondent”) for the Assessment Year 2004-2005.***

The Appeal has been filed the *inter alia* on the grounds that the Respondent erred in:

- (i) The disallowance of deferred revenue expenditure of Rs. 28.75 lakhs incurred as revenue expenditure.
- (ii) Confirming disallowance to the effect of 5% out of the expenditure on conveyance; and

- (iii) Confirming disallowance of claim of additional depreciation due to non submission of statutory report in Form number 3AA.

The Income Tax Appellate Tribunal *vide* its order dated February 05 2010 has partially allowed our Appeal by directing the Assessing Officer to allow our claim of Rs. 28.75 lakhs, incurred as revenue expenditure but has only partially allowed a claim of Rs. 0.25 lakhs out of our expenditure on conveyance instead of allowing 5% out of the expenditure on conveyance as prayed by our Company and completely disallowed the claim of additional depreciation.

(C) *Civil cases*

1. ***Our Company ("Plaintiff") has filed a suit for specific performance being a special civil suit bearing number 37/2009 dated January 05, 2009 ("Suit"), against Mr. Rohit Dheerajlal Mehta ("Defendant 1"), Ms. Kiran Rohit Mehta ("Defendant 2"), Mr. Nikhil D. Mehta ("Defendant 3") Ms. Harsha N. Mehta ("Defendant 4"), Mr. Sachin V. Mehta ("Defendant 5"), Ms. Surekha H. Pawar ("Defendant 6") and Mr. Hanumant L. Pawar ("Defendant 7") (hereinafter collectively referred to as "Defendants") before the Civil Judge, Senior Division, Pune.***

The Defendants 1 to 4 have handed over possession of the Suit property of the Plaintiff Company *vide* possession receipt dated May 09, 2005. The Plaintiff company had paid Rs. 3.00 lakhs to Defendants 1 to 4 and as per the terms of the possession receipt the Defendants 1 to 4 assured the Plaintiffs that they will execute a sale deed in favour of the Plaintiff company or their nominees as and when the Defendants 1 to 4 will be called upon. It was mentioned in the possession receipt that the execution of the sale deed would be the sole responsibility of the Defendants 1 to 4 they further authorized the Plaintiffs to construct a fencing boundary wall for the suit property.

The Defendant 1 to 4 neglected to execute the sale deed as promised therefore, the Plaintiffs issued a notice dated April 04, 2006 ("**Notice**"). The Defendants replied to the said notice dated April 22, 2006 ("**Reply**") denying the execution of the sale deed and raised baseless and false contentions. Defendants 1 to 4 illegally executed a power of attorney in favour of Defendant 7 who further illegally executed a power of attorney in favour of one Mr. Shivaji B. Jadhav, which was registered on April 27, 2005. Thereafter, Defendant 7 and Mr. Shivaji B. Jadhav conveyed a portion of the suit property in favour of Defendant 6 *vide* sale deed dated April 18, 2006.

The Plaintiff has filed the Suit praying *inter alia* that: (i) Defendants 1 to 4 be directed to execute the sale deed in relation of land admeasuring 50 Aar situated at Gat No. 1260/2, Sanaswadi, Shirur, Pune, totally admeasuring 1 Hectare 62 Aar ("**Suit Property**") in favour of the Plaintiffs and direct the Defendants 6 and 7 to be a party to the sale deed (ii) a fit and proper person be appointed to execute sale deed in favour of the Plaintiffs in execution of the decree and Defendants 6 and 7 be directed to join the said conveyance as a necessary party; and (iv) cost of the Suit be awarded.

The Plaintiff has also filed an application for temporary injunction dated January 05, 2009 ("Application") under Order 39 Rule 1 and Rule 2 read with Section 151 of the Civil Procedure Code, against the Defendants before the Civil Judge, Senior Division, Pune on the following grounds:

- (i) The Plaintiffs apprehend that Defendant 6 and 7 are trying to negotiate the suit property with third parties with an intention to create third party rights and part with the possession of the Suit property with an intention to cause wrongful loss to the Plaintiffs.
- (ii) The Plaintiffs have a sanguine chance of ultimate success in the Suit and decree in favour of the Plaintiffs, however, if the Defendants create third party interest or part with the possession of the Suit Property during the pendency of the Suit then the very purpose of filing the Suit will be frustrated and decree will become infructuous.
- (iii) The Plaintiffs will suffer irreparable loss, which cannot be compensated in terms of money if an order of temporary injunction is not passed.

Thus, plaintiff has prayed that the injunction application be allowed and restrain order be passed against the Defendants 6 and 7, their servants, agents and all persons claiming under them, from creating third party interests

in the Suit property till the disposal of the Suit. The Suit is pending before the Civil Judge, Senior Division, Pune at Pune. The next date of hearing has not been fixed.

2. ***Our Company ("Plaintiff") has filed a civil suit bearing number R.C.S 284/2008 dated August 27, 2008 ("Suit") for permanent injunction against Ms Surekha Hanumant Pawar ("Defendant 1") and Mr. Hanumant Laxman Pawar ("Defendant 2") (hereinafter collectively referred to as "Defendants") before the Civil Judge, Junior Division, Shirur at Shirur .***

The Plaintiffs are the owner and is in possession, use and occupation of the Suit property bearing gat no. 1261, 1262 and 1260/2 (the 'said property'). The Plaintiff states that the sale deed on the basis of which Defendants are claiming ownership on the said property was registered by them with the help of a forged power of attorney thereby making the same illegal. The Plaintiffs have also filed a Criminal Complaint against the Defendants bearing number 226/2007 before the Judicial Magistrate, First Class, Shirur at Shirur. The Defendant 1, on the basis of the sale deed, has also filed a civil suit bearing number 272/2007 against the Plaintiff for injunction and removal of encroachment on the property bearing gat no. 1260/2 and an order has been passed for maintaining status quo to both the parties in respect of the Suit property.

The Suit Property provides an access road for the Plaintiff and the adjoining property owners in view of an agreement executed by and between the original owners Mr. Rohit D. Mehta and the Plaintiffs. The said agreement was submitted in the office of the executive Engineer, World Bank project for its approval and the competent authority *vide* its order dated October 19, 2001 sanctioned the approval pursuant to which the plaintiffs purchased property bearing gat number 1262 from Ms. Alka Kaluram Dhamdhare. On August 25, 2008 the Defendants with their henchmen came to the suit property and started digging in the middle of the road with intent to block the access road of the Plaintiffs.

Hence, the Suit has been filed praying *inter alia* that the Court be pleased to decree the Suit whereby the Defendants, their servant, agents, contractors etc. may please be restrained by an appropriated order of injunction from interfering/ trespassing and to carrying out any development work on the property (common access road) admeasuring 20 Aar situated at Gat No. 1261 and 1260/2, Sanaswadi, Shirur, Pune ("**Suit Property**") and cost of the suit be awarded.

The Suit is currently pending before the Civil Judge, Junior Division, Shirur, at Shirur. The next date of hearing is on April 11, 2011.

In respect of the above suit the Plaintiff has also filed an interim injunction application dated August 27, 2008 ("Application") under Section 39 Rule 1 and 2 of the Civil Procedure Code before the Civil Judge, Junior Division, Shirur at Shirur and has prayed inter alia that Court be pleased to allow the Application with costs and thereby the Defendants, their servant, agents, contractors etc. be restrained by appropriate order of interim injunction from interfering / trespassing and or disturbing use and enjoyment of the Suit property or from carrying out any development work on the Suit Property.

The Civil Judge, Junior Division *vide* its order dated August 27, 2008 directed the Plaintiffs and the Defendants to maintain status quo in respect of the Suit Property and to issue a show cause notice to the Defendants.

The Application is currently pending before the Civil Judge, Junior Division, Shirur, at Shirur. The next date of hearing is on April 11, 2011.

3. ***Our Company has filed a miscellaneous application bearing number 13/2008 dated September 23, 2008 ("Miscellaneous Application") against Ms Surekha Hanumant Pawar ("Respondent 1") and Mr. Hanumant Laxman Pawar ("Respondent 2") (hereinafter collectively referred to as "Respondents") before the Civil Judge, Junior Division, Shirur at Shirur.***

The Respondent has filed a civil suit number 272/ 2007 ("**Suit**") before the Civil Judge, Junior Division, Shirur and the said court *vide* its order dated October 05, 2007 had directed the Applicants and the Respondents to maintain status quo.

There is a common road out of the property bearing gat number 1260/2, Sanaswadi, Takula Shirur Districtt Pune (**"Suit property"**) and that on August 25, 2008 the Respondents with their henchmen came to the Suit Property and started digging in the middle of the road with the intent to block the access road of the Applicant. The Applicant was constrained to restrain the Respondent from proceeding with the digging work and immediately filed a regular civil suit bearing number 284/ 2008 and the Court passed an *ex-parte* order directing the Applicant and the Respondent to maintain status quo. The court in the said Suit passed an order rejecting the temporary injunction application filed by the Respondent. The Respondent, in contravention of the order passed in the Suit, started blocking the access road by digging and constructing one room with an intention to block the access therefore, breaching the order of status quo passed by the court and that the Respondents have committed contempt of court.

The Plaintiffs *inter alia* pray that: (i) The Court be pleased to allow the Miscellaneous Application and the Respondents be tried and punished for the contempt of court for the order passed in suit bearing number 272/ 2007 and regular civil suit number 284/2008; and (ii) The property of the Respondents be attached and that they be detained in prison for three months.

The Application is pending before the Civil Judge, Junior Division, Shirur at Shirur. The next date of hearing is on June 15, 2011.

4. *Our Company ("Plaintiff") has filed a civil suit for specific performance bearing number 1440/2006 dated September 15, 2006 ("Suit") against Mr. Ashok Bansilal Pagariya, Proprietor of M/s. Pagariya Agro ("Defendant 1"), Chakan Roller Flour Mills Private Limited ("Defendant 2"), The Saraswat Co-operative Bank Limited ("Defendant 3"), Mr. P.M. Naik, then the Assistant General Manager of Defendant 3 ("Defendant 4") and Ms. S.M. Sandhane, then Chief Manager, presently Assistant General Manager of Defendant 3 ("Defendant 5") (hereinafter Defendant 1, Defendant 2, Defendant 3, Defendant 4 an Defendant 5 are collectively referred as "Defendants") before the Civil Judge, Senior Division, Pune at Pune,*

The Plaintiff has an account with Saraswat Co-operative Bank Limited (**"Bank"**) wherein he was introduced to the defendant who represented himself as the proprietor of M/s. Pagaria Agro Industries and also the Managing Director & authorized signatory of Chakan Roller Flour Mills (Pune) Private Limited. The defendant offered to sell Chakan Roller Flour Mills (Pune) Private Limited (**"said company"**) along with the assets consisting of 3.5 acres of land and the shed built on it on the said property situated at Revenue Village, Kharabwadi – Chakan, for a consideration of Rs. 65.00 lakhs. The Plaintiff, after scrutiny of the documents, discovered that the Defendants have falsely represented that the area of the said property was 3.5 acres while the 7/12 extracts indicated the area as 2.5 acres. The defendant assured the plaintiff that he would obtain a no objection certificate from the other directors which he failed to obtain. The Plaintiff at the instance of the Defendant deposited a sum of Rs. 68.00 lakhs including a shortfall of Rs. 3.00 lakhs which was required to be paid by the Plaintiff to the Bank thereby avoiding the attachment of the said property by the Bank. However, the Defedant refused to complete the transaction and did not hand over possession of the said property, thereby causing a loss to the Plaintiff.

The Plaintiff has preferred the Suit to achieve the following reliefs *inter alia*: (i) The suit be decreed with costs and the Defendant 1 to 3 be directed to execute sale deed for the non agricultural land situated at revenue village, Kharabwadi bearing gat number 447/1/1 (**"Suit Property"**) and transfer all the shares of Defendant No. 2 in favour of the Plaintiff (ii) in case the Defendants fail to act as per the directions of the court then a court commissioner be appointed to execute the sale deed (iii) Defendant 1 to 3 be directed to handover peaceful and vacant possession of the Suit property (iv) to restrain Defendant 1 to 3 from creating any third party right, title or interest or part with possession of the Suit Property (v) Plaintiff be appointed as the receiver of the Suit Property and the Suit property be given in the custody of the Plaintiff (vi) Defendant 1 and 2 be directed to pay all the existing liability and burdens created on the assets of Defendant 2 (vii) Defendants be directed to pay interest at the rate of 15% per annum on Rs. 65.00 lakhs from the date of deposit till the date of transfer if shares of Defendant 2 and handing over peaceful and vacant possession of all the assets of Defendant 2; and(viii) in case the Court comes to the conclusion that the Suit for specific performance cannot be decreed in that event the Defendants may be directed to pay the plaintiff a sum of Rs. 169.56 lakhs with interest at the rate of 15% and damages at the rate of Rs. 5.00 lakhs per month from the date of filing of the Suit till the date of realisation and further, till then charge of the amount be created on all the properties and assets of Defendants 1 to 3.

The Plaintiff had also filed an Application for injunction dated September 19, 2006 under Order 39, Rule 1 and 2 read with Section 94 and 151 of the Civil Procedure Code which was rejected by The Joint Civil Judge, Senior Division, Pune *vide* order dated March 12, 2009. Further Plaintiff had preferred an Appeal from Order No. 487 of 2009 dated March 12, 2009 before the High Court of Judicature at Bombay, Civil Appellate Jurisdiction which has been allowed *vide* order dated March 25, 2010 passed by the Hon'ble court. The Hon'ble court has passed the order in our favour by setting aside the order dated March 12, 2009 passed by the Joint Civil Judge, Senior Division, Pune, declaring that the Defendants shall not create any third party interest in the suit property pending decision in the suit and has directed the trial Court to expedite the hearing of the suit and to dispose off the matter.

The Suit is pending before the Civil Judge, Senior Division, Pune, at Pune. The next date of hearing is on April 7, 2011.

**(D) Excise Case**

- 1. *Arihant Domestic Appliances Limited ("Appellants") have filed an appeal dated July 14, 2010 ("Appeal") under Section 35B of the Central Excise Act, 1994 ("Act") together with stay application dated July 14, 2010 ("Application") before the Customs, Excise and Service Tax Appellate Tribunal, West Zone Bench, Mumbai ("Respondent") against the order-in-appeal bearing number PIII/VM/77/2010 dated April 15, 2010 passed by the Commissioner of Central Excise (Appeals), Pune III.***

The Appellants had been issued a show cause cum demand notice dated June, 2009 ("SCN") by the Deputy Commissioner, Central Excise, Division VII, Pune for contravening the provisions of Rule 16 of the Central Excise Rules, 2002 by availing cenvat credit benefit upto Rs. 2.09 lakhs during the period from April 2006 till August 2007 on goods namely tubes and pipes meant for motor vehicle parts/ industrial products falling under Tariff Item number 73 of the First Schedule of the Central Excise Tariff Act, 1985 which has been received backed for repairs/reconditioned from its customers. The SCN alleges that though the Appellants have not taken the credit on goods received back for repairs etc. but have availed it subsequently after payment of duty on clearance of scrap of tubes and thus the Appellants is required to reverse such unintentional benefit earned by availing the said total credit of Rs. 2.09 lakhs. The Appellants were to show cause as to why a demand of Rs. 2.09 lakhs shall not be made.

The Assistant Commissioner of Central Excise, Pune *vide* its order-in-original bearing number P-VIII/29/Adj/CEX/09-10 dated November 20, 2009 ("Order-in-Original") confirmed the duty of the said cenvat credit demand of Rs. 2.09 lakhs together with interest and penalty of Rs. 2.09 lakhs on the Appellants. Thereafter the Appellants preferred an appeal dated January 12, 2010 for setting aside the Order-in-Original and filed stay application dated January 12, 2010 for waiver of duty and penalty before the Commissioner of Central Excise (Appeals), Pune III. The Commissioner of Central Excise (Appeals), Pune III *vide* its order-in-appeal bearing number PIII/VM/77/2010 dated April 15, 2010 ("Order-in-Appeal") upheld the Order-in-Original and rejected the appeal and the stay application on the ground that the Appellants were not permitted to avail the said cenvat credit of duty on the goods received back in the factory as the said goods were cleared as scrap thereafter.

The Appellants have further filed the Appeal to set aside the Order-in-Appeal and also filed the Application *inter-alia* to stay (a) the recovery of balance amount of duty demanded Rs. 2.09 lakhs and penalty imposed of Rs. 2.09 lakhs, pending the hearing and final disposal of the Appeal; and (b) the operation of the Order-in-Appeal, pending the hearing and final disposal of the Appeal.

The Appeal is pending before the Customs, Excise and Service Tax Appellate Tribunal, West Zone Bench, Mumbai and the next date of hearing has not been fixed yet.

***Litigations against our Company***

**(A) Civil Cases**

- 1. *Capital Constriction Private Limited ("Applicants") vs. our Company ("Respondents"), before the Arbitration Tribunal at Pune before Justice S. R. Sathe (retired)***

The Respondents had issued a contract for civil work to the Applicant on June 22, 2008 at Unit II situated Pimpale Jagtap. The contract provides for all unresolved disputes and differences arising out of, or in connection with the contract, while carrying out the works to be referred to a mutually consented competent Arbitrator based at Pune. A work order was issued to the Applicants and was signed by both the parties. Puranik Engineers had been appointed by the respondents as Project Management Consultants who had certified the Applicants work from time to time. The aforesaid work was done for Unit-II for which 30 bills were raised. Out of the 30 bills, 29 bills which were raised for the completion of work amounted to Rs. 2054.21 lakhs and one supplementary bill for the idle charges, materials purchased, etc. for project amounting to Rs. 81.04 lakhs. During execution of civil work at Unit II, Respondents had asked the Applicant to execute some civil work at the Unit No. I situated at Sanaswadi for which four bills were raised which amounted to Rs. 61.63 lakhs. The Respondents were repeatedly informed about their due payments and were requested to clear them as also to release the outstanding payment and to return the Bank Guarantees. Due to the non-payment by the Respondent to avoid the overdue payments of, the Applicants issued a demand notice for payment of the overdue payment of bills to the Respondents.

As per their reply, the Respondents have raised debit note dated 27/09/2009 for Sum of Rs. 312.15 lakhs . Thus considering above debited amount Respondent has already paid to applicant sum of Rs.67.16 lakhs more than bills / outstanding amount of Applicants. Hence said sum of Rs. 67.16 lakhs is to be recovered from Applicants. Thus Respondents made counterclaim of sum of Rs. 67.16 lakhs form Applicants. The Applicants sent a reply to the advocate of the Respondents through their advocate demanding an amount of Rs. 409.26 lakhs and also proposed the names of three arbitrators and asked the Respondents to give the consent on any one of those three proposed arbitrators u/s 11 of the Arbitrators and Conciliation Act,1996.

The Bombay High Court appointed Justice S.R. Sathe (Retired) as the sole arbitrator in the matter. The matter is currently pending before the Arbitration Tribunal and the next date of hearing has not been fixed.

2. ***A civil suit bearing number B/06 dated March 22, 2006 (“Suit”) has been filed by Mr. Sajal Kumar Mujumdar, Proprietor of M/s. Rekha Engineering Works (“Plaintiff”) against our Company (“Defendant”) under Order 7, Rule 1 of the Civil Procedure Code before the 4<sup>th</sup> Upper District Judge at Indore.***

The defendant had placed an order with the plaintiff for purchase of machinery being an outside diameter boat scrapping unit and blade side stripping tool assembly on March 18, 2002. As per the order, the plaintiff had supplied the machine on March 26, 2003 and the Plaintiff issued a bill for the same amounting to Rs. 0.88 lakhs inclusive of taxes. The Defendant had agreed to pay the consideration amount for the machinery within a period of 90 days after the successful trial of the machinery, however, post successful trial and expiry of 90 days, the Defendant failed to pay the consideration amount. Thereafter, the Plaintiff supplied another machine to the Defendant on September 29, 2002 and raised a bill for an amount of Rs. 2.25 lakhs against which the Defendant paid a sum of Rs. 2,50,144 to the Plaintiff; thereby paying Rs. 0.25 lakhs as excess to the Plaintiff. However, the outstanding amount post deducting the excess amount paid is Rs.0.63 lakhs. Thereafter the Plaintiff issued a legal notice dated September 5, 2005 to the Defendant and claimed an amount of Rs.0.91 lakhs.

The Plaintiff has *inter alia* prayed that: (i) Defendant to pay a sum of Rs. 0.91 lakhs on account of the failure to pay for the supply of machine by the Plaintiff; and (ii) Defendant to pay interest at 15% per annum upon the principal amount of Rs. 0.63 lakhs till the date of realisation of the money.

The Suit is pending before the 4<sup>th</sup> Upper District Judge at Indore. The next date of hearing has not been fixed yet.

**(B) Labour case**

1. ***Mr. Ramesh Balasheb Gatkhal (“Complainant”) has filed a complaint bearing Complaint (ULP) No. 45 of 2010 (“Complaint”) against Arihant Domestic Appliances Limited (“Respondent”) under Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1972 (“M.R.T.U & P.U.L.P Act, 1971”)***

The Complainant in the present complaint has alleged that he has been working with the Respondent as the CNC Machine Operator since December 1, 2008 and has been illegally terminated from his service with effect from February 20, 2010. Further, he has complained that the Respondent has engaged in and is engaging in unfair labour practices under items 1, 1(a), 1(b), 1(d), 1(f) and 1(g) of Schedule IV of the M.R.T.U. and P.U.L.P. Act, 1971. The complainant further alleged that Respondent had issued a charge sheet dated September 07, 2009 to the complainant to which the Complainant's submitted its reply letter dated September 25, 2009 which was not even considered by the Respondent and a departmental enquiry was conducted by Advocate Mr. Umesh Gopale ("Enquiry Officer"). As a result of the enquiry proceedings, the Complainant has been issued the dismissal order under the veil of punishment but the actual reason is because the Complainant refused to become a member of the internal trade union of the Respondent company as the Complainant is already a member of the trade union, Maharashtra General Kamgar Sanghatana, therefore the order is illegal, improper, malafide and unjust. The Complainant has been unemployed since the dismissal order and is not getting employment anywhere else too. The Complainant *inter alia* has prayed that the court must: (i) Declare and direct the Respondent to cease to engage in unfair labour practices under Items 1, 1(a), 1(b), 1(d), 1(f) and 1(g) of Schedule IV of the M.R.T.U. and P.U.L.P. Act, 1971 (ii) Direct the Respondent to reinstate the Complainant with continuity of service and full back wages from the date of termination till the actual date of reinstatement; and (iii) award the cost to the complainant.

The Secretary Labour Court, Pune has issued summons dated May 11, 2010 to the Respondent to appear in person or through duly authorized representative in the labour court on June 09, 2010 and in case of non appearance of the Respondent on the date fixed for hearing or any other subsequent dates to which proceedings may be adjourned, the Court may proceed *ex-parte* against the Respondent. Respondent / Company has given appearance in the case and demanded time for filing written statement. Matter is currently pending in labour court for listing and the next date of hearing has not been fixed.

**(C) Income Tax Cases**

- 1. The Commissioner of Income Tax-I, Pune ("Appellant") has filed an appeal bearing number ITXAL No. 1765/2010 ("Appeal") against our Company ("Respondent"), before the High Court of Judicature, Bombay, against the order passed by the Income Tax Appellate Tribunal, Pune dated February 23, 2010 in respect of the Assessment Year 2005-06**

The Appeal has been filed the *inter alia* on the grounds that the ITAT erred in:

- (i) The allowance of deferred revenue expenditure of Rs. 21.60 lakhs incurred as revenue expenditure;.

The Appeal is pending before the High Court of Judicature, Bombay and the next date of hearing has not been fixed.

- 2. The Commissioner of Income Tax-I, Pune ("Appellant") has filed an appeal bearing number ITXAL No. 1767/2010 dated July 27, 2010 against our Company ("Respondent") before the High Court of Judicature, Bombay against the order passed by the Income Tax Appellate Tribunal, Pune dated February 5, 2010 for the Assessment Year 2004-05**

The Appeal has been filed the *inter alia* on the grounds that the ITAT erred in:

- (i) The allowance of deferred revenue expenditure of Rs. 28.75 lakhs incurred as revenue expenditure by the Repondent in the Assessment Year 2004-05.

The Appeal is pending before the High Court of Judicature, Bombay and the next date of hearing has not been fixed.

Our Company has been served a notice of demand under Section 156 of the Income Tax Act, 1961 dated January 19, 2011 by the Deputy Commissioner of Income Tax Circle 1(1), Pune for the Assessment Year 2008-09 claiming an amount of Rs. 10.84 lakhs on account of interest payable by our Company under Sections 234A, 234B and 234C

**(D) Potential Case**

- 1. The Assistant Provident Fund Commissioner, for Regional Provident Fund Commissioner, Pune has issued a Summons to appear in person, bearing number ENF/MH/34588/Cir.II/Regl./1602 dated September 22, 2008 ("Summons") to Mr. Chandu Chavan, in his capacity as the Chairman of our Company ("Assessee") under Section 7-A of the Employees provident Fund and Miscellaneous Provisions Act, 1952 ("Act").**

The Summons has been issued alleging *inter alia* that the (i) the Assessee has not furnished the prescribed returns required to be submitted in respect of the establishment bearing code number MH/34588 covered under the Act and the schemes framed there under from September 1, 2002 onwards; and (ii) the Assessee has failed to remit the Employees Provident Fund Contribution, Family Pension Fund Contribution as well as Employees Deposit Linked Insurance Fund in accordance with law for the period from April 2007 till June 2008 and for deciding the contractor fees for working at the chimbliphata, Chakan, Khed, Pune.

The Assessee replied to the Summons *vide* letters dated January 21, 2009 and dated January 21, 2008 ("**Reply**") and has forwarded the requisite documents such as (i) The Provident fund challans for the period of April 2007 to June 2008, (ii) Provident fund statements for the period of April 2007 to June 2008; and (iii) Balance sheets of 3 years, as required in the Summons. The Assessee has not received any further communication from the Assistant Provident Fund Commissioner, for Regional Provident Fund Commissioner, Pune in this regard. The next date of hearing has not been fixed.

**(I) Outstanding Litigations involving our Subsidiaries**

***Litigations by our Subsidiaries***

***Litigations by our Subsidiary, Arihant Steel and Metal Wires Private Limited***

**(A) Criminal cases**

- 1. Arihant Steel and Metal Wires Private Limited ("Complainant") has filed a criminal complaint bearing number 14664/2007 dated April 11, 2007 ("Criminal Complaint") against Boxpack Engineering ("Accused 1") and Mr. Shirish Poharkar ("Accused 2") (hereinafter, Accused 1 and 2 are collectively referred to as "Accused") under Section 138 of the Negotiable Instruments Act 1881, before the Judicial Magistrate First Class, Pune at Pune.**

The Accused purchased certain materials from the Complainant on credit and in lieu of the materials purchased the Accused issued a cheque dated February 09, 2007 bearing number 659566 amounting to Rs. 0.30 lakhs drawn on Rupee Co-op Bank Limited, Chinchwad branch. The Complainant deposited the cheque with HSBC Limited, Bund Garden branch, Pune but the same was dishonoured whilst stating the reason 'not arranged for'. Thereafter the Complainant issued a legal notice dated February 28, 2007 ("Notice") and the same was received by the Accused on March 3, 2007. The Accused failed to pay the cheque amount within the period prescribed in the Notice.

The Complainant *inter alia* prays that: The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount (ii) the Complainant be paid the cheque amount; and (iii) the Complainant be compensated as per provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune for listing and the next date of hearing has not been fixed.

- 2. Our Subsidiary ("Complainant") has filed a summary criminal complaint bearing number 46074/2009 dated September 14, 2009 ("Complaint") against Mr. Chetan Garg ("Accused") under Section 138 of the Negotiable Instruments Act 1881, before the Judicial Magistrate First Class, Pune at Pune.**



The Accused purchased certain materials from the Complainant on credit and in lieu of the materials purchased the Accused issued a cheque dated May 10, 2009 bearing number 483840 amounting to Rs. 1.46 lakhs drawn on Cosmos Co- operative Bank Limited, Chinchwad branch, Pune. The Complainant deposited the cheque with Saraswat Co-operative Bank, Somwarpeth branch, Pune. The same was dishonoured whilst stating the reason 'insufficient funds'. Thereafter the Complainant issued a legal notice dated July 30, 2009 which was returned whilst stating the reason as 'left address'. The Accused failed to pay the cheque amount within the period prescribed in the Notice.

The Complainant *inter alia* prays that: (i) Process be issued against the Accused and the Accused be punished under the provisions of the Negotiable Instruments Act with an imprisonment for term of two years and a fine amounting to double of the cheque amount (ii) the Complainant be paid the cheque amount; and (iii) the Complainant be compensated as per provisions of Section 357 of the Criminal Procedure Code.

The Complaint is currently pending before the Judicial Magistrate, First Class, Pune and the next date of hearing has not been fixed.

3. ***Arihant Steel And Metal Wires Private Limited ("Complainant") has filed a complaint dated March 04, 2011 bearing No. 48/2011 against Pune Zilha Mazdoor Sangh ("Respondent") before the Industrial Court of Maharashtra at Pune, under Section 28 read with items 1, 2a, 2b and 5 of the Schedule III of the Maharashtra Recognition of Trade Unions Act and Prevention of Unfair Labour Practices Act, 1971.***

The Complainant in the present complaint has alleged that vide a notice dated June 18, 2010, the Respondent was making unwarranted demands for wage rise, insurance policy and bonus, travelling facility and other demands. Thereafter, on February 15, 2011, the Complainant received another notice from the Respondent undersigned by Balasaheb Bhujbal informing that the workmen would resort to a strike from March 8, 2011, if the demands of the employees were not met by the Complainant.

The Complainant has filed the above complaint and has *inter alia* prayed that the court restrain the workers and employees from resorting to unfair trade practices and work stoppages in pursuance to the notice dated February 15, 2011 and further the workers be restrained from coming within an area of 1000 meters from the gate of the premises of the Complainant if the workers resort to the deemed illegal strike from March 8, 2011, to prevent any acts of terrorism, violence and to prevent panic and chaos in and around the premises of the Complainant.

#### ***Litigations against our Subsidiaries***

##### ***Litigations against our Subsidiary, Arihant Steel and Metal Wires Private Limited***

###### ***(A) Potential Case***

1. ***Mr. Sawarikar V. M. and Mr. S. D. Khole, Enforcement Officers ("Enforcement Officers") have issued a visit note dated February 22, 2008 bearing number MH/123488 ("Visit Note") to our Subsidiary Arihant Steel and Metal Wires Private Limited ("ASMWPL") in respect of the authority letter bearing number MH/PWN/PF/RC(C&R) dated February 11, 2008***

The Enforcement Officers vide the Visit Note has directed ASMWPL to submit to the office at Regional P.F. Office, Golibar Maidan , Pune -411001 within 3 days the following documents (i) Books of Accounts, cash – books payment side. Balance Sheets (ii) Ledgers etc. from date of commencement of Business Activities (iii) List of contractors with details of salary /wages to the contracted employees and compliance under the Act (iv) Set of documents submitted for registration under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952; and (v) Copies of provident fund returns along with the receipted copies of provident fund challans.

ASMWPL vide its letter dated September 23, 2009 submitted the above mentioned documents. ASMWPL have not received any further communication from the concerned authority/department. The date of the next hearing has not been fixed yet.

### *Litigations against our Subsidiary, Sankalp Forgings Private Limited*

#### *(A) Labour Case*

1. *Maharashtra General Kamgar Mahasangh (“Complainant”) has filed a complaint bearing (ULP) number 20 of 2009 dated February 03, 2009 (“Complaint”), against Sankalp Forgings Private Limited (“Respondent 1”), Mr. Ganpate Balasubramaniam (“Respondent 2”) and Mr. Suhas Kulkarni (“Respondent 3”) (hereinafter Respondent 1 to 3 are collectively referred to as “Respondents”) before the Industrial Court of Maharashtra at Pune, under Section 28 read with item 1(a), (b) of schedule II and item 6, 9 and 10 of Schedule IV of the Maharashtra Recognition of Trade Unions Act & Prevention of Unfair Labour Practices Act, 1971.*

The Complaint has been filed *inter alia* on the grounds that:

- (i) Respondent 1 has employed about 100 employees and out of this total about 63 employees have become members of the complainant union (“Union”) and the concerned workers have been working with Respondent 1 since its inception.
- (ii) Respondent 1 with a view to deprive the concerned workers of the status of permanency, privileges, benefits and facilities on par with permanent workers, has deliberately and has intentionally given the appointment letter to majority of workers who have become members of the Union.
- (iii) Out of the 63 members of the Union approximately 10 members are permanent workers and the rest have been shown as temporary workers under the guise of probation period.
- (iv) The concerned workers are not getting minimum wages as per the provisions of the Minimum Wages Act and are not getting special allowances as declared by the government of Maharashtra, further these workers are not getting the other benefits and facilities like privilege leave, casual leave and sick leave.
- (v) Respondents are exploiting the concerned workers and compelling them to work for 12 hours as opposed to 8 hours of work, whilst not getting the benefits of overtime wages. They are further being exploited under the guise of probation even though they have completed a period of six months, i.e. they have completed the probation period. Therefore, due to this exploitation, the concerned workers have formed the Union
- (vi) The Respondents on becoming aware of this Union, deliberately and intentionally started forcing the concerned workers to resign from the Union failing which their services would be terminated. The Respondents refused to provide work to 19 work even though they were ready and willing to work and without assigning any reason stopped them from reporting to work.

The Complaint has been filed *inter alia* claiming the following reliefs: (i) Declare and direct the Respondent to cease to engage in unfair labour practices under Items 1, 1(a), 1(b), 1(d), 1(f) and 1(g) of Schedule IV of the M.R.T.U. and P.U.L.P. Act, 1971 (ii) direct the Respondent to reinstate the Complainant with continuity of service and full back wages from the date of termination till the actual date of reinstatement (iii) direct the Respondents to make the concerned workers as permanent in the employment of Respondent 1 and pay them wages, benefits, facilities on par with other permanent workers and direct the Respondent to pay the concerned workers the arrears arising out of the minimum wages and special allowances from the date of their appointment and also overtime wages at double rate and benefits and facilities as per the Factories Act (iv) restrain the Respondents from compelling the concerned workers to accept employment at Arihant Domestic Appliances Private Limited on contract basis and from changing the service conditions of the concerned workers (v) restrain the Respondents from removing or disposing the plant, machinery, semi finished good, raw material from the premises of Respondent 1 situated at gat number 55, Pimple Jagtap Takegaon, Dhamdhare, Chakan – Shikhrapur road, Shirur, Pune (vi) direct the Respondents to allow the concerned 19 workers to report and resume duty immediately and to pay them full wages for the period of absence; and (v) award the cost to the complainant and ad-interim relief.

The Complainant has also filed an application for interim reliefs dated February 3, 2009 (“**Application**”) against the Respondents before the Industrial Court of Maharashtra, at Pune on the same grounds and prayers as the above Complaint.

The Industrial Court of Maharashtra, Pune *vide* its order dated April 28, 2009 has partially allowed the Application and directed the Respondents to allow the 19 workers to resume work by keeping the order of termination at abeyance during the pendency of the Complaint and further directed the Respondents not to terminate the services of the employees involved in the Complaint.

The Complaint is currently pending before the Industrial Court of Maharashtra at Pune for listing and the next date of hearing has not been fixed.

***Litigations against our Subsidiary, Arihant Auto Components Private Limited***

***(A) Labour Case***

1. ***Mr. Bhausaheb Kisan Mandge (“Complainant 1”), Mr. Harschandra Aannarao Biradar (“Complainant 2”), and Mr. Lalbahadur Tikasingh Bam (“Complainant 3”)(hereinafter, Complainant 1 to 3 are collectively referred to as “Complainants”) have filed a complaint bearing (ULP) number 10/2009 dated January 22, 2009 (“Complaint”) against our Subsidiary (“Respondent”) before the Industrial Court, Pune at Pune, under Section 28 (i) read with Item 9 of Schedule IV of the Maharashtra Recognition of Trade Union and Prevention of Unfair Labour Practices Act, 1971 (the “MRTU and PULP Act ”)***

The Complainants were appointed as security guards and after their training the Complainants were directed to work on CNC machines as operators. On December 2, 2008, the security personnel of the Respondent refused to allow the Complainants to enter the premises of the Respondent. They were informed that there was no work and asked the Complainants to fill the leave card and to take a leave till December 20, 2008. On December 21, 2008, when the Complainants were to resume duty, the management refused the Complainants to resume work. Thereafter, the Complainants came to the premises of the Respondent on several occasions, however, the Respondents refused to allow them to resume.

The Complainants have sent letters dated January 09, 2009, January 13, 2009, January 14, 2009, January 16, 2009 and January 17, 2009 to the Respondent requesting them be allowed to resume work, however, the same was refused. Therefore, by not allowing the Complainants to resume work, the Respondent has engaged in unfair labour practices.

The Complainant has been filed praying *inter alia* that the order be passed to: (i) Declare and direct the Respondent to cease to engage in unfair labour practices under Items 1, 1(a), 1(b), 1(d), 1(f) and 1(g) of Schedule IV of the M.R.T.U. and P.U.L.P. Act, 1971 (ii) direct the Respondent to reinstate the Complainant with continuity of service and full back wages from the date of termination till the actual date of reinstatement (ii) direct the Respondent to allow the Complainants to resume on duty and to pay the Complainants wages from December 21, 2009 till the actual date of allowing the Complainants to resume on duty; and (iii) award the cost of Rs. 10,000/- to the Complainants.

The Complainants have also filed an Application dated January 22, 2009 for interim relief (“**Application**”) against the Respondents before the Industrial Court at Pune on the same grounds and prayers as the above Complaint.

The Respondent has filed its written statement dated March 6, 2009 stating that due to recession there were no orders and it is not possible to run the company or to continue its production as it was making huge losses therefore alternate employment was offered and the same was. The case is pending before the Industrial Court of Pune at Pune.

The Industrial Court *vide* its order dated March 25, 2009 allowed the Application and directed the Respondent to allow the Complainants to resume duty with effect from April 01, 2009 and to provide work to the Complainants until the final decision of the court.

The Complaint is currently pending before the Industrial Court, Pune for listing and the next date of hearing has not been fixed.

**(B) Potential Case**

- 1. Mr. B. R. Kakade and Msr. S. D. Pillay, Enforcement Officers (“Enforcement Officers”) have issued a visit note dated February 22, 2008 bearing code number MH/123648 (“Visit Note”) to our Subsidiary Arihant Auto Components Private Limited (“AACPL”) in respect of order vide letter bearing number MH/PWN/PF/RC(C&R/99) dated February 11, 2008**

The Enforcement Officers vide their Visit Note which has been issued in connection with the complainant received from Maval Taluka Kaugar Sargathana, Pune for non extension of provident funds to daily wages workers and contract employees working for the establishment have asked for *inter alia* delivery of the following documents:

- (i) Muster attendance in respect of all employees including contract employees from the date of set up.
- (ii) Salary statement in respect of all employees including contract employees from the date of set up; and
- (iii) Copies of agreements made with the contractors from the date of set up.

AACWPL vide its letter dated January 21, 2009 addressed to The Assistant Provident Fund Commissioner, Pune have submitted two years Balance sheet, TDS returns for two years, pay sheet copies for the period of January 2007 to January 2008 and written representation in the matter of the proceedings. AACPL have not received any further communication from the concerned authority/department. The next date of hearing has not been fixed.

***Litigations against our Subsidiary, Saicon Steels Private Limited***

**(A) Income Tax Case**

- 1. Notice of Demand under Section 156 of the Income Tax Act, 1961 (“the Act”) bearing number Scr. II 06307/P-68/08-09 dated December 12, 2008 together with Assessment Order and also Notice bearing Pen. No. 80/P.129 of even date under Section 274 read with Section 271 of the Act for the Assessment Year 2006-07 has been issued by the Deputy Commissioner of Income Tax, Range 8(3), Mumbai (“Assessing Officer”) to Saicon Steels Private Limited (“Assessee”).**

The Notices have been issued to the Assessee for failing to comply with a notice under Section 142(1)/143(2) of the Act without reasonable cause and is therefore required to show cause, why an order imposing a penalty cannot be passed under Section 271 of the Act for non payment of outstanding service tax liability of Rs. 2.38 lakhs and VAT liability of Rs. 4.61 lakhs aggregating to Rs. 6.99 lakhs (“**Additional Disallowances**”) which is to be paid during finalisation of audit / filing of return of income pursuant to Section 43B of the Act. The Assessee claims that the additional disallowance amount was not payable during the financial year and therefore cannot be disallowed as provisions of Section 43B of the Act but the Assessing Officer has disallowed the deductions pursuant to Section 43B of the Act on the ground that it can be allowed only in the year in which the additional disallowances was actually paid by the Assessee and cannot be allowed as deduction during the previous year in which they have not been paid.

M/s. Bagaria & Co. Chartered Accountant of the Assessee vide letter dated January 1, 2009 addressed to the Assessing Officer has requested for dropping of the proceeding under Section 271(1)(c) of the Act on the grounds that there has been no concealment or furnishing of inaccurate particulars intentionally by the Assessee in respect of the additional disallowances assessed by the Assessing Officer and that the return of income filed was based on an experts advise. The matter is pending.

**(II) Outstanding Litigations involving our Promoters/Directors**

***Litigations by our Promoters/Directors***

***Litigations by our Promoter/Director, Mr. Chandu Chavan***

**(A) Consumer Case**

- 1. Mr. Chandu Chavan (“Complainant”) vs. the Bank of Maharashtra, Bhosari Branch, Pune (Opponent 1) and the Bank of Maharashtra, Kranti Chowk Branch, Aurangabad (Opponent 2) (collectively the Opponents) before the State Consumer Dispute Redressal Commission, Mumbai bearing complaint number 192/2002.**

The Complainant has a cash credit account number 2056 with Opponent 1 and a current account with Opponent 2. The dispute arose when Opponent 2 did not honour the cheques issued by the Complainant inspite of funds being transferred from the Complainants account, with Opponent 1, to the account held with Opponent 2. The Complainant had transferred an amount of Rs. 12.52 lakhs to his account with Opponent 2 on an urgent basis so as to honour a cheque issued to TISCO Limited (‘Cheque’). However due to a delay on account of Opponent 2 to credit the said amount and other amounts on various occasions, the Cheque was dishonoured. Thereafter TISCO levied a fine amounting to Rs. 0.34 lakhs on the Complainant. Another cheque presented by Tube Investment Limited was dishonoured as well. The Opponents had not transferred the Complainants funds for a period of six months.

Due to such deficiencies in service, the Complainant has preferred the present complaint and *inter alia* prays that: (i) Total compensation to the tune of Rs. 17.88 lakhs be awarded to the Complainant with interest to the tune of 18% from the date of filing the complaint till realisation of the amount; and (ii) Any other just and equitable orders to cause better ends of justice.

The matter is currently pending before the State Consumer Dispute Redressal Commission, Mumbai. The next date of hearing has not been fixed yet.

**(B) Income Tax Cases**

- 1. Our Promoter Mr. Chandu Chavan, (“Appellant”) has filed an appeal, dated January 20, 2010 (“Appeal”) against the order dated December 14, 2009 passed by the Income Tax Officer, Ward 1(3), Pune (“Respondent”) for the Assessment Year 2005-2006 before the Commissioner of Income –tax (Appeals) I, Pune.**

The Appeal has been filed *inter alia* on the grounds that the Assessing Officer erred:

- In not treating sales tax incentive entitlement of Rs. 46.67 lakhs as Capital Receipt;
- In concluding that the receipt of sale of sales tax entitlement becomes chargeable to tax under the head income from business under Section 28(iv) of the Act;
- In disallowing deduction under Section 80IA in respect of Sale of Sales Tax Entitlement of Rs. 46.67 lakhs;
- In disallowing deduction under Section 80IA (4);
- In computing total income at Rs. 74.27 lakhs.

The Appeal is pending before the Commissioner of Income –Tax (Appeals) I, Pune. The next date of has not been fixed.

***Litigations against our Promoters/Directors***

***Litigations against our Promoter/Director, Mr.Chandu Chavan***

**(A) Income Tax Case**

- 1. Our Promoter, Mr. Chandu Chavan (“Appellant”), is in the process of filing an appeal against the order passed by the Commissioner of Income Tax (Appeals)- I, dated October 29, 2010 (“Impugned order”) for the assessment year 2006 – 2007 before the Income Tax Appellate Tribunal, Pune.**

The Appellant is aggrieved by the order passed by the Commissioner of Income Tax (Appeals)- I, *inter alia* on the grounds that the Commissioner of Income Tax (Appeals)- I upheld the orders passed by the Income Tax Officer Ward 1(3), Pune, making additions to the total returned income of Rs. 1,84,680 on the following grounds:

2. in not treating sales tax incentive entitlement of Rs. 53.79 lakhs as Capital Receipt;
3. in conducting that the receipt of sale of sales tax entitlement becomes chargeable to tax under the head income from business under section 28(iv) of the Act;
4. in Disallowing deduction under section 80IA in respect of Sale of Sales Tax Entitlement of Rs. 53.79 lakhs and making an addition to the total income under Section 145 on account of Cenvat Credit of Rs. 3.61 lakhs; and
4. disallowing deduction under section 80IA (4).

The Commissioner of Income Tax (Appeals) computed the total income at Rs. 60.97 lakhs. The tax and interest demanded by the impugned order is Rs. 23.85 lakhs, for the assessment year 2006-2007. The Appellant is in the process of filing an appeal before the Income Tax Appellate Tribunal, Pune against the impugned order.

#### ***Litigations against our Promoter/Director, Mr. Sanjay Waghulade***

##### ***(B) Criminal Case***

1. ***Mr. Suresh Galbrao Phadtare, Deputy Director, Industrial Safety and Health, Pune (“Complainant”) has filed a complaint bearing S.T.C. No. 0403213/2009 dated July 16, 2009 (“Complaint”) against Mr. Sanjay Waghulade, (“Accused”) before the Court of Chief Judicial Magistrate, Shivajinagar, Pune) for offence under Section 21(1)(iv)(c) of the Factories Act, 1948 (“the Act”).***

Mr. Uddhava N. Kolhe (“injured worker”) was injured in a serious accident while working on a straightening machine on April 27, 2009 at the factory premises belonging to the Accused situated at Gat No. 1261 and 1262, Sanaswadi, Pune Nagar Road, Shirur, Pune which resulted in the amputation of two of his fingers.

During the course of enquiry, it was found that the dangerous parts to the straightening machine were not securely fenced which resulted in injury to the worker and no other arrangement was provided in front of the moving rollers which can prevent access to the rollers.

The Deputy Director, Industrial Safety and Health, Pune *vide* summon letter bearing Outward number IS&H:CASE:SGF:8438:09 dated November 12, 2009 has intimated the Accused of the offence committed under the Act.

The Complaint is currently pending before the Court of Chief Judicial Magistrate, Shivajinagar, Pune. The next date of hearing has not been fixed yet.

##### ***(III) Outstanding Litigations involving our Group Entities***

There are no outstanding litigation by and/or against our Group Entities.

##### ***(IV) Past penalties levied in the last five years***

Other than as stated below there are no penalties imposed on our Company, Promoters, Directors, Entities Promoted by our Promoters and our Subsidiaries in the last five years:

The past cases in which penalties have been imposed on our Company, Promoters, Directors, Entities Promoted by our Promoters and our Subsidiaries in the last five years are as follows:

<b>Sr. No.</b>	<b>Amount of penalty imposed (Rs. in lakhs)</b>	<b>Brief particulars regarding penalty</b>	<b>Remarks (paid / payable and reasons thereof)</b>
1.	1.10 lakhs	Contravention of Section 21 (iv)(c) and Section 66(1)(b) of the Factories Act, 1948 by Ms. Kavita Dhupkar, earlier a Director of Arihant AutoComponents Private Limited	Paid

**(V) *Material developments occurring after the last Balance Sheet Date, that is, December 31, 2010***

Kindly refer to the chapter titled “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” on page number 301 of this Red Herring Prospectus.

## GOVERNMENT AND OTHER APPROVALS

Our Company and our Subsidiaries have received the necessary consents, licenses, permissions and approvals from the Government of India and various government agencies/private certification bodies as required for our present business activities and to undertake the Issue. No further material approvals are required for carrying on our present business activities and to undertake the Issue except as disclosed in this Red Herring Prospectus.. Unless otherwise stated, these approvals are all valid as of the date of the Red Herring Prospectus.

It must be distinctly understood that, in granting these approvals, the Government of India and various government agencies / private certification bodies does not take any responsibility for our Company's financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf. For further details in connection with the regulatory and legal framework within which our Company operates, please see the section titled "*Key Industry Regulations and Policies*" beginning on page number 146 of the Red Herring Prospectus.

### ***I. Approvals related to the Issue***

1. In- principle approval from the National Stock Exchange Limited dated November 9, 2010;
2. In- principle approval from the Bombay Stock Exchange Limited dated October 28, 2010;
3. The Issue has been authorized by the resolution of the Board of Directors passed at their meeting held on August 4, 2010, subject to the approval of shareholders through a special resolution to be passed under to Section 81 (1A) of the Companies Act and such other regulatory authority as may be necessary.;
4. The Issue of Equity Shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Extra-ordinary General Meeting of shareholders held on September 6, 2010.
5. Our Board has, pursuant to its resolution dated September 28, 2010, approved this Draft Red Herring Prospectus.
6. The IPO Committee of our Board has, pursuant to its resolution dated April 9, 2011 approved this Red Herring Prospectus to be filed with RoC.

### ***A. Corporate approvals***

1. Certificate of Incorporation bearing the number 11 – 63045 dated August 22, 1991 issued in the name of our Company by the Additional Registrar of Companies, Pune, Maharashtra.
2. Fresh Certificate of Incorporation consequent upon change of name on conversion to public limited company dated January 9, 2009, issued by the Additional Registrar of Companies, Pune, Maharashtra, pursuant to conversion from private to public limited company. The same is valid until cancellation.
3. Fresh Certificate of Incorporation bearing CIN U29309MH1991PLC063045 dated March 24, 2010 issued in the name of our Company by the Registrar of Companies, Pune, Maharashtra, pursuant to change of name from Arihant Domestic Appliances Limited to Innoventive industries Limited.
4. Our Company's PAN issued by the Commissioner of Income Tax-I, Pune as per the provisions of the Income Tax Act, 1961 is AABCA4586B. The same is valid until cancelled.
5. Our Company's TAN issued by the Income Tax Department as per the provisions of the Income Tax Act, 1961 is PNEA05192F. The same is valid until cancelled.



6. Our Company's Importer – Exporter Code issued by the Foreign Trade Development Officer, Ministry of Commerce, and Government of India is 3103006748. The same is valid until cancelled.
7. Certificate of Registration issued on April 01, 2006, by the Registration Officer, Sales Tax Department, Maharashtra under section 16 of the Maharashtra Value Added Tax Act, 2002 to our Company allotting Maharashtra Value Added Tax TIN 27190410008 V. The same is valid until cancelled.
8. Certificate of Registration issued on April 1, 2006, by the Registering Officer, Sales Tax Department, Maharashtra under Section 7(1) or 7(2) of the Central Sales Tax (Registration and Turnover) Rules, 1957, to our Company allotting TIN (Central) 27190410008 C. The same is valid until cancelled.
9. Certificate of Centralised Registration, issued by the Central Excise Officer, Central Board of Excise and Customs allotting service tax code -AABCA4586BST001; the certificate has been issued for providing a taxable service - transport of goods by road, from the premises mentioned hereunder, with effect from November 8, 2010:
  - a) Gat No. 1261, Sanaswadi, Shirur, Pune-412208, Maharashtra;
  - b) Gat No. 56/3, 56/4, 56/5, Chakan Shikrapur Road, Pimple Jagtap, Shirur, Pune-412208, Maharashtra;
  - c) Block No. K-165, MIDC, Walunj, Aurangabad, Maharashtra;
  - d) S. No. 88/1-A, Village Vilholi, Nashik-422 010, Maharashtra;
  - e) # B-7, Sidco Industrial Estate, Hosur-635 126, Tamil Nadu;
  - f) Srinivasa Murthy Complex, Opposite High School, Attibele Anekul, Hosur Main Road, Bangalore-562107, Karnataka; and
  - g) Sector No. 10A, Pataudi Road, Umang Bhardwaj Chowk, Kadipur, Gurgaon-122001, Haryana;

The same is valid until cancellation.

#### ***B. Shops and Establishments Licenses***

10. Establishment Registration Certificate dated February 9, 2010 bearing number Station/II/7415 issued by the Shop Inspector, Bombay Shops and Establishments Act, Pune as per the provisions of the Bombay Shops and Establishments Act, 1948 and the Maharashtra Shops and Establishments Rules, 1961 for the Corporate Office of our Company. The same was renewed on December 24, 2010 and the certification is valid till December 31, 2011.

***Plant at Gat Number 1261, 1262, Village – Sanaswadi, Taluk – Shirur, District – Pune – 412 208.***

#### ***C. Licenses and registration under the Factories Act, 1948***

11. License for Registration and Running of Factory bearing Number 081656 (Factory Registration Number Pune/2m(i)343/34300 issued on November 25, 2002 by the Director, Industrial Safety and Health, Maharashtra State, Mumbai under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963 for starting of factory and its registration. The same is valid till December 31, 2011.
12. Certificate of Stability issued on May 5, 2009 by a competent person, under the Factories Act, 1948, is issued under Rule 3-A of the Maharashtra Factories Rules, 1963. The same is valid for a period of 5 years from the date of issue.

#### ***D. Environmental law consents***

13. Consent bearing number BO/PCI-II/O/EIC No. PN-5949-10/R/CC-344 issued on July 14, 2010 by the Member Secretary of Maharashtra Pollution Control Board, Mumbai under Section 26 of the Water (Prevention & Control of Pollution) Act, 1974, Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and authorisation under Rule 5 of the Hazardous Wastes (Management and Handling &

Transboundary Movement) Rules 2008 for the manufacture of ERW and CEW Steel Tubes The same is valid upto March 31, 2011.

***E. Sanctions under the Indian Electricity Act, 1910 as amended from time to time***

14. Sanction letter bearing reference number SE/PRC/T/HT/SPL-3325/8035 (number unclear) dated November 2, 2006 from the Maharashtra State Electricity Board, Pune to our Company regarding sanction of additional power supply at 22 KV.
15. Agreement between the Maharashtra State Electricity Board and our Company dated November 18, 2004 for the supply of electrical energy upto a maximum of 4606 KW under the Indian Electricity Act, 1910. The period of supply under the agreement shall be a minimum period of 2 years ending March, thereafter on year to year basis determinable by 6 months notice.
16. Letter bearing Outward Number/ViniPune/Dist/LR/197/4787 dated July 13, 2006 from the Electrical Inspector, Pune to our Company granting permission for commission of generator of 1,250 KVA, LT Cable as per the provisions of the Indian Electricity Act, 1956.
17. Letter bearing outward number Vini/PD/641/885/2009-10 dated February 03, 2010 from the Electricity Inspector, Electricity Inspection Division, Pune to our Company granting permission for permanent commissioning diesel generator sets and LT Cable. The same is valid until cancelled.
18. Letter bearing number CE(Elec.)/Desk-5(6)/214/2010 dated March 5, 2010 from Chief Engineer (Elec.) to our Company for registration of diesel generator sets, under Rule 4 of the Bombay Electricity Duty Rules, 1962. The same is valid until cancelled.

***F. Certification of weights and measures used***

19. Inspection Certificates dated December 29, 2009, issued by the Inspector, Weights and Measurement Department, Shirur Division, District Pune as per Rule 16 (3) of the Weights and Measurement (Enforcement) Rules, 1985 and Maharashtra Weights and Measurement (Enforcement) Rules, 1987 and Amended Rule, 2000. for following:
  - a. Certificate bearing number 048058 issued for 52 numbers of C.I. weights used at the plant
  - b. Certificate bearing number 048059 issued for 6 numbers of Essae Teasaka Make Electronic weighing scale
  - c. Certificate bearing number 048062 issued for 1 Mettler Toledo make electronic weight bridge
  - d. Certificate bearing number 048061 issued for 5 numbers of Electronic Weighing Scales
  - e. Certificate bearing number 048060 issued for 5 numbers of Essae Teasaka Make Electronic weigh scale

These certificates are valid till December 8, 2011

***G. Licenses under labour laws and related documents***

20. Letter dated October 31, 2002, bearing number MH/PUN/34588/ENF Circle/II/477, issued by the Regional Provident Fund Commissioner, Sub-Regional Office, Pune of The Employees' Provident Fund Organisation under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed thereunder allotting code number MH/PUN/34588. The same is valid from September 1, 2002 until cancelled.
21. Certificate of Registration bearing number P.N. – 1395 issued on January 21, 2010, by the Assistant Commissioner of Labour, Registering and Licensing Officer, Government of Maharashtra, Pune, issued under section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 20 of the rules enacted thereunder. Pursuant to the registration, contract labour may be employed through contractors on any one day. The same is valid until December 31, 2011.

22. License bearing number 3808 issued on June 19, 2003 by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to M/s. Prompt Industrial Services. The same is valid until December 31, 2011.
23. License bearing number 5003 issued on July 6, 2006 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer under Section 12 (2) of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 25(1) of the rules enacted thereunder, to M/s. Sucheta Enterprises. The same was renewed on January 16, 2011 and is valid until December 31, 2011.
24. Certificate of registration dated November 26, 2002 issued by the Profession Tax Officer Number 4, division Pune to our Company as an employer under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975. The registration number allotted is PT/R/2/24/6298. The certificate is with effect from August 2, 2002 and is valid until cancelled.

#### ***H. Licenses under tax laws***

25. Central Excise Registration Certificate dated May 28, 2009 issued on by the Deputy Commissioner of Central Excise, Pune VIII Division, under Rule 9 of the Central Excise Rules, 2002 allotting registration number AABCA4586BXM001 for the purposes of manufacturing of excisable goods. The same is valid until cancelled.
26. Certificate of Registration dated February 23, 2005 issued by the Superintendent Central Excise (STC), Pune – III under Section 69 of the Finance Act, 1994 for the taxable service of transport of goods by road, allotting number GTA/P-III/468/STC. The same is valid until cancellation.
27. Certification of Registration dated November 12, 2010, bearing number 20000187 TS09 issued by UL DQS Inc. certifying that the implementation and maintenance of quality management systems fulfil the requirements of ISO/ TS 16949: 2002. The same is valid until November 11, 2013.

#### ***I. EPCG License***

28. EPCG license bearing number 3130004846/3/12/00 issued on June 02, 2010 by the Foreign Trade Development Officer, Regional Director under the Foreign Trade (Development and Regulation) Act, 1992 to our Company to fulfil the export obligation towards the export of ERW and CEW steel tubes worth Rs. 4,136,573.13 or US\$ 92,128.57 thereby the duty saved value is of Rs. 1,378,857.71. The export obligation is for a period of 6 years from the date of issue of the license.

#### ***J. Other licenses***

29. Industrial Entrepreneur Acknowledgement dated August 27, 2007 bearing number 2437/SIA/IMO/2007 issued by the Secretariat of Industrial Policy and Promotion, Ministry of Industry, Government of India for carrying out the activities of manufacture of ERW and CEW Steel Tubes, Seamless Steel Tubes, HR CR Steel Coils and Auto Components and Assemblies.
30. Agreement dated April 10, 2006 by and between Maharashtra Enviro Power Limited, Pune and our Company for utilisation of common hazardous waste treatment, storage and disposal facility. The same is valid till for a period of 5 years.

#### ***Plant at Gat Number 56/3, 56/4, 56/5, Pimple Jagtap, Taluk Shirur, District Pune-412 208***

#### ***C. Eligibility certificate for Mega Project issued the Government of Maharashtra***

1. Eligibility certificate for 'Mega Project' bearing number DI/ PSI- 2007/ Mega Project/ EC- 14/ 09/ B- 8093 dated March 17, 2009, issued by the Development Commissioner (Industries), Mumbai, under the Package Scheme of Incentives- 2007 to our Company in respect of our Company's Plant at Gat Number 56/3, 56/4, 56/5, Pimple Jagtap, Taluk Shirur, District Pune – 412 208. The same is valid until November 30, 2015.

***D. Licenses and registration under the Factories Act, 1948***

2. License for Registration and Running of Factory bearing Number 097452 (Factory Registration Number Pune/2(m)(i)27/09 issued on November 25, 2002 by the Director, Industrial Safety and Health, Maharashtra State, Mumbai under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963 for starting of factory and its registration. The same is valid till December 31, 2011.
3. Certificate of Stability dated February 27, 2009 issued by a competent person, under the Factories Act, 1948, certifying that all the works of engineering construction in the factory are structurally sound. The same is valid until February 26, 2014.

***E. Sanctions under the Indian Electricity Act, 1910 as amended from time to time***

4. Handing Over and Guarantee Bond dated November 06, 2008 executed between the Maharashtra State Electricity Distribution Company Limited and our Company in respect of the workmanship and electrical installation used at the plant for the sanctioned power supply at the plant. The same is valid until November 05, 2013.
5. Sanction letter dated July 9, 2008 bearing number SE/PRC/T/HT/SPL-02/6555 issued by the Superintending Engineer (PRC), Maharashtra State Electricity Distribution Company Limited, Pune Rural Circle for sanctioning new power supply at 22 KV to our Company's plant at Pimple Jagtap.
6. Agreement dated November 14, 2008 between the M.S.E.D.C.L. and our Company for release of total load of 995 KVA as contract demand and 2,700 kW as connected load for the manufacture of steel tubes. The period of supply under the agreement shall be a minimum period of 2 years ending March/ September thereafter on year to year basis, determinable by 6 months notice.
7. Permission letter dated May 29, 2010 bearing Outward No 267/3883/2009-10 issued by the Electricity Inspector, Pune, granted as per the provisions of the Indian Electricity Act, 1956 for permanent commissioning of generator and LT Cable.
8. Certificate of Registration dated January 31, 2011 for generating set bearing registration number E/PN/1134(i) issued by the Office of the Chief Engineer (Electricity), Public Works Department vide certificate number CE (Elec.) / Desk- 5(6)/79/2011 under the Bombay Electricity Duty Rules, 1962 for their plant located Gat. No. 56/3/4/5, Pimple Jagtap, Shirur, Pune. The same is valid until cancelled

***F. Certification of weights and measures used***

9. Inspection Certificate dated December 3, 2010, bearing number 048026 issued by the Inspector, Weights and Measurement Department, Shirur Division, District Pune as per Rule 16 (3) of the Weights and Measurement (Enforcement) Rules, 1985 and Maharashtra Weights and Measurement (Enforcement) Rules, 1987 and Amended Rule, 2000 for One Ashbee made electronic weigh bridge installed at the plant. The same is valid till December 3, 2011.

***G. Licenses under labour laws and related documents***

10. Letter dated September 18, 2008 bearing number MH/PUN/301103/ENF Circle/II/1412 issued by the Regional Provident Fund Commissioner, Employees' Provident Fund Organisation under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed thereunder, allotting the code number MH/PUN/301103 to our Company. The same is valid until cancelled.
11. Certificate of Registration bearing number P.N. – 2530 issued on January 21, 2010, by the Assistant Commissioner of Labour, Registering and Licensing Officer, Government of Maharashtra, Pune, issued under section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 20 of the rules

enacted thereunder. Pursuant to the registration, contract labour may be employed through contractors on any one day. The same is valid until December 31, 2011.

12. License bearing number 8438 issued on March 12, 2009 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer to M/s Suraj Enterprises under Section 12 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 25(1) of the rules enacted thereunder. The same is valid until December 31, 2011.
13. License bearing number 9205 dated December 29, 2009 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, Pune to M/s Vedant Enterprises under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 25 (1) of the rules enacted thereunder. The license was renewed on February 26, 2011 and the same is valid until December 31, 2011.

#### ***H. Licenses under tax laws***

14. Central Excise Registration Certificate dated March 13, 2008 issued by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002, allotting registration number AABCA4586BXM003. The same is valid until cancelled.

#### ***I. EPCG license***

EPCG license bearing number 3130004848/3/12/00 issued on June 03, 2010 and amendments made vide license amendment sheet dated July 26, 2010 issued by the Foreign Trade Development Officer, Regional Director under the Foreign Trade (Development and Regulation) Act, 1992 to our Company to fulfil the export obligation towards the export of ERW and CEW steel tubes worth Rs. 16,608,654 or US\$ 3,61,057.69 thereby the duty saved value is of Rs. 2,768,109. The export obligation is for a period of 6 years from the date of issue of the license.

#### ***J. Quality certification***

15. Certification of Registration bearing number 20000185 TS09 issued on December 12, 2010 by UL DQS Inc. Management System Solutions under ISO/ TS 16949: 2002 certifying the implementation and maintenance of a quality management system. The certification is valid till November 11, 2013.

### ***Arihant Auto Components Private Limited***

#### ***A. Corporate approvals***

1. Certificate of Incorporation bearing CIN U34300PN2006PTC021954 dated February 3, 2006 issued in the name of "Arihant Auto components Private Limited" by the Registrar of Companies, Maharashtra, Pune.
2. AACPL's PAN (Permanent Account Number) is "AAFCA7746K" issued by the Income Tax Department under the Income Tax Act, 1961. The same is valid until cancellation.
3. AACPL's VAT TIN being 27850571441V issued by the Department of Sales Tax, Government of Maharashtra under Maharashtra Value Added Tax Act, 2002. The same is valid until cancelled.
4. AACPL's TIN being 27850571441C issued by the Sales Tax Department, Government of Maharashtra under the Central Sales Tax Act, 1956. The same is valid until cancelled.
5. AACPL'S IEC is 3106016485 issued *vide* certificate dated January 5, 2007 by the Foreign Trade Development Officer, Ministry of Commerce, Government of India. The same is valid until cancelled.
6. AACPL'S TAN is PNEA09050G issued by the Income Tax Department, Government of India, under Income Tax Act, 1961. The same is valid until cancellation.

***Plant at Gat Number 55, 56/3, Village Pimpale Jagtap, Taluk Shirur, District Pune-412 208.***

***B. Licenses and registration under the Factories Act, 1948***

7. Certificate of Stability issued on June 2, 2007 by a competent person, under the Factories Act, 1948, certifying that all the works of engineering construction in the factory at Pimple, Jagtap, are structurally sound. The same is issued under Rule 3-A of the Maharashtra Factories Rules, 1963. The same is valid until June 1, 2012.

***C. Environmental law consents***

8. Consent to operate dated August 10, 2010 bearing number SROP-II/UB/CC/1589 issued by the Regional Officer of the Maharashtra Pollution Control Board at Pune under Section 26 of the Water (Prevention & Control of Pollution) Act, 1974, Section 21 of the Air (Prevention & Control of Pollution) Act, 1981; and Authorisation granted under Rule 5 of the Hazardous Wastes (Management, Handling & Transboundary Movement) Rules, 2008 for manufacturing of auto components. The consent under the statutes is valid till March 31, 2013.

***D. Sanctions under the Indian Electricity Act, 1910 as amended from time to time***

9. Letter dated March 7, 2007, bearing Outward Number/Vini/Pune/Dist/LR/682/1592 from the Electrical Inspector, Pune as per the provisions of the Indian Electricity Act, 1956 for granting permission for commission of Generator and SCT Cable. The same is valid until cancelled.
10. Letter bearing number CE(Elec.)/Desk-5(6)/249/2008 dated March 19, 2008 from the Chief Engineer (Elec.) for registration of a diesel generator set with registration number E/PN/824(i) at taluka Shirur, Pune, issued under Rule 4 of the Bombay Electricity Duty Rules, 1962. The same is valid until cancelled.
11. Letter dated November 02, 2006 from the Superintendent Engineer (PRC), MSEDCL, Pune, Rural Circle to Phoenix Erectors Private Limited for sanction of fresh power supply at 22Kv for the manufacturing of auto components at the plant.
12. Handing Over and Guarantee Bond between Maharashtra State Electricity Distribution Company Limited and Phoenix Erectors Private Limited dated January 20, 2007 in respect of the workmanship and electrical installation used at the plant for the sanctioned power supply at the plant. The same is valid until January 19, 2012.
13. Agreement dated January 12, 2007 between Phoenix Erectors Private Limited and the M.S.E.D.C.L. for release of total load of connected load of 869 KW and contract demand of 480 KVA to the plant for the manufacture of auto components. The period of supply under the agreement shall be a minimum period of 2 years ending March/ September thereafter on year to year basis, determinable by 6 months notice.

***E. Certification of weights and measures used***

14. Inspection Certificate dated January 13, 2011, bearing number 197174 issued by the Inspector, Weights and Measurement Department, Shirur Division, District Pune as per Rule 16 (3) of the Weights and Measurement (Enforcement) Rules, 1985 and Maharashtra Weights and Measurement (Enforcement) Rules, 1987 and Amended Rule, 2000 for the Essac digital weighing bridge class III installed at the plant. The same is valid till January 13, 2012.

***F. Licenses under labour laws***

15. Letter dated April 3, 2007, bearing number MH/PUN/183648 Circle/II/2917 issued by the Assistant Provident Fund Commissioner, for Regional Provident Fund Commissioner, Sub-Regional Office, Pune of the Employees' Provident Fund Organisation regarding allotment of Code Number under the Employee's

Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed thereunder. The code number allotted is MH/PUN/123648 for administrative convenience. The same is valid until cancellation.

***G. Licenses under tax laws***

16. Certificate of Enrolment dated May 6, 2009, bearing number 99201679272P issued by the Profession Tax Officer (2), Pune, under Section 5(2) or 5(2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975. The same is valid until cancelled.
17. Certificate of Registration as an employer bearing number PT/R/2/2/4/6406 issued on November 6, 2006 by Profession Tax Officer (2), Pune under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975. The same is valid until cancellation.
18. Certificate of Enrolment dated November 4, 2006 issued by the Profession Tax Officer (2), Pune under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975. The code allotted is PT/R/2/2/4(18)577 and the same is valid until cancellation.
19. Central Excise Registration Certificate issued on November 10, 2006 by the Assistant Commissioner of Central Excise, Pune under Rule 9 of the Central Excise Rules, 2002 stating that the registration number for the manufacture of excisable goods is AAFCA7746KXM001. The same is valid until cancelled.
20. Certificate of Registration issued on April 4, 2007 by the Superintendent Service Tax (Group – V), Pune III Commissionerate, Office of the Commissioner of Central Excise, Pune – III under Section 69 of the Finance Act, 1994 stating that the registration number for the taxable service of transport of goods by road is AAFCA7746KST001. The same is valid until cancellation.

***H. Other licenses***

21. Certificate for provisional registration September 15, 2006, for registration as a small scale industry allotting registration number 111933224, issued by the Industries Inspector, District Industries Centre, Pune. The same is valid until September 14, 2011.

***II. Arihant Steel And Metal Wires Private Limited***

***A. Corporate approvals***

1. Certificate of Incorporation bearing CIN U27109PN2005PTC021695 dated December 16, 2005 issued in the name of “Arihant Steel and Metal Wires Private Limited” by the Registrar of Companies, Maharashtra, Pune.
2. ASMWPL’s PAN issued on December 16, 2005 by the Income Tax Department, Government of India under the Income Tax Act, 1961 is AAFCA4927N. The same is valid until cancellation.
3. ASMWPL’s TAN issued by the Income Tax Department, Government of India under the Income Tax Act, 1961 is PNEA08417D. The same is valid until cancellation.
4. ASMWPL’s Value Added Tax TIN issued on April 1, 2006 by the Department of Sales Tax, Government of Maharashtra Registration under the Central Sales Tax Act, 1956 is 27950515126V. The same is valid until cancelled.
5. ASMWPL’s Central Sales Tax TIN issued on April 1, 2006 by the Department of Sales Tax, Government of Maharashtra under the Central Sales Tax Act, 1956 is 27950515126C. The same is valid until cancelled.

***Plant at Gat Number 1264, Village Wadhu Budruk, Taluk Shirur, District Pune-412 208***

***B. Licenses and registration under the Factories Act, 1948***

6. License for Registration and Running of Factory bearing Number 093112 (Factory Registration Number PUNE/2(m)(i)28999) issued on October 27, 2010 by the Director, Health and Safety Maharashtra State, Mumbai under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963 for starting of factory and its registration. The same is valid till December 31, 2011.
7. Certificate of Stability issued on June 02, 2007 by Mr. S. W. Sanghavi, A.M.I.E. (Civil) under Factories Act, 1948 and Rule 3 – A of the Rules made thereunder for the engineering works in the factory. The same is valid till June 01, 2012.
8. M/s. ASMWPL filed a Memorandum for manufacture of 18,000 MT of drawn metal wires at Gat No. 1264, Vadhu Budurk, Taluka- Shirur, Pune- 411 216 with the Office of the General Manager, District Industries Centre, Pune on January 7, 2011.

***Other licenses under the Factories Act, 1948***

9. Report of examination of pressure plant/ vessel bearing certificate numbers RTV/ASMW/PV/MAY2010/1 and RTV/ASMW/PV/MAY2010/2 issued on May 8, 2010 by Reliable Techno Venture under Section 29 of the Factories Act, 1948 and Rule 65 of the Maharashtra Factories Rules, 1963 with respect to horizontal air receivers bearing serial number 10031008 - PV 01 and PV 02. The same are valid until May 7, 2011.
10. Report of examination of the lifting machines, ropes and lifting tackles with certificates bearing certificate numbers RTV/ASMW/LM/SEPT/2010 issued on September 14, 2010 by Reliable Techno Venture under Section 29 of the Factories Act, 1948 and Rule 64 of the Maharashtra Factories Rules, 1963 with respect to EOT crane (serial number 849). The same are as follows:
  - a. Certificate bearing number RTV/ASMW/LM/SEPT10/1 for EOT crane (serial number 849).
  - b. Certificate bearing number RTV/ASMW/LM/SEPT10/2 for EOT crane (serial number 822).
  - c. Certificate bearing number RTV/ASMW/LM/SEPT10/3 for EOT crane (serial number 823).
  - d. Certificate bearing number RTV/ASMW/LM/SEPT10/4 for EOT crane (serial number 557).
  - e. Certificate bearing number RTV/ASMW/LM/SEPT10/5 for EOT crane (serial number 558).
  - f. Certificate bearing number RTV/ASMW/LM/SEPT10/6 for EOT crane (serial number 559).
  - g. Certificate bearing number RTV/ASMW/LM/SEPT10/7 for EOT crane (serial number 1313).
  - h. Certificate bearing number RTV/ASMW/LM/SEPT10/8 for EOT crane (serial number 1314).
  - i. Certificate bearing number RTV/ASMW/LM/SEPT10/9 for EOT crane (serial number 1315).
  - j. Certificate bearing number RTV/ASMW/LM/SEPT10/9 for EOT crane (serial number 1316).

The same are valid until September 13, 2011.

***C. Environmental law consents***

11. Consent to operate dated June 29, 2010 bearing number SROP-II/UB/CC/1517 issued by the Sub-Regional Officer, Pune - II of the Maharashtra Pollution Control Board at Pune under Section 25 or 26 of the Water (Prevention and Control of Pollution) Act, 1974, Section 21 of the Air (Prevention and Control of Pollution) Act, 1981; Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling & Transboundary Movement) Rules, 2008 for manufacture of drawing wire. The same is valid till May 31, 2013; the validity of the authorisation under the Hazardous Wastes (Management and Handling) & Amended Rules, 2000 - 2003 will be till August 14, 2012.

***D. Sanctions under the Indian Electricity Act, 1910 as amended from time to time***

12. Sanction letter dated January 18, 2006, bearing number SE/PRC/T/HT/SPL-1927/-0318 issued by the Superintending Engineer, M.S.E.D.C.L, Pune Rural Circle for sanctioning new power supply at 22 Kv to the factory.



13. Letter dated February 7, 2006, bearing Outward No./ ViniPune/ Dist./ New/ HT/ 499/1074 issued by the Electricity Inspector, Pune Division to the Company as per the provisions of the Indian Electricity Act, 1956 for commissioning the generator permanently. The same is valid until cancelled.

***E. Certification of weights and measures used***

14. Inspection Certificate bearing number 0217370 issued on May 12, 2010 by the Inspector, Weights and Measurement Department. Shirur Division, District Pune as per Rule 16 (3) of the Weights and Measurement (Enforcement) Rules, 1985 and Maharashtra Weights and Measurement (Enforcement) Rules, 1987 and Amended Rule, 2000 for the electronic weighing bridge installed at the Plant at Wadhu Budruk. The same is valid till May 12, 2011.

***F. Labour law licenses and related documents***

15. Letter dated February 20, 2007 for allotment of code number, bearing number MH/PUN/123488/ENF Circle II/2537 issued by Regional Provident Fund Commissioner of the Employees' Provident Fund Organisation, Pune under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed there under. The code number allotted is MH/PUN/123488 and is effective from October 1, 2006. The same is valid until cancellation.
16. Certificate of Registration bearing number P.N. 2165 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, Government of Maharashtra, issued under section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 20 of the rules enacted there under. Pursuant to the registration, contract labour may be employed through contractors on any one day. The same is valid till December 31, 2011.

***G. Licenses under tax laws***

17. Central Excise Registration Certificate dated December 30, 2006 issued on by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for the manufacture of excisable goods and allotting registration number AAFC4927NXM001. The same is valid until cancelled.
18. Certificate of Registration dated September 24, 2007 issued by the Office of the Commissioner of Central Excise, Pune – III under Section 69 of the Finance Act, 1994 for the taxable service of transport of goods by road allotting Service Tax Code AAFC4927NST001. The same is valid until cancelled.
19. Certificate of Registration dated December 31, 2005 as an employer issued by the Profession Tax Officer, Pune under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments, 1975 and Rule 3(2) of the Rules there under; allotting number PT/R/2/2/4/6364. The Certificate is with effect from December 16, 2005 and is valid until cancellation.
20. Certificate of Enrolment dated January 4, 2006 by the Entry Tax Officer, Pune under Section 5(2) or 5(2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments, 1975 allotting number PT/E/2/2/4/18/566. The certificate is valid with effect from December 16, 2005. The same is valid until cancellation.

***H. Other licenses***

21. The District Industries Centre, Pune has granted an Acknowledgment (Part II) bearing EM Number Part II- 270251300046 dated January 7, 2011 for the manufacture of drawn metal wires at Gat No. 1264. Vadhu Budruk, Taluka – Shirur, Pune- 411 216. The same is valid until cancelled.

***III. Saicon Steels Private Limited***

***A. Corporate approvals***

1. Certificate of Incorporation bearing CIN U27100MH2003PTC143498 dated December 11, 2003 issued in the name of “Saicon Steels Private Limited” by the Registrar of Companies, Maharashtra, Mumbai.
2. SSPL’s PAN (Permanent Account Number) is AAHCS9931J issued on December 11, 2003 by the Income Tax Department, Government of India under Income Tax Act, 1961. The same is valid until cancelled.
3. SSPL’s TAN (Tax Deduction Account Number) is MUMS35902G issued by Income Tax Department, Government of India under the Income Tax Act, 1961. The same is valid until cancelled.
4. Central Certificate of Registration bearing number ADM/ACST/CST/PMT/2005/1017 (Central Certificate of Registration Number DNH/ CST/ M/ 0424) issued on December 5, 2005 by the Deputy Commissioner (VAT), Dadra and Nagar Haveli, Silvassa under Section 7(1) and 7(2) of the Central Sales Tax Act, 1956. The same is valid until cancelled.
5. Registration Certificate bearing number ADM/DCVAT/AMDT/2005/1017 issued on December 5, 2005 by the Deputy Commissioner (VAT), Dadra & Nagar Haveli, Silvassa under Rule 15(2) of the Dadra & Nagar Haveli Value Added Tax Rules, 2005. The same is valid until cancelled.

***Plant at Survey Number 375/ 2, Village Galondo, Silvassa, Dadra Nagar Haveli***

***B. Licenses and registration under the Factories Act, 1948***

6. Certificate of Stability issued on June 17, 2009 by a competent person, by Madhav Consultancy certifying the stability of the Factory at Silvassa.

***C. Environmental law consents***

7. Renewed Consent to operate bearing number PCC/DDD/G-3660/AA/GL/03-04/111 issued on May 25, 2010 by the Member Secretary, Pollution Control Committee, Daman & Diu and Dadra & Nagar Haveli, Silvassa under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for facilities to manufacture cold rolled iron coils and to operate a diesel generator. The same is valid till August 31, 2012.

***D. Sanctions under the Indian Electricity Act, 1910 as amended from time to time and***

8. Letter bearing Number 1-1(44)/ELE/2004/901 issued on March 24, 2005 by Executive Engineer, Electricity Department, Dadra & Nagar Haveli, Silvassa granting approval of the Company’s proposal for installation 1,600 KVA transformer.
9. Letter dated June 24, 2004 bearing number 1-1(44)/ELE/2004/374 issued by the Executive Engineer, Electricity Department, Dadra & Nagar Haveli, Silvassa regarding release of 200 KVA H.T. power supply connection on 11 KV system, approving the plan proposed by SSPL for the entire work of H.T. power supply connection.
10. No Objection Certificate issued on March 30, 2004 bearing number 1-2(52)/ELE/2004/1818 by the Executive Engineer, Electricity Department, Dadra & Nagar Haveli, Silvassa granting consent for the installation of diesel generator sets under Section 44 of the Electricity (Supply) Act, 1948.
11. Letter bearing number WRIO/SIL-CO(SSPL)-319/2010/SE/2153 issued on November 24, 2010 by Superintendent Engineer granted approval for the proposed installation of a 1150 KVA DG Set on the factory premises. The same is valid until cancelled.
12. Agreement dated April 8, 2005 entered into between SSPL and the President of India for the supply of 1,450 KVA electricity for industrial purposes. The same is valid for minimum period of 2 years from the date of commencement of supply; the period will be determined from month to month thereafter.

***E. Certification of weights and measures used***

13. Certificate of verification dated April 30, 2010 bearing number 002019 issued by the Inspector, Legal Metrology (Weights and Measures), Office of the Controller of Legal Metrology. The same is valid until April 30, 2011.

***F. Licenses under labour laws***

14. Letter dated May 28, 2008 issued by the Assistant Provident Fund Commissioner, The Employees' Provident Fund Organisation, Sub Regional Office, Vapi under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed there under. The code number allotted is GJ/VAPI/47423 and the same is valid until cancelled.

***G. Licenses under tax laws***

15. Central Excise Registration Certificate dated February 12, 2004 issued by the Assistant Commissioner of Central Excise and Custom, Division – IV, Silvassa under Rule 9 of the Central Excise Rules, 2002 for the manufacture of excisable goods. The code allotted is AAFPA4222MXM001 and the same is valid until cancelled.
16. Service Tax Registration certificate dated February 14, 2007 issued by the Assistant Commissioner of Central Excise and Custom, Division – IV, Silvassa. The registration number allotted is AAFPA4222MST001 and the same is valid until cancelled.
17. Certificate of exemption from sales tax dated December 5, 2005 bearing number ADM/DNH/EXEMPT/CST/2005/2124 issued by the Deputy Commissioner (VAT), Dadra and Nagar Haveli, Silvassa under the Administration's Notification Number DNH/CST/35. The exemption is with effect from March 30, 2004. The exemption is valid till December 31, 2017.

***H. Quality certifications***

18. Certificate of Registration bearing number 7435QMS001 issued on March 03, 2009 by ISOQAR Limited certifying that the quality management system of SSPL at its Silvassa plant has been approved in accordance with ISO 9001: 2008 for the manufacture and supply of CRCA and HRGA strips. The same is valid March 03, 2012.

***I. Other licenses***

19. In-principle clearance bearing number DIC.1.(3823)NOC2004.37 issued on January 15, 2004 by the General Manager, District Industries Centre, Dadra Nagar Haveli, Silvassa for SSPL as a medium scale industry to establish new industrial undertaking for the manufacture of various products. The same is valid until cancelled.
20. Certificate of Registration bearing number 7435QMS001 issued by ISOQAR awarding the ISO 9001:2008 certificate for manufacture of CRCA and HRGC Strips on March 3, 2009. The same is valid till March 3, 2012.
21. Industrial Entrepreneur Memorandum Acknowledgement bearing number 34/SIA/IMO/2004 issued on January 5, 2004 by the Secretariat for Industrial Assistance, Ministry of Commerce & Industry for carrying out the activities of manufacture of various products.
22. Certificate dated May 10, 2010 issued by Dadra & Nagar Haveli Industries Association certifying that Saicon Steels Private Limited is a member of its Association from March 14, 2010. Their Membership No. being 001 valid upto May 9, 2011.
23. Certificate of Membership bearing certificate number CDS007 issued on April 1, 2007 by Gujarat Enviro Protection & Infrastructure (D&NH) Private Limited. The same is valid until March 31, 2014.

#### ***IV. Sankalp Forgings Private Limited***

##### ***A. Corporate approvals***

1. Certificate of Incorporation dated February 2, 2006 issued in the name of “Sankalp Forgings Private Limited” by the Registrar of Companies, Maharashtra, Pune. The CIN is U29299PN2006PTC021948. The certificate is valid until cancelled.
2. SFPL’s PAN (Permanent Account Number) is AAJCS8026N, issued on February 02, 2006 by the Income Tax Department under the Income Tax Act, 1961. The same is valid until cancelled.
3. SFPL’s TAN (Tax Deduction Account Number) is PNES18454C issued by Income Tax Department under the Income Tax Act, 1961. The same is valid until cancelled.
4. SFPL’s TIN allotment number is 27090553429C, issued by the Department of Sales Tax, Government of Maharashtra under the Central Sales Tax Act, 1956. The registration is active from August 02, 2006 and the same is valid until cancelled.
5. Central Sales Tax TIN bearing number 27090553429V issued on August 2, 2006 by the by the Department of Sales Tax, Government of Maharashtra under Maharashtra Value Added Tax Act, 2002. The same is valid until cancelled.

#### ***Plant at Gat Number 1093/1, 1093/2, Karandi, taluka Shirur, Pune – 412 208***

##### ***B. Licenses and registration under the Factories Act, 1948***

6. License for registration and running of Factory dated June 25, 2009, bearing number 097603 and factory registration number AATSH/Pune/73/9/2m(i)/28910 issued on by the Director, Industrial Safety and Health, Maharashtra State, Mumbai as prescribed under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963. The same is valid until December 31, 2012.
7. Certificate of Stability issued on May 13, 2009 by a competent person, under the Factories Act, 1948, certifying that all the works of engineering construction in the factory are structurally sound. The same is issued under Rule 3-A of the Maharashtra Factories Rules, 1963. The same is valid for a period of 5 years from the date of issue.

##### ***C. Environmental law consents***

8. Consent to operate bearing number ROP/O -26/ CC/ PUNE/ 47 – 09 issued on March 19, 2009 by the Maharashtra Pollution Control Board, Regional Office under Section 26 of the Water (Prevention & Control of Pollution) Act, 1974, Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and Authorisation granted under Rule 5 of the Hazardous Wastes (Management and Handling) Rules, 1989 for the manufacture of metal and steel forgings. The same is valid until December 31, 2013.

##### ***D. Sanctions under the Indian Electricity Act, 1910 as amended from time to time***

9. Agreement between Maharashtra State Electricity Distribution Company Limited and SFPL executed on November 14, 2008 for the supply of electrical energy for the manufacture of forging parts. The period of supply under the agreement shall be a minimum period of 2 years ending March/September, thereafter on year to year basis, determinable by 6 months notice.
10. Handing Over and Guarantee Bond Agreement dated October 04, 2008 between the Maharashtra State Electricity Distribution Co. Limited and SFPL in respect of the workmanship and electrical installation used at the plant for the sanctioned power supply at the plant. The same is valid and subsisting for a period of 5 years with effect from the date of execution i.e. till October 03, 2013.

11. Letter bearing reference number SE/PRC/T/HT/SPL-02/6557 dated July 09, 2008 issued by the Superintending Engineer (PRC) M.S.E.D.C.L, Pune, Rural Circle, regarding sanction of new power supply at 22 Kv to the factory at Karandi.
12. Letter bearing reference number SE/PRC/T/HT/DDF/6558 dated July 09, 2008 from the Superintending Engineer, M.S.E.D.C.L. Pune Rural Circle, Pune to the Executive Engineer, for granting new load of 990KVA/1108KW.
13. Letter bearing No. ViniPune/ Pu- 3/ 0336/7200/ 2008 – 09 dated November 07, 2008 from the Electricity Inspector, Pune, for permanently commissioning a diesel generator set under the Indian Electricity Act, 1956 and the rules framed thereunder. The same is valid until cancelled.
14. Letter dated November 16, 2009 bearing number C.E. (Elec.)/Desk-5(6)/1263/2009 granted by Chief Engineer (Elec.) for registration of Generation Sets under the provisions of the Bombay Electricity Duty Rules, 1962 installed at the plant. The Registration number of the diesel generator set is E/PN/1015(i) and 70KVA diesel set is E/PN/1015(ii).

***E. Certification of weights and measures***

15. Inspection Certificate dated March 29, 2010, bearing number 02117330, issued by the Inspector, Weights and Measurement Department, Shirur Division, Pune under Rule 16 (3) of the Weights and Measurement (Enforcement) Rules, 1985 and Maharashtra Weights and Measurement (Enforcement) Rules, 1987 and Revised Rules, 2000 for the electric weigh bridge machine used at the factory. The same is valid till March 29, 2011.

***F. Licenses under labour laws and related documents***

16. Letter bearing number MH/PUN/123494/ENF Circle/I/2551, dated February 20, 2007, regarding allotment of code number by Regional Provident Fund Commissioner, Regional Office, Pune of The Employees' Provident Fund Organisation under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed there under. The Code Number allotted is MH/PUN/123494 and the same is valid until cancelled.
17. Certificate of Registration (amendment) bearing number 2749 reissued on January 6, 2010 by the Assistant Commissioner of Labour, Registering and Licensing Officer, Government of Maharashtra under section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 20 of the rules formulated thereunder for employment of contract labour, will be employed on any one day, through contractors.
18. License bearing number 9016 reissued on January 31, 2011 by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to M/s. Kunal Associates. The same is valid until December 31, 2012.
19. License bearing number 8452 reissued on May 15, 2010 by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to M/s. Sheetal Industrial Services. The same is valid until December 31, 2010.

***G. Licenses under tax laws***

20. Central Excise Registration Certificate bearing number AAJCS8026NXM004 issued on November 14, 2008 by Deputy Commissioner of Central Excise, Pune VIII Division under Rule 9 of the Central Excise Rules, 2002 for the manufacture of excisable goods. The same is valid until cancelled.
21. Certificate of Registration as an employer bearing number PT/R/2/2/7/12494 issued on November 21, 2007 by Profession Tax Officer, Pune City Division, Pune under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975. The same is valid until cancelled.

22. Certificate of Enrolment dated August 1, 2006, bearing number PT/E/2/2/7/18/2067, issued by the Profession Tax Officer (I), Pune City Division - I, Pune under Section 5(2) or 5(2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments, 1975. The enrolment is with effect from February 02, 2006 i.e. for the year 2005-2006. The same is valid until cancelled.
23. Certificate of Importer – Exporter Code (IEC) bearing number 3106004240 issued on June 13, 2006 by the Foreign Trade Development Officer, Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India. The same is valid until cancellation.

#### **H. EPCG Licenses**

24. Registration cum membership certificate bearing registration number RCMC:B:MFG.9525:2007–08 issued on October 16, 2007 by the Regional Director, Engineering Export Promotion Council, Ministry of Commerce, Government of India to SFPL as Manufacturer Exporter for the manufacture of forging sub assemblies and machined parts. The same is valid, subject to revalidation, upto March 31 every year against payment of the subscription for the period.
25. The obligations and the duty saved under these licenses are as follows:

*(Rs. lakhs)*

<b>Certificate No</b>	<b>Date of Issue</b>	<b>Export Obligation</b>	<b>Duty Saved</b>
3130003180/3/11/00	June 5, 2008	344.88	43.11
3130002952/3/11/00	February 8, 2008	299.74	49.96
3130002944/3/11/00	February 5, 2008	169.35	28.22
3130003586/3/11/00	November 12, 2008	65.55	8.19
3130004216/3/12/00	October 5, 2009	90.79	15.13

The export obligation is for a period of 8 years from the date of issue of the license.

#### **I. Quality certifications**

26. Certificate bearing registration number 20004084 QM08 issued on July 20, 2010 by UL DQS Inc. certifying that the manufacture of forgings (closed die and open die forgings), machining of forged components and tubular products for oil field and heavy engineering industries meets the requirements of ISO 9001:2008. The same is valid until July 19, 2013.
27. Certificate bearing registration number 20004084 TS09 was issued on July 20, 2010 by UL DQS Inc. certifying that as per the audit conducted and documented in a report, it has been verified that the quality management system followed by Sankalp Forgings Private Limited meets the requirement of ISO / Technical Specification 16949: 2009. The same is valid until July 19, 2013.

#### **J. Other Licenses**

28. Certificate of Permanent Registration as a Small Scale Industry unit dated March 14, 2006 bearing number 111958234 issued on by the Industries Inspector, District Industries Centre, Pune for the manufacture of forging sub assemblies and machined parts. The same is valid until cancellation.
29. Industrial Entrepreneur Acknowledgement bearing number 270251200353 PART- II issued on December 13, 2007 by the General Manager, District Industries Centre, Pune for carrying out the activities of manufacture of iron/steel forging machinery parts.

#### **V. Seven Star Electrodes Private Limited**

##### **A. Corporate approvals**

1. Certificate of Incorporation bearing the number 11 – 98751 dated April 10, 1996 issued in the name of “Seven Star Electrodes Private Limited” by the Additional Registrar of Companies, Maharashtra. The CIN is U29299MH1996PTC098751.
2. SEPL’s PAN is AACCS3610D issued by the Commissioner of Income Tax - I, Pune under the Income Tax Act, 1961. The same is valid until cancelled.
3. SEPL’s TAN issued by the Income Tax Department as per the Income Tax Act, 1961 is PNES08128B. The same is valid until cancelled.
4. Central Sales Tax TIN (Taxpayers Identification Number) bearing number 27450410835 C issued by the Registration Officer, Sales Tax Department, Maharashtra as per the Income Tax Act, 1961. The same is valid until cancelled.
5. Certificate of Registration issued on April 01, 2006, by the Registration Officer, Sales Tax Department, Maharashtra under section 16 of the Maharashtra Value Added Tax Act, 2002 to our Company allotting Maharashtra Value Added Tax TIN 27450410835 V. The same is valid until cancelled.

***Plant at Gat Number 286, Village Chakan Nanekarwadi, Taluk Khed, District Pune***

***B. License and registration under the Factories Act, 1948***

6. Certificate of Stability issued on April 7, 2006 by a competent person, under the Factories Act, 1948 and Rule 3-A of the Rules made thereunder. The same is valid until April 06, 2011.
7. Letter of sanction bearing number Outward No. Plan: 133:05, RRW, DDA: 3136:05 issued on October 29, 2005 by the Additional Director, Industrial Safety and Health, Pune as per provisions of the Factories Act, 1948 for sanctioning the factory lay out plan in respect of the building and machinery, factory rearrangement or additional construction.

***C. Environmental law consents***

8. Consent to operate bearing number ROP/E-25/CC/UB/PUNE/129/09, issued on September 4, 2009, to our Company, by the Regional Officer, Pune, Maharashtra Pollution Control Board, under Section 26 of the Water (Prevention & Control of Pollution) Act, 1974, Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and authorization/renewal of authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and Amended Rules thereto; to manufacture various components. The same is valid until August 31, 2012.

***D. Sanctions under the Indian Electricity Act, 1910 as amended from time to time***

9. Agreement dated February 21, 2005, by and between Maharashtra State Electricity Board and SEPL for the supply of 390/ 140 KW/ KVA electrical energy to the factory. The period of supply under the agreement shall be a minimum period of 7 years ending the March/ September from the date of commencement of supply and thereafter on year to year basis, determinable by a 6 calendar month notice.
10. Agreement dated on October 8, 2003, by and between Maharashtra State Electricity Board and SEPL executed for the supply of 165/ 140 KW/ KVA electrical energy to the factory for the manufacture of auto parts. The period of supply under the agreement is a minimum period of 7 years ending the March/ September next after the 2 year period from the date of commencement of supply, and thereafter on year to year basis determinable by a 6 calendar month notice.
11. Letter bearing Outward No./Vini/PD/386/4986 dated on November 04, 2003 issued by the Electricity Inspector, Pune under the provisions of the Indian Electricity Rules, 1956 granting permission for commissioning of a transformer and H.T. cables at the Plant. The same is valid until cancellation.

***E. Certification of weights and measures used***

12. Inspection Certificate bearing certificate number 067328 dated September 20, 2010 issued by the Inspector, Weights and Measurement Department, Food, Civil Supplies and Consumer Protection Department, Government of Maharashtra as per Rule 16 (3) of the Weights and Measurement (Enforcement) Rules, 1987 and Maharashtra Weights and Measurement (Enforcement) Act, 1985 and Amendment Rules, 2000 for the weights and measures used at the Plant. The next inspection date is before September 20, 2011.

***F. Licenses under labour laws***

13. Letter dated April 25, 2003, bearing number MH/PUN/34883/PRAV.C/R III/17 issued by the Regional Provident Fund Commissioner, Employees Provident Fund Organisation, Regional Office, Pune under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes framed thereunder. The code number allotted is MH/PUN/34883 and the same is valid until cancelled.

***G. Licenses under tax laws***

14. Central Excise Registration Certificate December 03, 2002 issued by the Deputy Commissioner/ Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for the manufacture of excisable goods allotting registration number AACCS3610DXM001. The same is valid until cancelled.
15. Certificate of Registration dated October 30, 2004, bearing registration number BAS/ PUNE – I/ SEVEN STAR/ 426/ STC/ 04 for business auxiliary services and registration number GTA/ PUNE – I/ Seven Star/ 78066/ STC/05 for transport of goods by road. (ECC Code: 071554266; 107178061) issued by Superintended (Service Tax), Deputy Commissioner, Central Excise Pune – I Commissionerate under Section 69 of the Finance Act, 1994. The certificate shall remain valid till the holder carries on the activity for which the certificate has been issued or where surrender of the certificate is accepted by the Central Excise Officer.
16. Certificate of Registration dated February 25, 2004, to act as an employer bearing number PT/R/2/2/3/6434 issued on by Profession Tax Officer Number 4, Pune Division, Pune under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 and Rule 3(2) of the Rules thereunder. The registration is with effect from November 28, 2002 and the same is valid until cancelled.
17. Certificate of Enrolment dated February 21, 1997, bearing number PT/ E/ 2/ 2/ 3/ 18/ 884 issued by the Profession Tax Officer VI, Pune Division, under Section 5(2) or 5(2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments, 1975 and Rule 4(4) of the Rules there under. The same is valid until cancelled.

***H. Other licenses***

18. Certificate of Permanent Registration issued on August 25, 1997 allotting permanent registration number 111934346, as a Small Scale Industry unit by Industries Inspector, District Industries Centre, Pune, for the manufacture of welding rods, welding electrodes, sheet metal components and motor vehicle parts. The same valid until cancellation.
19. Letter dated March 23, 2010 from the Controller of Explosives, the Joint Chief Controller of Explosives, West Circle, Navi Mumbai to Seven Star Electrodes Private Limited, granting renewal under the Static and Mobile Pressure Vessels (SMPV) Rules, 1981 in respect of license bearing number S/HO/MH/03/1067(S29597) for storage of carbon dioxide gas in pressure vessel at the plant. The license is renewed till March 31, 2011.

***VI. Warehouses / Depots of Innovative Industries Limited***

***A. Hosur depot situated at B-7, SIDCO Industrial Complex, Hosur, Pin – 635126, Tamil Naidu***



1. Revised Central Excise Registration dated May 05, 2010 issued by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for operating a manufacturer's depot and allotting registration number AABCA4586BEM013 (old registration number - AABCA4586BXD002). The same is valid until cancelled.
2. Certificate of Registration issued on July 7, 2005, by the Assistant Commissioner (Commercial Tax), Hosur (South) under Section 7(1)/7(2) of the Central Sales Tax Act, 1956 and Rule 5(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 to our Company allotting Central Sales Tax TIN 33313363396. The same is valid until cancelled.
3. Duplicate Certificate of Registration bearing TIN 33313363396 V issued on July 7, 2009 by the Assistant Commissioner (CT), Hosur (South) under Rule 5(1)(a) of the Tamil Nadu Value Added Tax Act, 2006. The same is valid from January 1, 2007 until cancellation.
4. Duplicate Certificate of Registration bearing TIN 33313363396 C issued on July 7, 2009 by the Assistant Commissioner (CT), Hosur (South) under Section 7(1) or 7(2) of the Central Sales Tax Act, 1956. The same is valid from July 14, 2005 until cancellation.
5. Certificate of Registration dated July 14, 2005, bearing registration number 3363396 issued by the Commercial Tax Officer, Hosur (South), under Rule 5(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957. The same is valid from July 1, 2005 until cancelled.
6. Letter dated September 29, 2009 from the Joint Director, Branch Manager, B.O., Employees' State Insurance Corporation, Hosur issued under Section 2(12) of the Employees' State Insurance Act, 1948, to our Company, allotting Code number 63000458150000502, regarding implementation of the said statute in Hosur and its applicability to the Hosur depot.
7. Certification of Registration bearing number 20000184 TS2 issued on December 11, 2010 by UL DQS Inc. Management System Solutions under ISO/ TS 16949: 2002 certifying the implementation and maintenance of a quality management system. The certification is valid till November 11, 2013.

***B. Aurangabad depot situated at K – 165, MIDC Waluj, Aurangabad – 431 133, Maharashtra***

1. Letter allotting Code Number 25-1571-53 dated February 25, 2005 from the Deputy Director, Employees' State Insurance Corporation, Sub – Regional Office at Nagpur issued under Section 2(12) of the Employees' State Insurance Act, 1948 regarding implementation in of the said statute Aurangabad and its applicability to the Aurangabad depot.
2. Letter dated November 26, 2009 bearing number 25/G-32/ABD/IT/09/25/1571/53 from the Joint Director, Employees' State Insurance Corporation, Sub – Regional Office, Aurangabad intimating about the change of Employer's Code Number. The existing above mentioned code has been changed to 2500001571000053.
3. Certification of Registration bearing number 20000187 TS2 issued on December 11, 2010 by UL DQS Inc. Management System Solutions under ISO/ TS 16949: 2002 certifying the implementation and maintenance of a quality management system. The certification is valid till November 11, 2013.

***C. Nasik depot situated at Survey Number 88/1A, Mumbai Agra Road, Village Viholi, Ambed Audhatik Vasahat, Near Hotel Sarovar, Opposite Jain Temple, Nasik, Maharashtra***

1. Central Excise Registration Certificate dated January 03, 2007, issued by the Assistant Commissioner of Central Excise and Customs, Nashik III, under Rule 9 of the Central Excise Rules, 2002 for operating a manufacturer's depot and allotting the registration number AABCA4586BXD006. The same is valid until cancelled.

***D. Gurgaon depot at Main Pataudi Road, Near Umang Bhardawaj Choke, Sector- 10A, Village-Kadipur, Gurgaon 122 001(The warehouse was earlier located at Plot 28,HUDA Sector 59, Ballabhgarh, Faridabad 121 004 but with effect from August 13, 2010 has been shifted to the present location.)***

1. Central Excise Registration dated January 5, 2009, issued by the Assistant Commissioner of Central Excise Division IV Faridabad, under Rule 9 of the Central Excise Rules, 2002, for operating a manufacturer's depot and allotting registration number AABCA4586BXD010. The same is valid until cancelled.
2. Certificate of Registration bearing TIN 06541928891 issued on June 15, 2006 by the Assistant Commissioner of Commercial Taxes under Section 22 of the Haryana Value Added Tax Act, 2003. The same is valid with effect from May 12, 2006 until cancelled.
3. Certificate of Registration bearing TIN 06541928891 issued on June 15, 2006 by the Assistant Commissioner of Commercial Taxes under Section 7(1) or 7(2) of the Central Sales Tax Act, 1956. The same is valid with effect from May 12, 2006 until cancelled.
4. Certificate of Registration bearing number PSA/REG/GGN/LI-GGN-3-8/0042832 dated January 18, 2011 issued by the Inspector, Shops and Commercial Establishments, Gurgaon, under the Punjab Shops and Establishments Act, 1958. The same is valid till March 31, 2013.

***E. Bangalore Depot situated at Srinivasa Murthy Complex, Opposite High School, Shop No. 2, Survey Number 13832- 0500, Hosur Main Road, Attibele, Anekal Taluk, Bangalore – 562 107***

1. Certificate of Registration dated April 28, 2006 bearing registration number 2700988-9 issued by the Profession Tax Officer, District Circle Bangalore under the Karnataka Professions, Trades and Callings Act, 1976; and Rule 4 there under. The same is valid until cancelled.
2. Certificate of Enrolment dated March 1, 2006 by Assistant Commissioner of Commercial Taxes, Kormangala Bangalore, under Section 5(2) of the Karnataka State Tax on Professions, Trades, Callings and Employment Act, 1976 allotting Enrolment number 29330478574. The same is valid until cancellation.
3. Revised Central Excise Registration certificate dated May 05, 2010 issued by the Assistant Commissioner of Central Excise, Bangalore III Division, Ministry of Finance, Department of Revenue, under Rule 9 of the Central Excise Rules, 2002 for operating as a manufacturer's depot and allotting registration number AABCA4586BEM014 ( old registration number -AABCA4586BXD007). The same is valid until cancelled.
4. Certificate of Registration bearing TIN 29330478574 issued on June 18, 2010 by the Assistant Commissioner of Commercial Taxes under Section 22 of the Karnataka Value Added Tax Act, 2003. The same is valid with effect from March 01, 2006 until cancelled.
5. Certificate of Registration bearing TIN 29330478574 issued on June 18, 2010 by the Assistant Commissioner of Commercial Taxes under Section 7(1) or 7(2) of the Central Sales Tax Act, 1956. The same is valid with effect from March 01, 2006 until cancelled.

***VII. Intellectual Property***

1. The Registrar of Trademarks vide certificate dated March 14, 2011 has granted a Certificate of Registration of Trade Mark numbered 972134 registering ARIDOM under Class 6 with effect from November 16, 2009.

***Trademarks applied for***

Particulars of the Mark	Class	Application No.	Application Date	Status
Arihant (logo)	6	1823472	May 29, 2009	Advertised before acceptance
Innoventive (logo)	6	2004129	August 05, 2010	Advertised before acceptance

### ***Patents Applied For:***

Our Company has made the application for a low carbon welded tube and process of manufacture thereof, *vide* Application No. 1092/MUM/2009 on April 24, 2009. The complete specification of the patent was filed on October 12, 2009. The Application is currently under process by the Controller of Patents and Designs and it has been assigned the Examination Request Number: 2507/RQ-MUM/2009. As on the date of this Red Herring Prospectus, the applications are pending publication.

Our Company has also filed for an international patent under the Patent Application Treaty on April 23, 2010 *vide* PCT Application No. PCT/IN 2010/000255. As on the date of this Red Herring Prospectus, the applications are pending publication.

### ***VIII. For Objects of the Issue***

As on the date of this Red Herring Prospectus, our Company has not deployed funds towards the Objects of the Issue. The Government and other approvals requisite for attainment of the Objects of the Issue will be applied for in due course.

### ***IX. Material Licenses / Approvals for Which We Are Yet To Apply***

- a) Certificate of registration under the Bombay Electricity Duty Rules, 1962 for the diesel generator set and LT Cable installed at the plant at Gat Number 56/3, 56/4, 56/5, Pimple Jagtap, Taluk Shirur, District Pune - 412 208.

### ***X. License which have been applied for but yet not been approved/ granted***

- a) Application dated June 4, 2009 to the Superintendent of Service Tax, Pune by our Company for making amendments to the certificate of centralised service tax registration bearing number 33/2009 issued to our Company in respect of deletion of the chakan depot at Gat No. 141, Chimbli Phata, Kuruli, Rajgurunagar, Pune from the certificate and addition of Faridabad depot at Plot Number 28, Sector Number 59, Faridabad and plant at Gat Number 56/3, 56/4, 56/5, Village – Pimple Jagtap, Taluk – Shirur, District – Pune, Pin – 412 208 in the certificate.
- b) Application dated September 17, 2010 to the Regional Inspectorial Organisation (West), Government of India, Central Electricity Authority for registration of two 1,150 KVA diesel generator sets installed at the plant at Survey Number 375/ 2, Village Galondo, Silvassa, Dadra Nagar Haveli.
- c) E- application bearing identity number 47408 dated August 26, 2010 for registration of the Gurgaon depot at Main Pataudi Road, Near Umang Bhardawaj Choke, Sector- 10A, Village-Kadipur, Gurgaon 122 001 under Punjab Shops and Commercial Establishment Act, 1958.
- d) License bearing number 7439 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour Act, 1970, to Chirag Industrial Services, a contractor engaged by Arihant Steel and Metal Wires Private Limited expired on December 31, 2010. Application for renewal of the license has been made to the Labour Commissioner on December 27, 2010.
- e) License for Registration and Running of Factory bearing Number 093111 (Factory Registration Number PUNE/2(m)(i)34300 issued to Arihant Autocomponents Private Limited expired on December 31, 2010. An Application dated October 23, 2010 has been made to the Deputy Director of Industrial Safety and Health, Pune for the renewal of the same for the year 2011 under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963.
- f) Certificate of Registration bearing number P.N. 2165 dated January 21, 2010 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, Government of Maharashtra, issued under section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 and Rule 20 of the rules enacted there under to Arihant Steel and Metal Wires Private Limited expired on December 31, 2010. Application

for renewal of the same has been made to the Registering & Licensing Officer under the Contract Labour (Regulation and Abolition) Act, 1970 on January 14, 2011.

- g) Consent to operate bearing number ROP/O-26/CC/PUNE/12-09 issued on January 27, 2009 by the Regional Officer, Pune of Maharashtra Pollution Control Board, Regional Office, Pune under Section 26 of the Water (Prevention & Control of Pollution) Act, 1974, Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules, 1989 & Amendment Rules, 2003 for the manufacture of ERW and CEW tubes, cold drawn stainless steel tubes, cold drawn titanium tubes, tabular components (pressed) HR/CR steel sheets and coils and machined tubular parts expired on January 31, 2011. An application for the renewal of the same has been made to the Regional Officer, Pune of Maharashtra Pollution Control Board, Regional Office, Pune vide application dated November 30, 2010.
- h) Certificate of registration for operating a factory bearing license number 088789 and factory Registration number Pune/2(m)(i)34300 issued on September 29, 2005 in the name of Arihant Domestic Appliances Limited by the Director, Industrial Safety and Health, Maharashtra State, Mumbai as prescribed under Section 6 of the Factories Act, 1948 and Rules 6 and 8 of the Maharashtra Factories Rules, 1963 was valid till December 31, 2010. An application for the renewal of the same has been made to the Deputy Director, Industrial Safety and Health was made by our Company on October 22, 2010.
- i) Our Subsidiary Saicon Steels Private Limited has applied for renewal of License for Registration and Running of Factory bearing number 2217 to the Chief Inspector of Factories, Silvassa dated December 15, 2010.
- j) License bearing number 8452 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to M/s. Sheetal Industrial Services in respect of the contract labor hired by our Subsidiary Sankalp Forgings Private Limited expired on December 31, 2010. An application for renewal of the same has submitted to the Assistant Commissioner of Labour, Registering and Licensing Officer dated March 5, 2011.

## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### ***Authority for the Issue***

The Issue has been authorized by the resolution of the Board of Directors passed at their meeting held on August 4, 2010, subject to the approval of shareholders through a special resolution to be passed under to Section 81 (1A) of the Companies Act and such other regulatory authority as may be necessary.

The Issue of Equity Shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Annual General Meeting of shareholders held on September 6, 2010.

We have received in-principle approvals from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated November 9, 2010 and October 28, 2010, respectively. NSE is the Designated Stock Exchange.

We have also obtained all necessary contractual approvals required for this Issue. For further details, please refer chapter titled “*Government and Other Approvals*” beginning on page number 359 of this Red Herring Prospectus.

### ***Prohibition by SEBI, RBI or other Governmental Authorities***

We confirm that our Company, our Subsidiaries, our Promoters, our Directors, Promoter Group entities and persons in control of the Company, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority.

The companies, with which any of the Promoters, Directors or persons in control of the Company or any natural person behind the Promoters are or were associated as promoters, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority.

None of the Directors are associated in any manner with any entities, which are engaged in securities market related business and are registered with the SEBI for the same.

Neither our Company, its Subsidiaries, its Directors, Promoters nor the relatives of Promoters (as defined under the Companies Act) have been identified as wilful defaulters by the RBI or any other governmental authority. There are no violations of securities laws committed by any of them in the past or are pending against them.

### ***ELIGIBILITY FOR THIS ISSUE***

Our Company is an “Unlisted Issuer” in terms of the SEBI (ICDR) Regulations; and this Issue is an “Initial Public Offer” in terms of the SEBI (ICDR) Regulations.

Our Company is eligible for the Issue in accordance with Regulation 26 (1) of the SEBI (ICDR) Regulations as explained below:

1. The Company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets: Provided that if more than fifty per cent of the net tangible assets are held in monetary assets, the Issuer has made firm commitments to utilise such excess monetary assets in its business or project;
2. The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years; Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;
3. The Company has a net worth of at least Rs. 1 crore in each of the preceding three full years (of twelve months each);

4. The aggregate of the proposed issue and all previous issues made in the same financial year in terms of issue size does not exceed five times its pre-issue net worth as per the audited balance sheet of the preceding financial year; and
5. The company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name

In terms of a certificate issued by our Auditors, M/s. B. K. Khare & Co, Chartered Accountants, dated September 24, 2010 the Company satisfies the above eligibility criteria as detailed below:

(Rs in lakhs)

Particulars	As on March 31,				
	2010	2009	2008	2007	2006
Net Tangible Assets, as restated	34,229.22	31,133.28	19,200.59	9,419.49	6,925.65
Monetary Assets, as restated	1,585.94	6,551.89	5,514.77	491.66	63.70
Monetary Assets, as restated as a Percentage of Net Tangible Assets	4.62%	21.03%	28.70%	5.22%	0.92%
Net Profits, as restated	2,813.32	1,162.86	329.70	550.92	1,017.70
Net worth, as restated	6,448.94	3,635.62	2,472.76	2,801.91	2,555.81

#### Notes

1. Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revenue reserves), investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
2. Monetary Assets include cash on hand and bank
3. Net worth has been defined as the sum of equity share capital and reserves excluding revaluation reserves and miscellaneous expenditure to the extent not written off.
4. The above figures have been derived from the standalone financial statements.

Further, in addition to the conditions enumerated in sub-regulation (1) of Regulation 26 of the SEBI (ICDR) Regulations; our Company, in accordance with sub-regulation (4) of Regulation 26 of the SEBI (ICDR) Regulations, undertakes that the number of allottees in this Issue shall be at least one thousand (1,000) in number; failing which the entire application money shall be refunded forthwith. In case of delay, if any, in refund of application money, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay beyond fifteen days from the date of closure of the Issue.

For a complete explanation of the above figures, please refer to Section titled 'Financial Information' beginning on page number 214 of this Red Herring Prospectus.

#### **DISCLAIMER CLAUSE OF SEBI**

**"AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGERS AXIS BANK LIMITED AND AVENDUS CAPITAL PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE**

REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MERCHANT BANKERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS AXIS BANK LIMITED AND AVENDUS CAPITAL PRIVATE LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 29, 2010 WHICH READS AS FOLLOWS:

WE, THE LEAD MERCHANT BANKER(S) TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:
  - a. THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - b. ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - c. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. NOTED FOR COMPLIANCE
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD /

TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE - NOT APPLICABLE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. NOTED FOR COMPLIANCE.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE - NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN RS. 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, THE ALLOTMENT WILL BE MADE ONLY IN DEMAT FORM.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:



- a. AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND
  - b. AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
  14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
  15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.”

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Maharashtra, Pune 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 Registrar of Companies, Maharashtra, Pune in terms of Sections 56, 60 and 60B of the Companies Act.

***Disclaimer Statement from our Company, our Directors and the BRLMs***

Our Company and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of our Company and anyone placing reliance on any other source of information, including our website, [www.innoventive.in](http://www.innoventive.in), would be doing so at his or her own risk.

***Caution***

The BRLMs accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and our Company and the Memorandum of Understanding between the BRLMs and our Company.

Our Company and the BRLMs shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers, etc.

Neither our Company, its Directors and officers, nor any member of the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Each of the BRLMs & its associates and affiliates may engage in transactions with, & perform services for, our Company and associates of our Company in the ordinary course of business & have engaged, and may in future engage in providing financial services for which they have received, and may in future receive, compensation.

### ***Caution***

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company and the BRLMs and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

### ***Disclaimer in Respect of Jurisdiction***

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, 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 applicable trust law and who are authorised under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, VCFs, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 2,500lakhs, pension funds with minimum corpus of Rs. 2,500 lakhs and the National Investment Fund, and permitted non-residents including FIIs, Eligible NRIs, multilateral and bilateral development financial institutions, FVCIs and eligible foreign investors, provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Pune 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 Draft Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S of 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 being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

#### ***Disclaimer Clause of the BSE***

Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter dated October 28, 2010, to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: -

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- (ii) Warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which maybe suffered by such person sonsequent 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 NSE***

As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.: NSE/LIST/151064-B dated November 9, 2010 permission to the Issuer to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any way manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of this Issuer.

#### ***Disclaimer Clause of Agencies providing Expert Opinion***

#### **Disclaimer Clause of ICRA Limited**

Notwithstanding anything to the contrary, an ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not

limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an “as is” basis, without representations and warranties of any nature.

### ***Summary of rationale for grading by ICRA Limited***

This Issue has been graded by ICRA Limited, a SEBI registered credit rating agency, and has been assigned the “IPO Grade 3” indicating average fundamentals through its letter dated March 8, 2011, which is valid for a period of 6 months. The assigned grading takes into consideration diversified client base of IIL which is spread across various industries like automobile, power and energy, general engineering, furniture etc. The company has developed an in-house process known as Tube Cold Rolling or Pilgering to manufacture CEW tubes which results in relatively lower fuel and labour expenses and thereby improving the profitability. The company has applied for product as well as process patent in 33 countries for Tube Cold Rolling and the approval is expected by FY12. IIL has also developed an import substitute for membrane panel strips which is used in boilers and being a critical component, the profitability is relatively superior in this component as compared to tubes provides for automotive applications. According to the management, the company is the largest domestic supplier of membrane panel strips to companies like BHEL, Thermax Limited, Alstom Projects India Limited, Cethar Vessels Limited. The grading also favourably factors in long standing experience of the promoters in the industry and their close control on operations of the company. The grading is however constrained by weak capital structure of IIL characterized by high gearing; high working capital intensity and limited ability in passing raw material price fluctuations. ICRA also notes that regular investment towards capacity addition and working capital intensive operations of the company has resulted in stretched cash flow position over the years, which is likely to persist in the near to medium term.

IIL is amongst the leading manufacturer of ERW/CEW tubes in India with an installed capacity of 88,065 MT per annum. The company is an approved supplier of tubes for several domestic Original Equipment Manufacturers (OEMs), and it caters to the tube requirement of various auto ancillary units in and around Pune. Besides their varied application in automobile, the tubes also find its usage in various other sectors like power, energy, general engineering and furniture. Due to its capital intensive nature, the competitive pressure is comparatively less in CEW tubes segment and hence profitability is relatively better in CEW tube segment as compared to ERW tube segment. The company is primarily engaged in manufacturing of welded tubes. However given the high competitive intensity in ERW tubes segment, the company has increased its CEW tubes capacity from 7,920 MT (FY08) to 23,265 MT (FY10). The new CEW capacity is added using its in-house “Tube Cold Rolling” process. As of now, the capacity utilization has been low as majority of its enhanced capacity came into operation during the slowdown in automobile industry. The capacity utilization is expected to improve from current level (~45%); however, given such large capacity addition the new unit will take about 2-3 years to reach optimal utilization level. Going forward, IIL is expected to report robust growth in operating income in FY12 as reflected from its current order book position (~Rs 790 crore). IIL has also developed bimetallic tube which finds its application in consumer durables and the management is hopeful that these product innovations and diversification strategy will help company to further diversify its customer base and reduce its dependence on cyclical automobile industry thereby providing some revenue stability.

During 2006-10, IIL’s operating income registered a robust CAGR of 35.29% driven by both organic as well as inorganic growth. Focus on value added activity like manufacturing of membrane panel tubes, in-house innovations like Tube Cold Rolling process and replacement of costly CEW tube with micro alloyed ERW tube, the operating margins have improved considerably over last two year. IIL profitability also benefits from the subsidy provided under Industrial Promotion Subsidy (IPS), wherein it is eligible for 75% refund on investments made towards capacity addition from March 28, 2007.

In last five years, IIL had made investments in excess of Rs 250 crore towards organic as well as inorganic expansion. The promoters being first generation entrepreneurs had limited financial flexibility and relied majorly on debt financing to fund their expansion plans. Further the operations of IIL are working capital intensive as the company has to manage about 3-3½ month of inventory and has to extend 3-4 months credit period to its customer

whereas all suppliers provides raw material on cash/LC basis. As a result, due to debt funded capacity expansion and working capital intensive nature of business, the capital structure characterized by very high gearing and weak coverage indicator. In FY11, Kavos Capital infused equity to the tune of Rs. 35 crore to finance ongoing capital expansion and ease out liquidity condition of the company. The company is in the process to raise funds of Rs 219.58 crore from primary market via IPO process which if successful is expected to further strengthen the capital structure of the company.

A copy of the report provided by ICRA Limited, furnishing the rationale for its grading will be made available for inspection at our Registered Office from 10:00 am to 4:00 p.m. on Business Days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

### ***Filing***

A copy of the Draft Red Herring Prospectus had been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at its office at Registrar of Companies, PMT Building, Pune Stock Exchange, 3<sup>rd</sup> Floor, Deccan Gymkhana, Pune 411004, Maharashtra, India.

### ***Listing***

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange with which the basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 12 Working Days from the 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 such expiry of 8 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.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of finalisation of the Bid / Issue Closing Date.

### ***Impersonation***

Attention of the Bidders 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, a Bid to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

### ***Consents***

Consents in writing of our Directors; our Company Secretary and Compliance Officer; our Auditors; Bankers to our Company; Escrow Collection Bank(s); Refund Bank(s); Syndicate Members; IPO Grading Agency; BRLMs; the Registrar and the legal advisors to this Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009, M/s. B. K. Khare & Co., Chartered Accountants, the Company's Auditors have given their written consent to the inclusion of their report dated September 25, 2010 and statement of tax benefits accruing to the Company and its shareholders from PCK & Associates, Chartered Accountants dated September 22, 2010, in the form and context in which it appears in this Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

### ***Expert Opinion***

Except the report titled '*Precision Tubes Market in India*' prepared by Frost & Sullivan, dated June, 2010, and the report prepared by the IPO Grading Agency, ICRA Limited, the Company has not obtained any expert opinions.

### ***Disclaimer from Frost & Sullivan:***

Frost and Sullivan has used due care and caution in preparing the aforesaid reports. Information has been obtained by Frost and Sullivan from sources which it considers reliable. However, Frost and Sullivan does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. No part of these reports may be published or reproduced in any form without Frost and Sullivan's prior written approval. Frost and Sullivan shall not be liable for investment decisions which may be based on the views expressed in such reports.

### ***Expenses of the Issue***

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:

Activity	Expenses*	(Rs. in Lakhs)	
		As a % of Total Issue Expenses	As a % of Total Issue Size
Issue Management Fees (Lead Management, Underwriting & Selling Commission, Brokerage)	[•]	[•]	[•]
SCSB Commission	[•]	[•]	[•]
Bankers to the Issue			
Advertisement & Marketing Expenses	[•]	[•]	[•]
Printing, Stationery & Distribution Expenses	[•]	[•]	[•]
IPO Grading Expenses	[•]	[•]	[•]
Others (including Legal Advisors Fee, Auditors Fee, Registrars Fee, Regulatory Fees including filing fees paid to SEBI and Stock Exchanges)	[•]	[•]	[•]
<b>Total estimated Issue expenses</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

\*will be completed after finalisation of the Issue price

All expenses with respect to this Issue will be borne by our Company.

### ***Details of Fees Payable***

### ***Fees Payable to the Book Running Lead Managers and Syndicate Members***

The total fees payable to the BRLMs and Syndicate Members will be as stated in the Engagement Letter from our Company to the BRLMs, a copy of which is available for inspection at our Registered Office.

### ***Fees Payable to the Registrar to this Issue***

The fees payable 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 August 10, 2010 entered into among the Company and the Registrar to the Issue, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, and stamp duty and communication expenses. Adequate funds will be provided 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.

### ***Fees Payable to Others***

The total fees payable to the Legal Advisor, Auditor, Credit Rating Agency & Advertiser etc. will be as per the terms of their respective engagement letters.

### ***Underwriting Commission, Brokerage and Selling Commission***

The underwriting commission and selling commission for this Issue is as set out in the Syndicate Agreement to be entered into between our Company and the BRLMs. The underwriting commission shall be paid as set out in the Underwriting Agreement to be entered into based on the Issue Price and amount underwritten in the manner mentioned in the Prospectus. Payment of underwriting commission, brokerage and selling commission would be in accordance with applicable laws.

### ***Previous Rights and Public Issues During Last Five Years***

We have not made any previous rights and/or public issues during the last five years, and are an “Unlisted Issuer” in terms of the SEBI (ICDR) Regulations and this Issue is an “Initial Public Offering” in terms of the SEBI (ICDR) Regulations.

### ***Previous issue of shares otherwise than for cash***

Save and except as stated in the chapter titled “*Capital Structure*” beginning on page number 78 of this Red Herring Prospectus, we have not issued any Equity Shares for consideration other than for cash.

### ***Commission and Brokerage on Previous Issues***

Since this is the initial public offer of the Equity Shares by our 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 our Equity Shares since our inception.

### ***Listed companies under the same Management***

There are no listed companies under the same management as our Company within the meaning of Section 370 (1B) of the Companies Act, 1956 which have made any capital issues in the last three years.

### ***Promise versus performance for our Company***

Our Company is an “Unlisted Issuer” in terms of the SEBI (ICDR) Regulations, and this Issue is an “Initial Public Offering” in terms of the SEBI (ICDR) Regulations. Therefore, data regarding promise versus performance is not applicable to us.

***Promise versus Performance – Previous Issues of Group Companies.***

None of our Group Entities have made any public issues in the past.

***Outstanding debentures, bonds, redeemable preference shares and other instruments issued by our Company***

As on the date of filing this Red Herring Prospectus, our Company has no outstanding debentures or bonds. The Company does not have any outstanding preference shares other than those mentioned in section titled “*Capital Structure*” beginning on page number 78 of this Red Herring Prospectus.

***Option to Subscribe***

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.

***Stock Market Data for our Equity Shares***

Our Company is an “Unlisted Issuer” in terms of the SEBI (ICDR) Regulations, and this Issue is an “Initial Public Offering” in terms of the SEBI (ICDR) Regulations. Thus there is no stock market data available for the Equity Shares of our Company.

***Mechanism for Redressal of Investor Grievances***

The Memorandum of Understanding between the Registrar and us will provide for retention of records with the Registrar for a period of at least three years from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar with a copy to the Company Secretary and Compliance Officer, giving full details such as the name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

***Disposal of Investor Grievances by our Company***

Our Company or the Registrar to the Issue or the SCSB in case of ASBA Bidders shall redress routine investor grievances. We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be ten working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Company has also constituted an Investors’ Grievance Committee to review and redress the shareholders and investor grievances such as transfer of shares, non-recovery of balance payments, declared dividends, approve subdivision, consolidation, transfer and issue of duplicate shares.

Our Company has appointed Mr. Mahesh Bagla as the Company Secretary and the Compliance Officer and he may be contacted the following address:

**Mr. Mahesh Bagla**

Office numbers 601 and 602,  
Nucleus Mall,  
1 Church Road,



Camp,  
Pune – 411 001,  
Maharashtra, India.  
Telefax No.: +91- 020-6620 3549  
E-mail: [maresh.bagla@innoventive.in](mailto:maresh.bagla@innoventive.in)

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

***Changes in Auditors during the last three financial years and reasons therefore***

The changes in the Auditors of our Company in the last three years are detailed below:

<b>Name of the Auditor</b>	<b>Date</b>	<b>Reason for Change</b>
M/s. AMB & Co.	January 13, 2009	Resignation
M/s. B. K. Khare & Co.	January 20, 2009	Appointment

***Capitalisation of Reserves or Profits***

Save and except as stated in the chapter titled “*Capital Structure*” beginning on page number 78 of this Red Herring Prospectus, our Company has not capitalized its reserves or profits at any time since inception.

***Revaluation of assets***

The Company has not revalued its assets in the last five years.

## **SECTION VII – ISSUE RELATED INFORMATION**

### **TERMS OF THE ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, the SCRR, the Memorandum and Articles of Association of our Company, conditions of RBI approval, if any, the terms of this Red Herring Prospectus and Prospectus, Bid-cum-Application Form, ASBA Form, the Revision Form, the Confirmation of Allocation Note (“CAN”), Listing Agreements with the Stock Exchanges and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Reserve Bank of India, Registrar of Companies and / or other authorities, as in force on the date of this Issue and to the extent applicable.

#### ***Authority for the Issue***

The Issue has been authorized by the resolution of the Board of Directors passed at their meeting held on August 4, 2010, subject to the approval of shareholders through a special resolution to be passed under to Section 81 (1A) of the Companies Act and such other regulatory authority as may be necessary.

The Issue of Equity Shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Annual General Meeting of shareholders held on September 6, 2010.

#### ***Ranking of Equity Shares***

The Equity Shares being issued through this Issue shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the other existing Equity Shares of our Company including rights in respect of dividends. The Allottees, in receipt of Allotment of Equity Shares under this Issue, will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment. For a description of our Articles of Association, please refer to the section titled ‘*Main Provisions of the Articles of Association*’ beginning on page number 441 of this Red Herring Prospectus.

#### ***Mode of Payment of Dividend***

We shall pay dividend to the shareholders as per the provisions of the Companies Act, 1956 and recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

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

The Equity Shares with a face value of Rs. 10 each will be issued in terms of the Red Herring Prospectus to be filed with the RoC, Pune at a price of Rs. [●] per share. The Anchor Investor Issue Price is Rs. [●] per Equity Share.

At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

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

Subject to applicable laws, the equity shareholders shall have the following rights:

- i. Right to receive dividend, if declared;

- ii. Right to attend general meetings and exercise voting powers, unless prohibited by law;
- iii. Right to vote on a poll either in person or by proxy;
- iv. Right to receive offers for rights shares and be allotted bonus shares, if announced;
- v. Right to receive surplus on liquidation subject to statutory and other preferential claims being satisfied;
- vi. Right of free transferability; and
- vii. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Listing Agreements executed with the Stock Exchanges and the Memorandum and Articles of Association of the Company.

For further details on the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled '*Main Provisions of the Articles of Association*' beginning on page number 441 of this Red Herring Prospectus.

#### ***Compliance with SEBI (ICDR) Regulations***

We shall comply with all disclosures and accounting norms as specified by SEBI from time to time.

#### ***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 (ICDR) Regulations, 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 form, the tradable lot would be one Equity Share. Allocation and Allotment in this issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of Equity Shares. For details of allocation and allotment, please refer to para titled "*Basis of Allotment*" on page number 433 in the chapter titled '*Issue Procedure*' beginning on page number 402.

#### ***Jurisdiction***

The jurisdiction for the purpose of this issue is with competent courts/authorities in Pune, Maharashtra.

#### ***Nomination Facility to the Investor***

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original shareholder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- i. To register himself or herself as the holder of the Equity Shares; or
- ii. To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective depository participant.

### ***Minimum Subscription***

If the Company does not receive the minimum subscription of 90% of the issue amount, including devolvement of the Underwriter/ Members of the Syndicate, if any, within 60 days from the date of Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

Further, in terms of sub-regulation (4) of Regulation 26 of the SEBI (ICDR) Regulations, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1000. If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

### ***Jurisdiction***

**The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S of 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 may be offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

### ***Withdrawal of the Issue***

The Issuer, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date but prior to Allotment, without assigning any reason thereof. In case the Issuer decides to do so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of issue in the newspapers in which the Bid advertisement appeared earlier. The Issuer shall also inform the Stock Exchanges, on which the Equity Shares are proposed to be listed, of its intention of withdrawing the Issue.

### ***Arrangements for disposal of odd lots***

Our Company’ shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore, there is no possibility of odd lots.

### ***Restrictions on transfer of shares etc. and alteration of capital structure***

Except for lock-in of the pre-Issue Equity Shares and Promoters' minimum contribution in the Issue as detailed in chapter titled "*Capital Structure*" beginning on page number 78 of this Red Herring Prospectus, and except as provided in our Articles, there are no restrictions on transfers of Equity Shares. There are no restrictions on transmission of Equity Shares and on their consolidation/splitting except as provided in our Articles. For further details, please refer to the section titled '*Main Provisions of the Articles of Association of our Company*' beginning on page number 441 of this Red Herring Prospectus.

## ISSUE STRUCTURE

The present Issue of [●] Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share for cash including a share premium of Rs. [●] per Equity Share aggregating Rs. 21,958 lakhs. The Issue will constitute [●]% of the post Issue paid-up capital of our Company. Our Company has allotted 26,00,000 Equity Shares as a Pre-IPO Placement to Standard Chartered Private Equity (Mauritius) II Limited for a price of Rs. 117 per Equity Resolution dated February 8, 2011.

The Issue is being made through the 100% Book Building Process.

	<b>QIBs<sup>#</sup></b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Upto [●] Equity Shares**	Not less than [●] Equity Shares available for allocation or Issue less allocation to QIB Bidders and Retails Individual Bidders**	Not less than [●] Equity Shares available for allocation or Issue less allocation to QIB Bidders and Non - Institutional Bidders**
Percentage of Issue Size available for Allotment/ allocation	Upto 50% of the Issue Size being allocated., or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.*  However, 5% of the Net QIB Portion shall be available for allocation proportionately to Mutual Funds only.  Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining Net QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available to QIBs in the Net QIB Portion.	Not less than 15% of the Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders*	Not less than 35% of the Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders*
Basis of Allotment/ allocation if respective category is oversubscribed	Proportionate as follows:  a. upto [●] Equity Shares for allocation to Anchor Investor on a discretionary basis, out of which one-third shall be available for allocation to domestic Mutual Funds only.  b. upto [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and  c. upto [●] Equity Shares shall be available for allocation on a proportionate basis to all QIBs, including Mutual	Proportionate	Proportionate

	<b>QIBs<sup>#</sup></b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
	Funds receiving allocation as per b. above.		
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 2,00,000/- and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 2,00,000/- and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares
Maximum Bid	Such number of Equity Shares not in multiples of [●] Equity Shares, so that Bid does not exceed the Issue subject to applicable limits.	Such number of Equity Shares in multiples of [●] Equity Shares, so that Bid does exceed the Issue subject to applicable limits.	Such number of Equity Shares per Retail Individual Bidder whereby the Bid amount does not exceed Rs. 2,00,000/-.
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Bid lot	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares
Allotment lot	[●] Equity Shares and in multiple of one Equity Share thereafter.	[●] Equity Shares and in multiple of one Equity Share thereafter.	[●] Equity Shares and in multiple of one Equity Share thereafter.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply ^^	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-accounts registered with SEBI (other than sub-accounts being foreign corporates or foreign individuals), scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India and insurance funds set up and managed by the army, navy or air force of the Union of India, insurance funds set up and managed by the Department of	Eligible NRIs, Resident Indian individuals, HUFs (in the name of karta), companies, corporate bodies, scientific institutions, societies and trusts, sub accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals.	Resident Indian Individuals (including HUFs in the name of karta, NRI's), applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs. 2,00,000/- in value.

	<b>QIBs<sup>#</sup></b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
	Post, India.		
Terms of Payment	Amount shall be payable at the time of submission of (1) Bid cum Application Form to the Syndicate Members. (including for Anchor Investors) or (2) submission of ASBA form to SCSB. <sup>\$^</sup>	Amount shall be payable at the time of submission of (1) Bid cum Application Form to the members of the Syndicate or (2) submission of ASBA forms to SCSB. <sup>\$</sup>	Amount shall be payable at the time of submission of the (1) Bid cum Application Form to the members of the Syndicate or (2) submission of ASBA forms to SCSB. <sup>\$</sup>
Margin Amount	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

\* *This Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to QIBs, out of the Net QIB Portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.*

# *Our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One - third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. For further details, please refer to the chapter titled "Issue Procedure" beginning on page number 402 of this Red Herring Prospectus.*

\$ *In the case of ASBA bidders the SCSBs shall be authorised to block such funds in the bank account of the ASBA bidders that are specified in the ASBA Bid cum Application Form.*

^ *Bid Amount shall be payable by the Anchor Investors at the time of submission of the Bid cum Application Forms. If the Issue Price is greater than the Anchor Investor Issue Price, the additional amount representing the difference between the Issue Price and the Anchor Investor Issue Price shall be paid by the Anchor Investors within the Pay-in Date. If the Issue Price is lower than the Anchor Investor Issue Price, the Allotment to Anchor Investors shall be at the Anchor Investor Issue Price.*

\*\* *Subject to valid Bids being received at or above the Issue Price, Under-subscription, if any, in QIBs, Non-Institutional and Retail Individual categories would be allowed to be met with spill over inter-se from any other categories, at the discretion of the Company, the BRLMs, the Designated Stock Exchange and subject to applicable provisions of the SEBI (ICDR) Regulations.*

^^ *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.*

### **Withdrawal of the Issue**

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue including at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment of Equity Shares. In such an event our Company shall issue a public notice in two national daily newspapers (each in English and Hindi) and one regional language (Marathi) daily newspaper, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to stock exchanges on which the Equity Shares are proposed to be listed.

In the event that our Company decides not to proceed with the Issue after Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, our Company shall file a fresh Red Herring Prospectus with SEBI.



### ***Bid/Issue Program***

<b>BID/ISSUE OPENS ON*</b>	<b>FOR ALL BIDDERS</b>	<b>April 26, 2011</b>
<b>BID/ISSUE CLOSES ON</b>	<b>FOR QIBs</b>	<b>April 28, 2011</b>
	<b>FOR RETAIL AND NON-INSTITUTIONAL BIDDERS</b>	<b>April 29, 2011</b>

*\*Our Company in consultation with the BRLMs, may consider participation by Anchor Investors in terms of the SEBI ICDR Regulations. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date. Bids by Anchor Investors will be submitted to the BRLMs. The number of Equity Shares allocated to each Anchor Investor and Anchor Investor Issue Price shall be made available in the public domain by the BRLMs, before the Bid / Issue Opening Date.*

**Bids and any revision in Bids shall be accepted only between 10.00 a.m. to 5.00 p.m. (Indian Standard Time) during the Bid/Issue Period at the Bidding Centers mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, by the member of the syndicate or the Designated Branches of the SCSBs except that on the Bid/Issue Closing Date:**

#### **For QIB Bidders**

- Bids shall be accepted only between 10.00 a.m. to 4.00 p.m. (Indian Standard Time) and uploaded until 5.00 pm (Indian Standard Time). QIB Bid / Issue Closing Date for the QIB Bidders will be a day prior to the Bid / Issue Closing Date.

#### **For Non-Institutional Bidders**

- Bids shall be accepted only between 10.00 a.m. to 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time).

#### **For Retail Individual Investors**

- Bids shall be accepted only between 10.00 a.m. to 4.00 p.m. (Indian Standard Time) and uploaded until 5.00 pm (Indian Standard Time) which may be extended upto such time subject to permission from BSE and NSE.

Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are requested to note that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last date. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids not uploaded in the book would be rejected. If such Bids are not uploaded, our Company, BRLMs, Syndicate Members, Sub-syndicate members and the SCSBs will not be responsible. Bids will be accepted only on Working Days. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Form as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

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

Saturdays and Holidays as declared by the exchanges.

Our Company in consultation with the BRLMs reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations provided that the revised cap of the price band should not be more than 20% of the revised floor of the band i.e. revised cap of the Price Band shall be less than or equal to 120% of the revised floor of the price band. The Floor Price can be revised up or down to a maximum of 20% of the original Floor Price and shall be advertised at least one Working Day before the Bid /Issue Opening Date. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

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

## ISSUE PROCEDURE

*This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form. It may be noted that pursuant to the SEBI Circular (no. CIR/CFD/DIL/2/2010) dated April 06, 2010 SEBI has decided to extend the ASBA facility to QIBs in all public issues opening on or after May 1, 2010.*

### **Book Building Procedure**

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (excluding the Anchor Investor Portion), out of the Net QIB Portion 5% shall be available for allocation on a proportionate basis to Mutual Funds only, subject to valid Bids being received from them at or above the Issue Price. The remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 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. Allocation to Anchor Investor shall be on a discretionary basis and not on a proportionate basis.

All Bidders other than the ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs. QIB Bidders are required to submit their Bids only to the BRLMs or their affiliates or the Syndicate members. The QIBs who Bid through the ASBA process shall submit their Bid to the Designated Branches of the SCSBs and should intimate the BRLMs.

In case of QIB Bidders, the Company, in consultation with the BRLMs, may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for such rejection shall be communicated to the QIB Bidder at the time of rejection of the Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds. The identity of QIBs bidding in the Issue under Net QIB Portion shall not be made public. In case of Anchor Investors, our Company in consultation with the BRLMs, reserves the right to reject any Bid procured from Anchor Investors without assigning any reason thereof.

**Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialized form. The Bid cum Application Forms or ASBA Forms which do not have the details of the Bidders' depository account shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.**

**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 applicable laws, regulations or approvals. Bidders are advised to make their own enquiries about the limits applicable to them.**

### **Bid Cum Application Form**

Bidders (excluding ASBA Bidders) shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. Before being issued to the Bidders, the Bid cum Application Forms shall be serially numbered and date and time stamped at the Bidding Centres and such form shall be issued in duplicate signed by the Bidder and countersigned by the relevant member of the Syndicate. The Bid cum Application Form shall contain information about the Bidder, the price and the number of Equity Shares that the Bidder wishes to Bid for. A Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple

Bids. Upon the filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form.

**An ASBA Bidder can submit his Bid through an ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB or the Designated Branches of the SCSBs authorizing blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form; or (b) to the members of the Syndicate who shall further submit such ASBA Bid cum Application Form to the SCSBs. The Syndicate/ sub Syndicate members will upload details of the Bid and other relevant details in the electronic IPO system of the Stock Exchanges and thereafter submit the ASBA Bid cum Application Form to the SCSBs.**

The ASBA Bid cum Application Form will also be available on the websites of the Stock Exchanges at least one Working Day prior to the Bid/Issue Opening Day. The BRLMs and the SCSBs will provide the hyperlink to BSE or NSE websites on their websites. The SCSB shall block an amount equal to the Bid Amount in the ASBA Account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The ASBA data shall thereafter be uploaded by the SCSB / member of the Syndicate (as the case maybe) in the electronic IPO system of the Stock Exchanges. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the 'Basis of Allocation' and consequent transfer of the Bid Amount against the allocated Equity Shares to the Public Issue Account, or until withdrawal/failure of this Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the 'Basis of Allocation' is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the concerned SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Issue Account. In case of withdrawal/failure of this Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue. Upon finalization of the basis of allotment and filing of the Prospectus with the RoC, the ASBA Form shall be considered as the Application Form.

Upon completion and submission of the Bid cum Application Form to the Syndicate (and in the case of an ASBA Bid cum Application Form, to the SCSB) the Bidder is deemed to have authorized us to make the necessary changes in this 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. All Bidders (excluding Anchor Investors) can participate in this Issue by way of the ASBA process.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis (ASBA as well as non ASBA Bidders)	White
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis (ASBA as well as non ASBA Bidders)	Blue
Anchor Investors*	Green

\* Bid cum Application forms for Anchor Investors have been made available at the offices of the BRLMs

#### **Who can Bid?**

- Indian nationals resident in India, who are not minors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;

- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors Funds registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 2,500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 2,500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and bilateral development financial institutions;
- National Investment Fund;
- Insurance funds set up and managed by army, navy or air force of the Union of India
- Persons otherwise eligible to invest under all applicable laws, rules, regulations and guidelines
- Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue; and
- Insurance funds set up and managed by the Department of Posts, India;

As per the existing regulations, OCBs cannot participate in this Issue.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

***Participation by Associates of BRLMs and Syndicate Members***

The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

The BRLMs and any persons related to the BRLMs or the Promoters and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

***Participation by eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals***

Eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals may Bid in the Non-Institutional Portion, subject to receipt of appropriate approvals from applicable regulatory authorities.

***Bids by Mutual Funds***

As per the SEBI ICDR Regulations, 5% of the Net QIB Portion, has been specifically reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in this Issue. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

#### ***Bids by Insurance Companies***

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

#### ***Bids by Provident Funds***

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2,500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

#### ***Bids by Eligible NRIs***

1. Bid cum Application Forms have been made available for Eligible NRIs applying on a repatriation basis at the Registered Office of the Company and with members of the Syndicate or SCSB.
2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.
3. Bids by Eligible NRIs for a Bid Amount of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

#### ***Bids by FIIs***

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue issued capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual. As of now, the

aggregate FII holding in the Company cannot exceed 49% of our total issued capital. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the company for adoption.

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 (the “SEBI FII Regulations”), an FII, as defined in the SEBI FII Regulations, or its sub-account may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms. The FII or sub-account is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the BRLMs and the Syndicate Member that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation or claim or claim on or an interest in the Company.

#### ***Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors***

As per the current regulations, the following restrictions are applicable for SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the rate of exchange prevailing at the time of remittance and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

#### ***Bids by Anchor Investors***

Our Company, in consultation with the BRLMs, may consider participation by Anchor Investors in the Issue for upto [●] Equity Shares in accordance with the applicable SEBI ICDR Regulations. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor category. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. The key terms for participation in the Anchor Investor Portion are as follows:

- a. Anchor Investors shall be QIBs as defined in the SEBI ICDR Regulations;

- b. A Bid by an Anchor Investor must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.1,000 lakhs and in multiples of [●] Equity Shares thereafter. An Anchor Investor Bids cannot exceed the Anchor Investor Portion. In case of a Mutual Fund registered with SEBI, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of Rs. 1,000 lakhs
- c. One-third of the Anchor Investor Portion (i.e., [●] Equity Shares) shall be reserved for allocation to domestic Mutual Funds.
- d. The minimum number of allottees in the Anchor Investor Portion shall not be less than:
  - two, where the allocation under Anchor Investor Portion is upto Rs. 25,000 lakhs.; and
  - five, where the allocation under Anchor Investor Portion is more than Rs 25,000 lakhs.
- e. Anchor Investors shall be allowed to Bid under the Anchor Investor only on the Anchor Investor Bidding Date (i.e., one Working Day prior to the Bid / Issue Opening Date). Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.
- f. Our Company shall, in consultation with the BRLMs, finalise allocation to the Anchor Investors on a discretionary basis, subject to compliance with requirements regarding minimum number of Allottees under the Anchor Investor Portion.
- g. Allocation to Anchor Investors shall be completed on the day of bidding by Anchor Investors
- h. The number of Equity Shares allocated to successful Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs, before opening of Bidding on the Bid/ Issue Opening Date.
- i. Anchor Investors shall pay the entire Bid Amount at the time of submission of their Bid. In case the Issue Price is greater than the Anchor Investor Price, any additional amount being the difference between the Issue Price and Anchor Investor Price shall be payable by the Anchor Investors. In the event the Issue Price is lower than the Anchor Investor Price, the allotment to Anchor Investors shall be at Anchor Investor Price.
- j. The Equity Shares allotted in the Anchor Investor Portion shall be locked-in for a period of thirty days from the date of Allotment in the Issue.
- k. Neither the BRLMs, nor any person related to the BRLMs, our Promoter, members of our Promoter Group or Group Companies, shall participate in the Anchor Investor Portion.
- l. Bids made by QIBs under both the Anchor Investor Portion and the Net QIB Portion shall not be considered as multiple Bids.
- m. The instruments for payment into the Escrow Account should be drawn in favour of:
  - In case of Resident Anchor Investors: **“Escrow Account – Innoventive Public Issue – Anchor Investor – R”**;
  - In case of Non-Resident Anchor Investor: **“Escrow Account – Innoventive Public Issue – Anchor Investor – NR”**;

**Anchor Investors are advised to note that Anchor Investors cannot Bid using ASBA process.**

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band published by our Company, in one English national daily newspaper, one Hindi national daily newspaper and one regional daily newspaper with wide circulation, where the Registered Office of our Company is situated, at least two Working Days prior to the Bid/ Issue Opening Date.

**The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their own independent investigations and 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.**

#### ***Maximum and Minimum Bid Size***

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 2,00,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does



not exceed Rs. 2,00,000/-. In case the Bid Price is over Rs. 2,00,000/- due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

- (b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 2,00,000/- and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under the SEBI Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the entire Bid Amount upon submission of the Bid.** The identity of QIBs bidding in the Issue under QIB Portion shall not be made public.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 2,00,000 to be considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 2,00,000 or less due to a revision in the Bids or a revision in the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Non-Institutional Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-off Price.

- (c) **For Bidders in the Anchor Investor Portion:** Bid by an Anchor Investor must be for a minimum of such number of Equity Shares that the Bid Amount is at least Rs. 1,000 lakhs and is a multiple of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bids by QIBs under the Anchor Investor Portion and the Net QIB Portion shall not be considered as multiple Bids. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period and are required to pay the full Bid Amount at the time of submission of the Bid. In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable as per the pay-in date mentioned in the revised CAN.**

**The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company and the BRLMs do not accept any responsibility for the completeness and accuracy of the information in relation to applicable investment limits or number of Equity Shares that can be held by them stated herein.**

**Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any 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.**

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund".

***Information for the Bidders:***

- (a) The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) Our Company and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and the same shall also be published in three newspapers (one each in English, Hindi and Marathi). Further, the Price Band and minimum bid lot size shall be disclosed atleast two days prior to Bid/Issue Opening Date in three newspapers (one each in English, Hindi and Marathi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Part A of Schedule XIII of the of the SEBI (ICDR) Regulations, 2009.

- (c) The members of the Syndicate will circulate copies of the Bid cum Application Form to potential investors and the Red Herring Prospectus at the request of the potential investors.
- (d) Any Bidder (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the registered office of the Company or from any of the members of the Syndicate.
- (e) Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLMs or Syndicate Members or their authorised agent(s). ASBA Bidders should approach the SCSBs to register their Bids or the members of the Syndicate who shall further submit such ASBA Bid cum Application Form to the SCSBs.
- (f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form, which will also be available on the websites of the Stock Exchanges at least one day prior to the Bid/Issue Opening Date

**The applicants may note that in case the DP ID, Client ID and PAN mentioned in the Bid cum Application Form or the ASBA form, as the case may be, and entered into the electronic bidding system of the Stock Exchanges by the Syndicate or SCSB do not match with the DP ID, Client ID and PAN available in the Depository database, the application Bid cum Application Form or the ASBA Form, as the case may be is liable to be rejected.**

#### ***Method and Process of Bidding***

- (a) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation. This advertisement shall be in the prescribed format. The Price Band and the minimum Bid Lot size for the Issue will be decided by the Company in consultation with the BRLMs and advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Marathi language at least two (2) working days prior to the Bid/ Issue Opening Date. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) The Bid/Issue Period shall be for a minimum of three working days and shall not exceed 10 working days. The Bid/ Issue Period maybe extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Marathi newspaper with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
- (c) During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids or the members of the Syndicate who shall further submit such ASBA Bid cum Application Form to the SCSBs.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity

Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or any SCSB in the case of ASBA Bidder. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled *“Build up of the Book and Revision of Bids”*.
- (f) Except in relation to the Bids received from the Anchor Investors, the members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) The BRLMs shall accept the Bids from the Anchor Investors during the Anchor Investor Bidding Date i.e. one Working Day prior to the Bid/ Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.
- (h) During the Bid/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- (i) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described under the paragraph titled *“Escrow Mechanism, terms of payment and payment into the Escrow Accounts”* on page number 414 in the chapter titled *‘Issue Procedure’* beginning on page number 402 of this Red Herring Prospectus.
- (j) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- (k) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- (l) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.
- (m) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

#### ***Bids at Different Price Levels and Revision of Bids***

- (a) The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One). The Price Band and the minimum Bid Lot size for the Issue will be decided by the Company, in consultation with the BRLMs, and

advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Marathi language, each with wide circulation, at least two (2) working days prior to the Bid/ Issue Opening Date.

- (b) The Company, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two (2) days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.
- (c) In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the members of the Syndicate.
- (d) The Company, in consultation with the BRLMs, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.
- (e) The Company, in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (f) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.
- (g) Retail Individual Bidders, who Bid at 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 submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.
- (h) 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) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 2,00,000 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 Amount plus additional payment) exceeds Rs. 2,00,000/-, 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 cap 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 the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (i) 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. The Company, in consultation with the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.
- (j) Shortfalls, if any, on accord of downward revision in the Price Band shall be met through a range of options including utilizing our internal accruals, seeking additional debt or raising further equity capital.

## ***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 this 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 PAN, Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in dematerialised form only;
- e. Ensure that the Bid cum Application Forms submitted at the Bidding Centres bear the stamp of the members of the Syndicate;
- f. With respect to ASBA Bids ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- g. Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- h. Ensure that you have collected TRSs for all options in your Bid;
- i. Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.
- j. Ensure that you submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- k. Each of the Bidders, should mention their PAN allotted under the IT Act;
- l. 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. Where 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;
- m. Ensure that the demographic details (as defined in the section titled "*Issue Procedure – Bidder's Depository Account and Bank Account Details*" on page number 421 are updated, true and correct in all respects;
- n. Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of a member of the syndicate and that the full Bid Amount is paid for the Bids submitted to the Syndicate; and

### ***Don'ts:***

- a. Do not Bid for lower than the minimum Bid size;
- b. Do not Bid or 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 or SCSB;
- d. Do not pay the Bid amount in cash, postal order, or by stockinvest;
- e. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate;

- f. QIBs and Non-Institutional Bidders should not Bid at Cut-Off Price;
- g. Do not Bid such that the number of Equity Shares Bid for exceeds the Issue size and/or the investment limit or the 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 this Red Herring Prospectus;
- h. Do not Bid at Bid Amount exceeding Rs. 2,00,000, for in case of a Bid by a Retail Individual Bidder;
- i. Do not submit the Bid without the full Bid Amount through the Bid cum Application Form;
- j. Do not mention the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- k. Do not Bid for Allotment of shares in physical form.

***Additional Instructions for ASBA Bidders only***

***Do's:***

- a. Ensure that you use the ASBA Application Cum Bid Form specified for the purposes of ASBA.
- b. Read all the instructions carefully and complete the ASBA Application Cum Bid Form.
- c. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.
- d. Ensure that your ASBA Application Cum Bid Form is submitted at a Designated Branch, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or the Registrar to the Issue or the BRLMs.
- e. Ensure that the ASBA Application Cum Bid Form is signed by the account holder in case the applicant is not the account holder.
- f. Ensure that you have mentioned the correct ASBA Account number in the ASBA Form.
- g. Ensure that you have funds equal to the number of Equity Shares Bid for at the Cap Price available in your ASBA Account before submitting the ASBA Application Cum Bid Form to the respective Designated Branch.
- h. Ensure that you have correctly checked the authorisation box in the ASBA Application Cum Bid Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Application Cum Bid Form in your ASBA Account maintained with a branch of the concerned SCSB.
- i. Ensure that you receive an acknowledgement from the Designated Branch for the submission of your ASBA Application Cum Bid Form.
- j. Ensure that the name(s) given in the ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA 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 ASBA Form.
- k. ASBA Bidders should approach the SCSBs to register their Bids or the members of the Syndicate who shall further submit such ASBA Bid cum Application Form to the SCSBs.

***Don'ts:***

1. Do not Bid on another ASBA Application Cum Bid Form or on a Bid cum Application Form after you have submitted a Bid to a Designated Branch.
2. Payment of Bid Amounts in any mode other than blocked amounts in the ASBA Accounts, shall not be accepted under the ASBA.
3. Do not send your physical ASBA Form by post; instead submit the same to a Designated Branch.

***Escrow mechanism, terms of payment and payment into the Escrow Accounts***

For details of the escrow mechanism and payment instructions, please refer to the section titled “*Issue Procedure- Payment Instructions*” on page number 423 of this Red Herring Prospectus.

***Electronic Registration of Bids***

- (a) The members of the Syndicate and SCSBs will register the Bids (except Bids received from Anchor Investors) using the on-line facilities of BSE and NSE. There will be at least one terminal offering on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted. The members of the Syndicate, the Company and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the members of the Syndicate and the SCSBs, (ii) the Bids uploaded by the members of the Syndicate and the SCSBs, (iii) the Bids accepted but not uploaded by the members of the Syndicate and the SCSBs or (iv) with respect to ASBA Bids accepted and uploaded without blocking funds in the ASBA Accounts. The respective members of the Syndicate and / or the SCSBs shall be responsible for any errors in the Bid details uploaded by them. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- (b) The members of the Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Issue Closing Date to amend some of the data fields (currently DP ID, Client ID) entered by them in the electronic bidding system. Bidders are cautioned that a high inflow of Bids typically experienced on the last Working Day of the Bidding may lead to some Bids received on the last Working Day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on Working Days.
- (c) The BSE and NSE will offer an electronic facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents and the SCSBs during the Bid / Issue Period. The members of Syndicate and the Designated Branches 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 till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis. Bidders are cautioned that a high inflow of high volumes on the last day of the Issue Period may lead to some Bids received on the last day not being uploaded and such Bids will not be considered for allocation.
- (d) At the end of each day during the Bid / Issue Period, the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be uploaded on a regular basis, consolidated and displayed on-line at all Bidding Centres and the website of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at the Bidding Centres during the Bid / Issue Period.
- (e) 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: Name of the investor: Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form (other than ASBA Bids);
  - Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.
  - PAN
  - Numbers of Equity Shares bid for.
  - Bid price.
  - Bid cum Application Form number.
  - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.
  - Cheque details
- (f) With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the online system:
- Name of the Bidder(s);
  - Application Number;
  - PAN (of First Bidder, in case of more than one Bidder);
  - Investor Category - Individual, Corporate, FII, NRI, Mutual Fund, etc.
  - DP ID;
  - Beneficiary Account Number or client ID;
  - Number of Equity Shares bid for;
  - Bid Price;
  - Bank Account Number;
- (g) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Allotment either by the members of the Syndicate or the Company.
- (h) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (i) In case of QIB Bidders bidding in the Net QIB Portion, members of the BRLMs 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 and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed under the para titled '*Grounds for Technical Rejection*' on page number 428 in the chapter titled "*Issue Procedure*" beginning on page number 402 of this Red Herring Prospectus.
- (j) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. The members of the Syndicate shall capture all data relevant for the purposes of finalizing the Basis of Allotment while uploading Bid data in the electronic Bidding systems of the Stock Exchanges. In order that the data so captured is accurate the members of the Syndicate will be given up to one Working Day after the Bid Closing Date to verify the DP ID and Client ID uploaded in the online IPO system during the Issue Period after which the data will be sent to the Registrar for reconciliation with the data available with the NSDL and CDSL. In case of any discrepancy of data between the Stock Exchanges and the members of the Syndicate or the Designated Branches, the decision of the Company in consultation with the BRLMs and the Registrar shall be final and binding on all concerned.
- (k) It is to be noted that members of the Syndicate shall be responsible for any error in the Bid details uploaded by them. In case of apparent data entry error by either Syndicate Member or collecting bank in



entering the application number in their respective schedules other things remaining unchanged, the Bid may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to Stock Exchange(s). In the event of mistake in capturing the application number by either the Syndicate Member or collecting bank leading to rejection of Bid, the Registrar may identify based on the Bid form, the entity responsible for the error. Valid records in electronic file will be those for which money is received.

- (l) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, management or any scheme or project of the Company.
- (m) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

***Build up of the book and revision of bids***

- (a) Bids registered by various Bidders through the members of the Syndicate or SCSBs shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- (c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate or SCSB will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bid / 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 or SCSB 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.
- (f) 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 or in case of ASBA Bid instruction to SCSBs to block the excess amount. 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. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid amount. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft

number of the new payment instrument in the electronic book. The Registrar to the Issue will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

- (g) 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.
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment.
- (i) The Syndicate Members may modify selected fields (viz. DP ID and Client ID) in the Bid details already uploaded upto one Working Day post the Bid/ Issue Closing Date.

#### ***Price Discovery and Allocation***

- (a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss the pricing strategy with our Company.
- (b) Our Company, in consultation with BRLMs shall finalise the Issue Price and the number of Equity Shares to be allotted in each investor category.
- (c) The allocation to QIBs will be up to 50% of the Issue and the availability for allocation to Non-Institutional and Retail Individual Bidders will not less than 15% and 35% of the Issue respectively, and, would be on proportionate basis, in the manner specified in the SEBI Regulations and this Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under-subscription, if any, in any category would be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Fund is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in any category, would be met with spill over from other categories at our sole discretion in consultation with the BRLMs and the Designated Stock Exchange.
- (e) Allocation to Anchor Investors shall be at the discretion of the Company in consultation with the BRLMs, subject to the compliance with the SEBI Regulations.
- (f) Any oversubscription to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allocation'.
- (g) Allocation to Eligible NRIs, FIIs, eligible/permitted Sub-Accounts etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for Allotment to them in this Issue. Our Company intends to seek a clarification from the RBI for investment by FIIs and Eligible NRIs in this Issue.
- (h) The BRLMs, in consultation with our Company, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (i) Our Company, in consultation with BRLMs, reserve the right not to proceed with this Issue within a period of two days after the Issue Closing Date. In the event of withdrawal of this Issue, the reasons therefor shall be disclosed in a public notice which shall be published within two days of the Issue Closing Date in English and Hindi national newspapers and one Marathi newspaper, each with wide

circulation and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of an IPO by our Company, a Red Herring Prospectus will be submitted again for observations of the SEBI.

- (j) QIB Bidders shall not be allowed to withdraw their Bid after their Bid / Issue Closing Date, i.e. one working day prior to the Bid / Issue Closing Date. Our Company, in consultation with the BRLMs, reserve the right to reject any Bid procured from QIBs. Rejection of Bids made by QIBs, if any, will be made at the time of acceptance of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. Further the Anchor Investors shall not be allowed to withdraw their Bids after the Anchor Investor Bid/Issue Period.
- (k) The Basis of Allotment details shall be put on the website of the Registrar to the Issue.

#### ***Signing of Underwriting Agreement and RoC Filing***

- (a) The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price.
- (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.

#### ***Filing of the Prospectus with the RoC***

The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

#### ***Pre-Issue Advertisement***

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the ROC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one widely circulated English language national daily newspaper; one widely circulated Hindi language national daily newspaper and one Marathi newspaper with wide circulation.

#### ***Advertisement regarding Issue Price and Prospectus***

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### ***Issuance of Confirmation of Allocation Note ("CAN")***

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders (including Anchor Investors) may be done simultaneously with or prior to the approval of the Basis of Allotment for the Retail and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that (i) the Allotment of the Equity Shares and (ii) the instructions by our Company for the demat credit of the Equity Shares, to all Bidders in this Issue shall be within 12 Working Days of the Bid / Issue Closing Date.
- (b) The Registrar to the Issue will then dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

- (c) The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder for all the Equity Shares allotted to such Bidder.
- (d) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account(s) at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account(s). The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

***Issuance of CAN with respect to ASBA Bidders***

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue, along with:
  - The number of Equity Shares to be allotted against each successful ASBA;
  - The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA;
  - The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and
  - The details of rejected ASBA Forms, if any, along with reasons for rejection and details of withdrawn (except in case of QIB bidding through an ASBA Form) or unsuccessful ASBA Forms, if any, to enable SCSBs to unblock the respective ASBA Accounts.

ASBA Bidders should note that our Company shall ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and

The ASBA Bidders shall directly receive the CANs from the Registrar. The dispatch of a CAN to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

***Notice to Anchor Investors: Allotment Reconciliation and Revised CANs***

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of our Company and the BRLMs, select Anchor Investors may be sent a CAN, within two working days of the Anchor Investor Bid/ Issue Period, indicating the number of Equity Shares that may be allotted to them. The CAN shall constitute the valid, binding and irrevocable contract (subject only to the issue of an Anchor Investor Allocation Notice) for the Anchor Investors to pay the entire Anchor Investor Issue Price for all our Equity Shares allotted to such Anchor Investor. This CAN and the final Allotment is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price, a Anchor Investor Allocation Notice will be sent to Anchor Investors. The price of Equity Shares in such Anchor Investor Allocation Notice may be different from that specified in the earlier CAN. Anchor Investors should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the Anchor Investor Allocation Notice. The Pay-in Date in the revised CAN shall not be later than two working days after the Bid/ Issue Closing Date. Any Anchor Investor Allocation Notice, if issued, will supersede in entirety the earlier CAN.

The final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors.

***Designated Date and Allotment of Equity Shares***

- (a) The Company will ensure that the Allotment of Equity Shares and credit to the successful Bidder's depository account will be completed within 12 (twelve) days of the Bid/Issue Closing Date.

- (b) In accordance with Section 68B of the Companies Act and the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.
- (c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ allotted to them pursuant to this Issue.**

***Bids and Revisions of Bids for all Bidders***

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 2,00,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 2,00,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) Eligible NRIs bidding at a Bid Price of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.
- (f) Bids by Eligible NRIs, FIIs, eligible/permitted Sub-Accounts etc. on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.
- (g) Bids through ASBA must be:
  - i. Made only in the prescribed ASBA Bid Cum Application Form or ASBA Revision Forms (if submitted in physical mode) or the electronic mode.
  - ii. Made in single name or in joint names (not more than three, and in the same order as their details appear with the Depository Participant).
  - iii. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained in this Red Herring Prospectus and in the ASBA Form.
- (h) Information provided by the Bidders will be uploaded in the online IPO system by the BRLMs and the SCSBs, as the case may be, and the electronic data will be used to make allocation/ Allotment. The Bidders should ensure that the details are correct and legible.
- (i) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE or FCNR accounts, as the case may be, details of which should be furnished in the space provided for this purpose in the Bid cum

Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

- (j) For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 1,000 lakhs and in multiples of [●] Equity Shares thereafter.
- (k) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (l) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

***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.

***Bidder's PAN, Depository Account and Bank Account Details***

Bidders should note that on the basis of PAN 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 demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders, or unblocking of ASBA accounts. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds, unblocking of ASBA accounts, to Bidders at the Bidders sole risk and neither the BRLMs or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Banks nor the**

**BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/ or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.**

**There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.**

***Bids by Non-Residents, including Eligible NRIs, Foreign Venture Capital Funds and FIIs on repatriation basis***

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (BLUE in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. In the names of individuals, or in the names of FIIs or FVCIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, at the rate of exchange prevailing at the time of remittance, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE Accounts, details of which are received from the Depositories as part of the demographic details of the First Bidder/ sole Bidder. Our Company, its Directors and officers, its directors, affiliates, associates and their respective directors and officers will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.**

**There is no reservation for Eligible NRIs, FVCIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.**

***Bids under Power of Attorney***

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, 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 Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2,500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company and the BRLMs may deem fit.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

***Payment Instructions***

***Escrow Mechanism for Bidders other than ASBA Bidders***

Our Company and the Members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow



Collection Bank(s) shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs), from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

#### ***Payment mechanism for ASBA Bidders***

The ASBA Bidders shall specify the ASBA Account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### ***Payment into Escrow Account for Bidders other than ASBA Bidders***

Escrow Accounts shall be opened for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/Allotment in the Issue. Each Bidder, shall draw a cheque or demand draft (except for Anchor Investors) for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
2. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders 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 a Syndicate Member. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid of the Bidder shall be rejected.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - a. In case of Resident QIB Bidders: “Escrow Account – Innoventive Public Issue – QIB – R”
  - b. In case of Non Resident QIB Bidders: “Escrow Account – Innoventive Public Issue – QIB – NR”
  - c. In case of Resident Retail and Non-Institutional Bidders: “Escrow Account - Innoventive Public Issue – R”
  - d. In case of Non-Resident Retail and Non-Institutional Bidders: “Escrow Account – Innoventive Public Issue – NR”
4. Anchor Investors would be required to pay the Bid Amount at the time of submission of the Bid cum Application Form. In the event of the Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price as per the pay-in date mentioned in the revised CAN. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.

5. For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:
  - a. In case of resident Anchor Investors: “Escrow Account – Innovative Public Issue – Anchor Investor – R”; and
  - b. In case of non-resident Anchor Investors: “Escrow Account – Innovative Public Issue – Anchor Investor – NR”
6. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.
7. In case of Bids by 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 Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (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.
8. In case of Bids by FIIs / FVCIs / multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
9. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
10. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
11. On the Designated Date and no later than 12 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
12. Payments should be made by cheque, or demand draft drawn on any Bank (including a Cooperative Bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.
13. Bidders are advised to mention the number of application form on the reverse of the cheque/ demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
14. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Bank(s), such Bids are liable to be rejected.

***Payment by Stockinvest***

Under the terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Payment through stockinvest would not be accepted in this Issue.

### ***Submission of Bid cum Application Form***

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

### ***Other Instructions***

#### ***Joint Bids in the case of Individuals***

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

#### ***Multiple Bids***

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid has been submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a Bid cum Application Form. Submission of a second application form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch of the SCSB, or a Bid cum Application Form to the members of the Syndicate, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in “*Build up of the Book and Revision of Bids*” on page number 416 of this Red Herring Prospectus.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs shall not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. A check would be carried out for the same PAN, in cases where the PAN is same, such bids would be treated as multiple applications.

Cases where there are more than 20 valid applicants having a common address shall be reported to the Stock Exchanges and other appropriate regulatory authorities such as the SEBI and such Equity Shares will be kept in abeyance post Allotment and will be released on receipt of appropriate confirmation from such authorities.

#### ***Permanent Account Number or PAN***

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the I.T. Act. Applications without this information and documents will be considered incomplete and are liable to be rejected. **With effect from August 16, 2010, the demat accounts for Bidders for which PAN details have not been verified shall be “suspended for credit” and no credit of Equity Shares pursuant to the Issue shall be made into accounts of such Bidders.**

The SEBI Regulations stipulate that all applicants are required to disclose their PAN allotted under the I.T. Act in the Bid cum Application Form (including the ASBA Form), irrespective of the amount of the Bid. Applications in which PAN so allotted is not mentioned would be rejected. SEBI had issued a circular directing that with effect from July 2, 2007, PAN would be the sole identifiable number for participants transacting in the securities market, irrespective of the amount of transaction.

**Therefore, irrespective of the amount of the Bid, the Bidder or in the case of a Bid in joint names, each of the Bidders should mention his/her PAN allotted under the I.T. Act.**

**Bid-cum-Application Forms (including the ASBA Form) without PAN number 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 terms of SEBI Circular bearing no. MRD/DoP/Cir-20/2008 dated June 30, 2008, certain categories of investors [namely the Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government)] shall be exempted from submitting their PAN, only if such organisations submit sufficient documentary evidence to support the veracity of their claim for such exemption.

#### ***Unique Identification Number (“UIN”)***

Pursuant to circulars dated April 27, 2007 (No. MRD/DoP/Cir-05/2007) and June 25, 2007 (No. MRD/DoP/Cir-08/2007) issued by SEBI, the requirement of UIN under the SEBI (Central database of Market Participants) Regulations, 2005 has been discontinued and irrespective of the amount of transaction, PAN has been made the sole identification number for all participants in the securities market.

#### ***Withdrawal of ASBA Bids***

ASBA Bidders can withdraw their Bids during the Issue Period by submitting a request for the same to the SCSBs who shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account. In case an ASBA Bidder (other than a QIB Bidders using the ASBA process) wishes to withdraw the Bid after the Bid Closing Date, the same can be done by submitting a withdrawal request to the Registrar to the Issue. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account after approval of the ‘Basis of Allotment’.

#### ***Rejection of Bids***

In case of QIBs bidding in the Net QIB Portion, our Company, in consultation with BRLMs, may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing at the time of acceptance/ rejection of the Bids.

In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have

the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Company would have a right to reject the ASBA Bids only on technical grounds.

Consequent refunds shall be made as described in the Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

### ***Grounds for Technical Rejection***

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Bids paid without payment of entire Bid Amount or if the amount paid does not tally with the amount payable for the highest value of Equity Shares bid for; With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- 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;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not given;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders.
- Bids for number of Equity Shares which are not in multiples of [●];
- Bids or revision thereof by QIBs and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 2,00,000, uploaded after 5.00 p.m. on the Bid/Issue Closing Date;
- Category not ticked;
- Signature of sole and/or joint Bidders missing; With respect to ASBA Bids, the ASBA Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Multiple Bids as defined in this Red Herring Prospectus;

- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms other ASBA Bid cum Application Form that do not have the stamp of the BRLMs or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- 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;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks; With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the size of the Issue or the maximum permissible investment limits prescribed under the applicable laws and regulations;
- Bids by QIBs not submitted through the BRLMs or their affiliates or in case of ASBA Bids for QIBs not intimated to the BRLMs;
- Bids by QIBs (except ASBA Bids) not submitted through members of the Syndicate;
- Bids by persons in the United States;
- Bids not uploaded in the book would be rejected;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

**IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES, THE APPLICATION IS LIABLE TO BE REJECTED.**

### ***Equity shares in dematerialised form with NSDL or CDSL***

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised 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, an agreement has been signed by and between the Company, the NSDL and the Registrar to the Issue:

- Agreement dated August 14, 2007, between NSDL, our Company and the Registrar to the Issue;
- Agreement dated November 3, 2010, between CDSL, our Company and the Registrar to the Issue

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) 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.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-a-vis those with his or her Depository Participant.
- (g) 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.
- (h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.
- (i) Non-transferable Allotment advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue

### ***Communications***

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, PAN, Bid cum Application Form number, Bidders depository account details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate or the Designated Branch of the SCSB where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, the bank account number in which an amount equivalent to the Bid Amount was blocked.

**Bidders/Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches of the SCSBs.**

### ***Payment of Refund***

Bidders, other than ASBA Bidders, must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

### ***Mode of making refunds for Bidders other than ASBA Bidders***

The payment of refund, if any, would be done through various modes in the following manner:

1. **NECS** – Payment of refund would be done through NECS for applicants having an account at any of the 68 centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
2. **RTGS** – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 50 lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS / NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
3. **NEFT (National Electronic Fund Transfer)** – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.



4. **Direct Credit** – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### ***Mode of making refunds for ASBA Bidders***

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 11 working days of the Bid/Issue Closing Date.

#### ***Disposal of applications and application moneys and interest in case of delay***

With respect to Bidders other than ASBA Bidders, the Company shall ensure dispatch of CAN, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two Working Days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 11 Working Days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 12 Working Days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 11 (eleven) Working Days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 11 Working Days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 11 Working Days of the Bid/Issue Closing Date would be ensured;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 11 Working Days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Bidder's bank account shall be made within eight Working Days from the Bid/Issue Closing Date; and
- Our Company shall pay interest at 15% p.a. for any delay beyond the 11 Working Days time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from

the day the Company becomes liable to repay (i.e. 11 Working Days after the Bid/Issue Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day the Company becomes liable to repay, the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

### ***Impersonation***

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

***“Any person who:***

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,***

***shall be punishable with imprisonment for a term which may extend to five years.”***

### ***Basis of Allotment***

#### ***A. For Retail Individual Bidders***

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] 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 multiples of [●] Equity Shares 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 category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] 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. For the method of proportionate basis of Allotment refer below.

**C. For QIBs (Other than Anchor Investors)**

- 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 Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the Net QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the Net QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the Net QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the Net 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 for Allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance Allotment to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the Net QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the Net QIB Portion.
    - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders (excluding Anchor Investors Portion).
    - (iii) Under-subscription below 5% of the Net QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate Allotment to QIB Bidders shall not be more than [●] Equity Shares
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation 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 allocation, refer below.

**D. For Anchor Investors**

Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the BRLMs, subject to compliance with the following requirements:

- a. Not more than 30% of the QIB Portion will be allocated to Anchor Investors.
- b. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.
- c. Allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto Rs. 25,000 lakhs and minimum number of five Anchor Investors for allocation more than Rs. 25,000 lakhs.

The number of Equity Shares Allotted to successful Anchor Investors and the Anchor Investor Price shall be made available in the public domain before the Bid Opening Date by the BRLMs in accordance with the SEBI Regulations.

***Method of Proportionate Basis of Allotment in the Issue***

Except in relation to Anchor Investor, in the event of the Issue being over-subscribed, the Company shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorised according to the number of Equity Shares applied for.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be allotted a minimum of [●] Equity Shares.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of 1 (which is the marketable 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 in such categories would be arrived at after such rounding off.
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.
- (g) Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of the Company, in consultation with the BRLMs.

***Illustration of Allotment to QIBs and Mutual Funds (“MF”)***

***A. Issue Details***

Sr. No.	Particulars	Issue Details
1.	Issue size	2000 lakhs equity shares
2.	Allocation to QIB (50%)	1000 lakhs equity shares

3.	Anchor Investor Portion	300 lakhs equity shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	700 lakhs equity shares
	Of which:	
	(a) Allocation to MF (5%)	35 lakhs equity shares
	(b) Balance for all QIBs including MFs	665 lakhs equity shares
5.	No. of QIB applicants	10
6.	No. of shares applied for	5,000 lakhs equity shares

***B. Details of QIB Bids***

Sr. No.	Type of QIB Bidders#	No. of shares bid for (in lakhs)
1.	A1	500
2.	A2	200
3.	A3	1,300
4.	A4	500
5.	A5	500
6.	MF1	400
7.	MF2	400
8.	MF3	800
9.	MF4	200
10.	MF5	200
	<b>Total</b>	<b>5,000</b>

# A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

***C. Details of Allotment to QIB Bidders/ Applicants***

Type of QIB Bidders	Shares Bid for	Allocation of 35 lakhs Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 6650 lakh Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	500	0	66.97	0
A2	200	0	26.79	0
A3	1300	0	174.12	0
A4	500	0	66.97	0
A5	500	0	66.97	0
MF1	400	7.00	52.64	59.64
MF2	400	7.00	52.64	59.64
MF3	800	14.00	105.27	119.27
MF4	200	3.50	26.32	29.82
MF5	200	3.50	26.32	29.82
	<b>5000</b>	<b>35.00</b>	<b>665.00</b>	<b>298.19</b>

*Please note:*

- The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “*Issue Structure*” beginning on page number 397 of this Red Herring Prospectus

- Out of 700 lakhs Equity Shares allocated to QIBs, 35 lakhs (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 2,000 shares in QIB category.
- The balance 665.0 lakhs Equity Shares (i.e. 700 – 35 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 5,000 Equity Shares (including 5 MF applicants who applied for 2,000 Equity Shares).
- The figures in the fourth column titled “Allocation of balance 665.0 lakh Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
  - For QIBs other than Mutual Funds (A1 to A5) = No. of shares Bid for (i.e. in column II) X 6650 / 49650
  - For Mutual Funds (MF1 to MF5) = [(No. of shares Bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 6650 / 49650
  - The numerator and denominator for arriving at allocation of 665 lakhs shares to the 10 QIBs are reduced by 35 lakh shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

***Procedure and Time of Schedule for Allotment and demat Credit of Equity Shares***

This Issue will be conducted through the ‘100% Book Building Process’ pursuant to which the members of the Syndicate will accept Bids for the Equity Shares during the Bid / Issue Period. The Bid / Issue Period will commence on April 26, 2011 and expire on April 29, 2011. Following the expiration of the Bid / Issue Period, our Company, in consultation with BRLMs, will determine the Issue Price and the ‘Basis of Allocation’ and entitlement to Allotment based on the Bids received and subject to confirmation by the Stock Exchange(s). Successful Bidders will be provided with a CAN (subject to a revised CAN) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI Regulations require our Company to complete the Allotment to successful Bidders within 12 Working Days of the expiration of the Bid / Issue 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.

***Letters of Allotment or Refund Orders or instruction to SCSBs***

Our Company shall give credit to the beneficiary account with Depository Participants within 11 Working Days from Bid / Issue Closing Date. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS.

Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk within 12 days of the Bid/Issue Closing Date, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or direct credit. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 11 Working Days of the Bid/Issue Closing Date.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 11 Working Days of the Bid/Issue Closing Date.

***Interest in case of delay in despatch of Allotment Letters or Refund Orders/ instruction to the SCSBs by the Registrar to the Issue***

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Regulations, our Company undertakes that:

1. Allotment shall be made only in dematerialised form within 11 (eleven) Working Days from the Bid/ Issue Closing Date;
2. Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done within 11 Working Days from the Bid/Issue Closing Date; and
3. Interest shall be paid by our Company at 15% p.a., if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been given to the clearing system in the disclosed manner within 11 (eleven) Working Days from the Bid/Issue Closing Date.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Other than refunds effected through electronic transfer of funds, refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company, as the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### ***Undertakings by the Company***

The Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid/Issue Closing Date;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 11 Working Days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the Equity Shares are free and clear of all liens or encumbrances and shall be Allotted to the successful Bidders within the specified time;
- That the Promoters' contribution in full has already been brought in;
- That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time;
- That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and
- That adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the basis of allotment

- 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.
- Instructions to SCSBs to unblock funds in the ASBA Accounts shall be given within nine working days of the Bid/ Issue Closing Date.
- That the instruction for electronic credit of Equity Shares/ refund orders/ intimation about the refund to non-resident Indians shall be completed within the specified time;

#### ***Withdrawal of the Issue***

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by the Company shall be in compliance with applicable laws.

#### ***Utilisation of Issue proceeds***

The Board of Directors of the Company 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 shall be disclosed, and continue to be disclosed till the time any part of the issue proceeds remains unutilised, under an appropriate head in the balance sheet of the Company 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 an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested;

Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the Net Proceeds.



## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations and the FDI Policy issued by the Department of Industrial Policy & Promotion, Government of India (Circular 1 of 2010, with effect from April 1, 2010). Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made. FEMA regulates the precise manner in which such investment may be made. Unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Foreign investment limit is allowed up to 100% under automatic route in our Company.

FII's are permitted to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI Policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States (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 outside the United States 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.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may 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.

## **SECTION VIII – MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION**

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of our Articles relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in our Articles and capitalized/defined terms herein have the same meaning given to them in our Articles.

The regulations contained in Table A in the First Schedule to the Companies Act, 1956, shall apply to our Company except in so far as they are now modified or excluded or supplemented in these articles

### **Part A**

#### **Article 1**

*The provisions contained in table 'A' are excluded*

The regulations contained in Table "A" in the First Schedule of the Companies Act, 1956 shall not apply to this Company, but these Articles for the management of the Company and for the observance of the Members thereof and their representatives shall subject to any exercise of the statutory powers of the Company with reference to the repeal of, alteration of, or addition to, its regulations/Articles by Special Resolution, as prescribed by the Companies Act 1956 be such as are contained in these Articles.

## **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

#### **Article 3**

##### *Share Capital*

The authorized share capital of the Company is as stated in clause V of Memorandum of Association of the Company. The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.

#### **Article 4**

##### *Increase of capital by the Company how carried into effect*

The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General 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 Directors shall comply with the provisions of Section 97 of the Act

#### **Article 5**

##### *New Capital same as existing capital*

Except so far as otherwise provided by the conditions of issue or by These Presents, any capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

## **Article 6**

### ***Non Voting Shares***

The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.

## **Article 7**

### ***Redeemable Preference Shares***

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

## **Article 8**

### ***Voting rights of preference shares***

The holder of Preference Shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his Preference Shares.

## **Article 10**

### ***Reduction of capital***

The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce

- (a) The share capital;
- (b) Any capital redemption reserve account; or
- (c) Any security 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 again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

## **Article 11**

### ***Purchase of own Shares***

The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.

## **Article 12**

### ***Sub-division consolidation and cancellation of Shares***

Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in

General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

## MODIFICATION OF RIGHTS

### Article 13

#### *Modification of rights*

Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall *mutatis mutandis* apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted. The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking *pari passu* therewith.

## SHARES, CERTIFICATES AND DEMATERIALISATION

### Article 14

#### *Restriction on allotment and return of allotment*

The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

### Article 15

#### *Further issue of shares*

- (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares then:
  - (a) Such further Shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those Shares at that date;
  - (b) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined;
  - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;
  - (d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.
- (2) Notwithstanding anything contained in sub-clause (1), the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.
  - (a) If a Special Resolution to that effect is passed by the Company in General Meeting; or
  - (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that

General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed;
  - (a) To extend the time within which the offer should be accepted; or
  - (b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued by the Company:
  - (i) To convert such debentures or loans into Shares in the Company; or
  - (ii) To subscribe for Shares in the Company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the loans.

## **Article 16**

### ***Shares at the disposal of the Directors***

Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

## **Article 16 A**

### ***Power to offer Shares/options to acquire Shares***

- (i) Without prejudice to the generality of the powers of the Board under Article 16 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.
- (ii) In addition to the powers of the Board under Article 16A(i), the Board may also allot the Shares referred to in Article 16A(i) to any trust, whose principal objects would inter alia include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 16A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.

The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 16A(i) and (ii) above.

## **Article 18**

### ***Power also to Company in General Meeting to issue Shares***

In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

## **Article 18 A**

### ***Power of General Meeting to authorize Board to offer Shares/Options to employees***

- (i) Without prejudice to the generality of the powers of the General Meeting under Article 18 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose  
In addition to the powers contained in Article 18A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.
- (ii) In addition to the powers contained in Article 18A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.

## **Article 19**

### ***Shares at a discount***

The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:

- (a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;
- (b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and
- (c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

## **Article 22**

### ***Acceptance of Shares***

Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member

### **Article 23**

#### ***Deposit and call etc., to be debt payable***

The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

#### ***Liability of Members***

### **Article 24**

Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

### **Article 25(B)**

#### ***Dematerialisation of securities***

Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

### **Article 25(C)**

#### ***Options to receive security certificates or hold securities with depository***

Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository.

Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.

### **Article 26**

#### ***Share certificate***

- (a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.
- (b) Any two or more joint allottees or holders of Shares 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 such joint owners, on behalf of all of them.

## **Article 26A**

### ***Limitation of time for issue of certificates***

Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.

## **Article 27**

### ***Renewal of share certificates***

No certificate of any Share or Shares shall be issued either in exchange for those, which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.

PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.

## **Article 28**

### ***Issue of new certificate in place of one defaced, lost or destroyed***

**If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new Certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.**

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall *mutatis mutandis* apply to Debentures of the Company.

## **Article 30**

### ***Issue of Shares without Voting Rights***



In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.

### **Article 31**

#### ***Buy-Back of Shares and Securities***

Notwithstanding anything contained in these articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back, such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, provision of section 77 and SEBI (Buy back of Shares) Regulations as may be permitted by law.

### **Article 32**

#### ***Employees Stock Options Scheme/ Plan***

The Directors shall have the power to offer , issue and allot Equity Shares in or Debentures (Whether fully/ partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as "the Employees") as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust, plan or proposal that may be formulated , created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.

### **Article 33**

#### ***Sweat Equity***

Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.

### **Article 34**

#### ***Postal Ballot***

The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.

### **Article 35**

#### ***Company not bound to recognize any interest in Shares other than of registered holder***

Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof 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 a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time

registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

#### **Article 36**

##### ***Trust recognized***

- (a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, 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 a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.
- (b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.

#### **Article 38**

##### ***Funds of Company not to be applied in purchase of Shares of the Company***

No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

#### **UNDERWRITING AND BROKERAGE**

#### **Article 39**

##### ***Commission may be paid***

Subject to the provisions of Section 76 of the Act, the Company may at anytime pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares in or debentures of the Company but so that the commission shall not exceed in the case of the Shares five percent of the price at which the Shares are issued and in the case of debentures two and half percent of the price at which the debenture are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid Shares or debentures as the case may be or partly in one way and partly in the other.

#### **Article 40**

##### ***Brokerage***

The Company may on any issue of Shares or Debentures or on deposits pay such brokerage as may be reasonable and lawful.

#### **Article 41**

##### ***Commission to be included in the annual return***

Where the Company has paid any sum by way of commission in respect of any Shares or Debentures or allowed any sums by way of discount in respect to any Shares or Debentures, such statement thereof shall be made in the annual return as required by Part I of Schedule V to the Act.

## **INTEREST OUT OF CAPITAL**

### **Article 42**

#### ***Interest out of capital***

Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

## **DEBENTURES**

### **Article 43**

#### ***Debentures with voting rights not to be issued***

- (a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.
- (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- (c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- (d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.
- (e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.
- (f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred.
- (g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.
- (h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

## **CALLS**

### **Article 44**

#### ***Directors may make calls***

- (a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.
- (b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

#### **Article 45**

##### ***Notice of call when to be given***

Not less than **fourteen days** notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

#### **Article 46**

##### ***Call deemed to have been made***

A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.

#### **Article 47**

##### ***Directors may extend time***

The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extended such time to call or any of the Members, the Board of Directors may deem fairly entitled to such extension but no Member shall be entitled to such extension as of right except as a matter of grace and favour.

#### **Article 48**

##### ***Amount payable at fixed time or by installments to be treated as calls***

If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.

#### **Article 49**

##### ***When interest on call or installment payable***

If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

#### **Article 50**

##### ***Evidence in action by Company against share holder***

On the trial of hearing of any action or suit brought by the Company against any Member or his Legal 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 is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such

call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

#### **Article 51**

##### ***Payment in anticipation of calls may carry interest***

**The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.**

The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures of the Company.

#### **Article 52**

##### ***Partial payment not to preclude forfeiture***

Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

#### **Article 53**

##### ***Company's lien on Shares/ Debentures***

The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interest in any Share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures; Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares/Debentures. The Directors may at any time declare any Shares/ Debentures wholly or in part exempt from the provisions of this Article.

#### **Article 54**

##### ***As to enforcing lien by sale***

The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:-

- (a) Unless a sum in respect of which the lien exists is presently payable; or
- (b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the

registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency.

For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from behalf of and in the name of such Members

- (c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.

## **Article 55**

### ***Application of proceeds of sale***

- (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and
- (b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

## **FORFEITURE OF SHARES**

## **Article 56**

### ***If money payable on Shares not paid notice to be given***

If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

## **Article 57**

### ***Sum payable on allotment to be deemed a call***

For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

## **Article 58**

### ***Form of notice***

The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.

## **Article 59**

### ***In default of payment Shares to be forfeited***

If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.

## **Article 60**

### ***Notice of forfeiture to a Member***

When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

## **Article 61**

### ***Forfeited Shares to be the property of the Company and may be sold etc***

Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

## **Article 62**

### ***Member still liable for money owing at the time of forfeiture and interest***

Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

## **Article 63**

### ***Effects of forfeiture***

The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.

## **Article 64**

### ***Power to annul forfeiture***

The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

## **Article 66**

### ***Provisions of these articles as to forfeiture to apply in case of non-payment of any sum***

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

## **Article 69**

### ***Validity of sale***

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

#### **Article 70**

##### ***Surrender of Shares***

The Directors may subject to the provisions of the Act, accept surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

#### **TRANSFER AND TRANSMISSION OF SHARES**

#### **Article 73**

##### ***Application for transfer***

- (a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee.
- (b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice
- (c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

#### **Article 74**

##### ***Execution of transfer***

The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.

#### **Article 75**

##### ***Transfer by legal representatives***

A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

#### **Article 76**

##### ***Register of Members etc when closed***

The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such



period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.

#### **Article 77**

##### ***Directors may refuse to register transfer***

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.

#### **Article 79**

##### ***Titles of Shares of deceased Member***

The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.

#### **Article 81**

##### ***Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)***

Subject to the provisions of the Act and Article 78 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute 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. This clause is hereinafter referred to as the "Transmission Clause".

#### **Article 82**

##### ***Refusal to register nominee***

Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.

### **Article 83**

#### ***Person entitled may receive dividend without being registered as a Member***

A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.

### **Article 84**

#### ***No fee on transfer or transmissions***

No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar document.

### **Article 85**

#### ***Transfer to be presented with evidence of title***

Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

### **Article 86**

#### ***Company not liable for disregard of a notice prohibiting registration of transfer***

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, 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 shall so think fit.

## **SHARE WARRANTS**

### **Article 87**

#### **Power to issue share warrants**

The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

### **Article 88**

#### ***Deposit of share warrants***

- (a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant
- (b) Not more than one person shall be recognized as depositor of the Share warrant
- (c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.

## **Article 89**

### ***Privileges and disabilities of the holders of share warrant***

- (a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company.
- (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.

## **Article 90**

### ***Issue of new share warrant coupons***

The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

## **CONVERSION OF SHARES INTO STOCK AND RECONVERSION**

## **Article 91**

### ***Share may be converted into stock***

The Company may, by Ordinary Resolution:

Convert any fully paid up Share into stock, and reconvert any stock into fully paid-up Shares.

## **Article 92**

### ***Transfer of stock***

The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit.

PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.

## **Article 93**

### ***Right of stock holders***

The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them 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 those privileges or advantages.

## **Article 94**

### ***Regulation applicable to stock and share warrant***

Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

## **BORROWING POWERS**

## **Article 95**

### ***Power to borrow***

Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

## **Article 96**

### ***The payment or repayment of moneys borrowed***

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

## **Article 97**

### ***Bonds, Debentures, etc. to be subject to control of Directors***

Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and condition and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

## **Article 98**

### ***Terms of issue of Debentures***

Any Debentures, Debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise; However, Debentures with the

right to conversion into or allotment of Shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

#### **Article 99**

##### ***Mortgage of uncalled capital***

If any uncalled capital of the Company is included in or charged by mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security has been executed.

#### **MEETING OF MEMBERS**

#### **Article 100**

##### ***Statutory meeting***

The statutory meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.

#### **Article 101**

##### ***Annual General Meeting***

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Register under the provisions of Section 166 (1) of the Act to extend the time with which any Annual General Meeting may be held. Every Annual General Meeting shall be called at 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 Registered Office of the Company is situated as the Board may determine and the notices calling the Meeting shall specify as the Annual General Meeting. The company may in any one Annual General Meeting fix the time for its subsequent 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 be heard at any General Meeting which he attends on any part of the business which concerns him as an Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Director's Report and audited statement of accounts, the Proxy Register with proxies and the Register of Director's Shareholding, which Registers 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 share capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

#### **Article 102**

##### ***Report statement and registers to be laid before the Annual General Meeting***

The Company shall in every Annual General Meeting in addition to any other Report or Statement lay on the table the Director's Report and audited statement of accounts, Auditor's Report (if not already incorporated in the audited statement of accounts), the Proxy Register with proxies and the Register of Director's Shareholdings, which Registers shall remain open and accessible during the continuance of the Meeting.

#### **Article 103**

### ***Extra-Ordinary General Meeting***

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.

## **Article 104**

### ***Requisitionists' meeting***

- (1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:-
  - (a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.
  - (b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting.
- (2) The number of Members necessary for a requisition under clause (1) hereof shall be
  - (a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or
  - (b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lakh in all.
- (3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter.
- (4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:
  - (a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company.
    - (i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting.
    - (ii) (ii)the case of any other requisition, not less than two weeks before the Meeting, and
  - (b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.

PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.

- (5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.
- (6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.

## **Article 105**

### ***Extra-Ordinary General Meeting by Board and by requisition***

- (a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.

***When a Director or any two Members may call an Extra Ordinary General Meeting***

- (b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.

**Article 106**

***Contents of requisition, and number of requisitionists required and the conduct of Meeting***

- (1) In case of requisition the following provisions shall have effect:
- (a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.
  - (b) The requisition may consist of several documents in like form each signed by one or more requisitionists.
  - (c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up share capital of the Company as that date carried the right of voting in regard to that matter.
  - (d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause are fulfilled.
  - (e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition, the Meeting may be called:
    - (i) By the requisitionists themselves ; or
    - (ii) by such of the requisitionists 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 the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (I) which ever is less. PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.
- (2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:
- (a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but
  - (b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some days after the expiry of that period.
- (3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.
- (4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

**Article 107**

### ***Length of notice of Meeting***

- (1) A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.
- (2) A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof, if consent is accorded thereto:
  - (i) In the case of Annual General Meeting by all the Members entitled to vote thereat; and
  - (ii) In the case of any other Meeting, by Members of the Company holding not less than ninety-five percent of such part of the paid up share capital of the Company as gives a right to vote at the Meeting.

PROVIDED THAT where any Members of the Company are entitled to vote only on some resolution, or resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purposes of this clause in respect of the former resolutions and not in respect of the later.

### **Article 109**

#### ***Special and ordinary business and explanatory statement***

- (1)(a) In the case of an Annual General Meeting all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to
  - (i) the consideration of the accounts, balance sheet the reports of the Board of Directors and Auditors;
  - (ii) the declaration of dividend;
  - (iii) the appointment of Directors in the place, of those retiring; and
  - (iv) the appointment of, and the fixing of the remuneration of the Auditors, and
- (b) In the case of any other meeting, all business shall be deemed special
- (2) Where any items of business to be transacted at the Meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item, of business, including in particular the nature of the concern or interest, if any, therein of every Director.

PROVIDED THAT, where any such item of special business at the Meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every Director of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up-share capital of the other company.

- (3) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

### **Article 110**

#### ***Omission to give notice not to invalidate proceedings***

The accidental omission to give such notice as aforesaid to or non-receipt thereof by, any Member or other person to whom it should be given, shall not invalidate the proceedings of any such Meeting.

### **MEETING OF MEMBERS**

#### ***Quorum***

### **Article 112**

Five Members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite is present at the commencement of the Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a Member of the Company shall be deemed to be personally present if it is presented in accordance with Section 187 of the Act.



#### **Article 113**

##### ***If quorum not present when Meeting to be dissolved and when to be adjourned***

If within half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if called by or upon the requisition of the Members shall stand dissolved and in any other case the Meeting shall stand, adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjournment meeting also, a quorum is not present within 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.

#### **Article 114**

##### ***Resolution passed at adjourned Meeting***

Where a resolution is passed at an adjourned Meeting of the Company, the resolution for all purposes is treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

#### **Article 115**

##### ***Chairman of General Meeting***

At every General Meeting the Chair shall be taken by the Chairman of the Board of Directors. If at any Meeting, the Chairman of the Board of Directors is not present within ten minutes after the time appointed for holding the Meeting or though present, is unwilling to act as Chairman, the Vice Chairman of the Board of Directors would act as Chairman of the Meeting and if Vice Chairman of the Board of Directors is not present or, though present, is unwilling to act as Chairman, the Directors present may choose one of themselves to be a Chairman, and in default or their doing so or if no Directors shall be present and willing to take the Chair, then the Members present shall choose one of themselves, being a Member entitled to vote, to be Chairman.

#### **Article 115(A)**

##### ***Act for resolution sufficiently done or passed by Ordinary Resolution unless otherwise required***

Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently done so or passed if effected by an Ordinary Resolution unless either the Act or the Articles specifically require such act to be done or resolution be passed by a Special Resolution.

#### **Article 116**

##### ***Business confined to election of Chairman whilst the Chair is vacant***

No business shall be discussed at any General Meeting except the election of a Chairman whilst the Chair is vacant.

#### **Article 119**

##### ***Chairman's declaration of result of voting on show of hands***

A declaration by the Chairman of the Meeting that on a show of hands, a resolution has or has not been

carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceeding of the Company's General Meeting shall be conclusive evidence of the fact, without proof of the number or proportion of votes cast in favour of or against such resolution.

#### **Article 120**

##### ***Demand of poll***

Before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Member or Members present in person or by proxy and holding Shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the Person or Persons who made the demand.

#### **Article 122**

##### ***Chairman's casting vote***

In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

#### **Article 123**

##### ***Appointment of scrutineers***

Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.

#### **Article 124**

##### ***Demand for poll not to prevent transaction of other business***

The demand for a poll shall not prevent transaction of other business (except on the question of the election of the Chairman and of an adjournment) other than the question on which the poll has been demanded.

#### **Article 125**

##### ***Special notice***

Where by any provision contained in the Act or in these Articles, special notice is required for any resolution notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the Meeting at which it is to be moved, exclusive of the day which the notice is served or deemed to be served on the day of the Meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its Members notice of the resolution in the same manner as it gives notice of the Meeting, or if that is not practicable shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allow.

#### **VOTES OF MEMBERS**

#### **Article 126**

***Member paying money in advance not to be entitled to vote in respect thereof***

A Member paying the whole or a part of the amount remaining unpaid on any Share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of moneys so paid by him until the same would but for such payment become presently payable.

**Article 127**

***Restriction on exercise of voting rights of Members who have not paid calls***

No Member shall exercise any voting rights in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

**Article 128**

***Number of votes to which Member entitled***

Subject to the provisions of Article 126, every Member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative), or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference shareholder is present at any meeting of the Company, (save as provided in clause (b) of sub-section (2) of Section 87) he shall have a right to vote only on resolutions before the Meeting which directly affect the rights attached to his preference shares. A Member is not prohibited from exercising his voting rights on the ground that he has not held his Shares or interest in the Company for any specified period preceding the date on which the vote is taken.

**Article 129**

***Votes of Members of unsound mind***

A Member of unsound mind, or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.

**Article 130**

***Votes of joint Members***

If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.

**Article 131**

***Representation of body corporate***

(a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat.

Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.

#### **Article 132**

##### ***Votes in respects of deceased or insolvent Members***

Any person entitled under the Transmission Article to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares; provided that at least forty-eight hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of the right to transfer such Shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

#### **Article 133**

##### ***Voting in person or by proxy***

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 authorised in accordance with Section 187 of the Act.

#### **Article 134**

##### ***Rights of Members to use votes differently***

On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

#### **Article 135**

##### ***Proxies***

Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right what so ever to speak at the Meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Member of the Company.

## **Article 136**

### ***Proxy either for specified meeting or for a period***

An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

## **Article 137**

### ***No proxy to vote on a show of hands***

No proxy shall be entitled to vote by a show of hands.

## **Article 138**

### ***Instrument of proxy when to be deposited***

The instrument appointing a proxy and the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney or authority, shall be deposited at the Registered Office of the Company at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.

## **Article 139**

### ***Form of Proxy***

Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.

## **Article 140**

### ***Validity of votes given by proxy notwithstanding revocation of authority***

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any Power of Attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.

## **Article 141**

### ***Validity of votes given by proxy notwithstanding revocation of authority***

No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.

## **Article 142**

### ***Chairman of any Meeting to be the judge of Validity of any value***

The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

#### **Article 143**

##### ***Custody of Instrument***

If any such instrument of appointment is confined to the object of appointing an attorney or proxy for voting at Meetings of the Company, it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If such instrument embraces other objects, a copy thereof examined with the original shall be delivered to the Company to remain in the custody of the Company.

#### **Article 144**

##### ***Number of Directors***

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 shall not be less than three and not more than twelve.

#### **Article 145**

##### ***First Directors***

The persons hereinafter named shall be the first Directors of the Company:-

- (i) Mr. Pravin Doongarchand Oswal
- (ii) Mr. Manoj Doongarchand Oswal
- (iii) Mr. Sachin Vasant Mehta
- (iv) Mr. Mahendra Krishnaji Deval

#### **Article 146**

##### ***Debenture Directors***

Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.

#### **Article 147**

##### ***Nominee Director or Corporation Director***

- a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any Finance Corporation or Credit Corporation or to any Financing company or body, (which corporation or body is hereinafter in this Article referred to as "the corporation") out of any loans granted or to be granted by them to the Company or so long as the corporation continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds

Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places.

- b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.
- c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall *ipso facto* vacate such office immediately on the moneys owing by the Company to the Corporation being paid off
- d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.
- e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation..

Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.

## **Article 148**

### ***Special Director***

In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company, corporation, firm or person herein-after in this clause referred to as "collaboration" to appoint from time to time any person as director of the company (hereinafter referred to as "special director") and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter.

The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.

It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more than one collaborator is so entitled there may be at any time as may special directors as the collaborators eligible to make the appointment.

#### **Article 149**

##### ***Limit on number of retaining Directors***

The provisions of Articles 146, 147, 148 and 149 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 147 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.

#### **Article 150**

##### ***Alternate Director***

The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

#### **Article 151**

##### ***Directors may fill in vacancies***

The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.

#### **Article 152**

##### ***Additional Directors***

The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board ("Additional Director") so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.

#### **Article 153**

##### ***Qualification shares***

A Director need not hold any qualification shares.

#### **Article 154**



### ***Directors' sitting fees***

The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.

### **Article 155**

#### ***Extra remuneration to Directors for special work***

Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided.

Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either:

- (i) By way of monthly, quarterly or annual payment with the approval of the Central Government; or
- (ii) By way of commission if the Company by a Special Resolution authorizes such a payment.

### **Article 157**

#### ***Director may act notwithstanding vacancy***

The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Director or Directors may act for the purpose of increasing the number, of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.

### **Article 158**

#### ***Board resolution necessary for certain contracts***

- (1) Subject to the provisions of Section 297 of the Act, except with the consent of the Board of Directors of the Company, a Director of the Company or his relative, a firm in which such a Director or relative is partner, any other partner in such a firm or a private company of which the Director is a member or director, shall not enter into any contract with the Company.
  - (a) For the sale, purchase or supply of goods, materials or services; or
  - (b) For underwriting the subscription of any Share in or debentures of the Company;
  - (c) Nothing contained in clause (a) of sub-clause (1) shall affect:-
    - (i) The purchase of goods and materials from the Company, or the sale of goods and materials to the Company by any Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or
    - (ii) Any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company, or the Director, relative, firm, partner or private company, as the case may be regularly trades or does business, PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which, or services the cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts;

- (2) Notwithstanding any contained in sub-clause(1) hereof, a Director, relative, firm partner or private company as aforesaid may, in circumstances of urgent necessity, enter without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds rupees five thousand in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a Meeting within three months of the date on which the contract was entered into.
- (3) Every consent of the Board required under this Article shall be accorded by a resolution passed at a meeting of the Board required under clause (1) and the same shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the data on which was entered into.
- (4) If consent is not accorded to any contract under this Article, anything done in pursuance of the contract will be voidable at the option of the Board.
- (5) The Directors, so contracting or being so interested shall not be liable to the Company for any profit realised by any such contract or the fiduciary relation thereby established.

#### **Article 159**

##### ***Disclosure to the Members of Directors' interest in contract appointing Managers, Managing Director or Wholetime Director***

- (a) Enters into a contract for the appointment of a Managing Director or Wholetime Director in which contract any Director of the Company is whether directly or indirectly, concerned or interested; or
- (b) Varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.

#### **Article 160**

##### ***Directors of interest***

- (a) A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299 (2) of the Act.

##### ***General notice of disclosure***

- (b) A general notice, given to the Board by the Director to the effect that he is a director or is a member of a specified body corporate or is a member of a specified firm under Sections 299(3)(a) shall expire at the end of the financial year in which it shall be given but may be renewed for a further period of one financial year at a time by fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that is brought up and read at the first meeting of the Board after it is given.

#### **Article 161**

##### ***Directors and Managing Director may contract with Company***

Subject to the provisions of the Act the Directors (including a Managing Director and Whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contracts or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest

shall be disclosed as provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and complied with.

## **Article 162**

A person shall not be capable of being appointed Director of the Company if:-

- (a) He has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- (b) He is an undercharged insolvent;
- (c) He has applied to be adjudged an insolvent and his application is pending;
- (d) He has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence;
- (e) He has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or
- (f) An order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that

## **Article 163**

### ***Vacation of office by Directors***

The office of Director shall become vacant if:-

- (a) He is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) He applies to be adjudged an insolvent; or
- (c) He is adjudged an insolvent; or
- (d) He is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for less than six months; or
- (e) He fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or
- (f) He absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
- (g) He (whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (h) He being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or
- (i) He becomes disqualified by an order of the Court under Section 203 of the Act; or
- (j) He is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or
- (k) If by notice in writing to the Company, he resigns his office, or
- (l) Having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

## **Article 164**

### ***Vacation of office by Directors (contd.)***

Notwithstanding anything contained in sub-clauses (c), (d) and (i) of Article 162 hereof, the disqualification referred to in these clauses shall not take effect:

- (a) For thirty days from the date of the adjudication, sentence or order;

- (b) Where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
- (c) Where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

## **Article 165**

### ***Removal of Directors***

- (a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles by Ordinary Resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.
- (b) Special Notice as provided by these Articles or Section 190 of the Act, shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the Meeting at which he is removed.
- (c) On receipt of notice of a resolution to remove a Director under this Article; the Company shall forthwith send a copy; thereof to the Director concerned and the Director (whether or not he is a Member of a Company) shall be entitled to be heard on the resolution at the Meeting.
- (d) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and requests their notification to Members of the Company, the Company shall, unless the representations are, received by it too late for it to do so:
  - (i) In the notice of the resolution given to the Members of the Company state the fact of the representations having been made, and
  - (ii) Send a copy of the representations to every Member of the Company to whom notice of the Meeting is sent (before or after the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the Meeting; provided that copies of the representation need not be sent or read out at the Meeting if on the application, either of the Company or of any other person who claims to be aggrieved by the Court is satisfied that the rights concerned by this sub-clause are being abused to secure needless publicity for defamatory matter.
- (e) A vacancy created by the removal of the Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board, in pursuance of Article 153 or Section 262 of the Act be filled by the appointment of another Director in his place by the Meeting at which he is removed, provided special notice of the intended appointment has been given under Article 163 hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- (f) If the vacancy is not filled under sub-clause (e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 153 or Section 162 of the Act, and all the provisions of that Article and Section shall apply accordingly
- (g) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.
- (h) Nothing contained in this Article shall be taken:-
  - (i) Is depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director, or
  - (ii) As derogating from any power to remove a Director which may exist apart from this Article.

## **Article 166**

### ***Interested Directors not to participate or vote in Board's proceedings***

No Director shall as a Director take part in the discussion of or vote on any contract arrangement or proceedings entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, not shall his presence count for the purpose of forming a quorum at the time of any such discussion or voting, and if he does vote, his vote shall be void. Provided however, that nothing herein contained shall apply to:-

- (a) Any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;
- (b) Any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely;
  - (i) In his being:
    - (a) A director of such company; and
    - (b) The holder of not more than shares of such number of value therein as is requisite to qualify him for appointment as a director, thereof, he having been nominated as director by the company, or
  - (ii) In his being a member holding not more than two percent of its paid-up share capital.

#### **Article 167**

##### ***Director may be director of companies promoted by the Company.***

A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.

#### **Article 168**

##### ***Appointment of Sole Selling Agents***

- (a) The appointment, re-appointment and extension of the term of a sole selling agent, shall be regulated in accordance with the provisions of Section 294 of the Act and any Rules or Notifications issued by the competent authority in accordance with that Section and the Directors and/or the Company in General Meeting may make the appointment, re-appointment or extension of the term of office in accordance with and subject to the provisions of the said Section and such rules or notifications, if any, as may be applicable.
- (b) The payment of any compensation to a sole selling agent shall be subject to the provisions of Section 294A of the Act.

#### **Article 169**

##### ***Rotation of Directors***

Not less than two third of the total number of Directors shall:-

- (a) Be persons whose period of the office is liable to termination by retirement by rotation and
- (b) Save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.

#### **Article 170**

##### ***Retirement of Directors***

Subject to the provisions of Articles 148 and 150, the non-retiring Directors should be appointed by the Board for such period or periods as it may in its discretion deem appropriate.

#### **Article 171**

### ***Retiring Directors***

Subject to the provisions of Articles 148 and 150, the non-retiring Directors should be appointed by the Board for such period or periods as it may in its discretion deem appropriate.

### **Article 172**

#### ***Appointment of Technical or Executive Directors***

- a) The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors.
- b) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.

### **Article 173**

#### ***Ascertainment of Directors retiring by rotation and filling of vacancies***

Subject to Section 288 (5) of the Act, the Directors retiring by rotation under Article 174 at every Annual General Meeting shall be those, who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves be determined by the lot.

### **Article 174**

#### ***Eligibility for re-election***

A retiring Director shall be eligible for re-election and shall act as a Director throughout and till the conclusion of the Meeting at which he retires.

### **Article 175**

#### ***Company to fill vacancies***

Subject to Sections 258, 259 and 294 of the Act, the Company at the General Meeting, at which a Director retires in manner aforesaid, may fill up the vacancy by appointing the retiring Director or some other person thereto.

### **Article 176**

***Subject to Sections 258, 259 and 294 of the Act, the Company at the General Meeting, at which a Director retires in manner aforesaid, may fill up the vacancy by appointing the retiring Director or some other person thereto.***

If the place of retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.

If at the adjourned Meeting also, the place of the retiring Director is not filled up and the Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting, unless:

- (i) At that Meeting or the previous Meeting a resolution for the re-appointment of such Director has been put to the Meeting and lost.
- (ii) The retiring Director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed.
- (iii) He is not qualified or is disqualified for appointment
- (iv) A resolution, whether Special or Ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or
- (v) The provision of the sub-section (2) of section 263 of the Act is applicable to the case.

## **Article 179**

### ***Notice of candidature for office of Directors except in certain cases***

- (1) No person not being a retiring Director shall be eligible for election to the office of Director at any General Meeting unless he or some other Member intending to propose him has given at least fourteen days notice in writing under his hand signifying his candidature for the office of a Director or the intention of such person to propose him as Director for that office as the case may be, along with a deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such Member, if the person succeeds in getting elected as a Director.
- (2) The Company shall inform its Members of the candidature of the person for the office of Director or the intention, of a Member to propose such person as candidate for that office by serving individual notices on the Members not less than seven days before the Meeting provided that it shall not be necessary for the Company to serve individual notices upon the Members as aforesaid if the Company advertises such candidature or intention not less than seven days before the Meeting in at least two newspapers circulating in the place where the registered office of the Company is located of which one is published in the English language and the other in the regional language of that place.
- (3) Every person (other than Director retiring by rotation or otherwise or person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as a candidate for the office a Director shall sign and file with the Company his consent in writing to act as a Director, if appointed
- (4) A person other than a Director appointed after retirement by rotation or immediately on the expiry of his term of office, or an Additional or Alternate Director or a person filling a casual vacancy in the office of a Director under Section 252 of the Act, appointed as a Director re- appointed as an additional or alternate Director immediately on the expiry of his term of office shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filled with the Registrar his consent in writing to act as such Director.

## **Article 180**

### ***Disclosure by Directors of their holdings of their Shares and debentures of the Company***

Every Director and every person deemed to be Director of the Company by virtue of sub-section (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section. Any such notice shall be given in writing and if it is not given at a meeting of the Board the person giving the notice shall take all reasonable steps to secure that it is brought up and read at the next meeting of the Board after it is given.

## **Article 181**

### ***Votes of Body Corporate***

A body corporate, whether a company within the meaning of the Act or not, which is a member of the Company, may by resolution of its Board of Directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the company or at any meeting of any class of members of the company and the persons so authorized shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise as if it were an individual member of the company and the production of a copy of the Minutes of such resolution certified by a director or the copy of the Minutes of such resolution certified by a Director or the or the Secretary of such body corporate as being a true copy of the Minutes of such resolution shall be accepted as sufficient evidence of the validity of the said representative's appointment and of his right to vote.

## **MANAGING DIRECTOR**

### **Article 182**

#### ***Powers to appoint Managing Director***

Subject to the provisions of Section 267, 268, 269, 316 and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors or Wholtime Directors of the Company, for a fixed term not exceeding five years as to the period for which he is or they are to hold such office, and may, from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

- (a) The Managing Director shall perform such functions and exercise such powers as are delegated to him by the Board of Directors of the Company in accordance with the provisions of the Companies Act, 1956.
- (b) Subject to the provisions of Sections 255 of the Act, the Managing Director shall not be while he continues to hold that office, subject to retirement by rotation.

### **Article 183**

#### ***Remuneration of Managing Director***

Subject to the provisions of Sections 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receive such remuneration as may from time to time be approved by the Company.

### **Article 184**

#### ***Special position of Managing Director***

Subject to any contract between him and the Company, a Managing or Wholtime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, *ipso facto* and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

#### ***Powers of Managing Director***

### **Article 185**

The Director may from time to time entrust to and confer upon a Managing Director or Wholtime Director for the time being such of the powers exercisable under these provisions by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers, either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Directors in that behalf and from time to time, revoke, withdraw, alter, or vary all or any of such powers.



#### **Article 186**

The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Wholetime Director or Wholetime Directors of the Company and may exercise all the powers referred to in these Articles.

#### **Article 187**

Receipts signed by the Managing Director for any moneys, goods or property received in the usual course of business of the Company or for any money, goods, or property lent to or belonging to the Company shall be an official discharge on behalf of and against the Company for the money, funds or property which in such receipts shall be acknowledged to be received and the persons paying such moneys shall not be bound to see to the application or be answerable for any misapplication thereof. The Managing Director shall also have the power to sign and accept and endorse cheques on behalf of the Company.

#### **Article 188**

The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit.

#### **Article 189**

Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.

#### **Article 189A**

##### ***Appointment and powers of Manager***

The Board may, from time to time, appoint any Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they may think fit, and may, confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient.

#### **Article 190**

##### ***Power to appoint Whole Time Director and/or Whole-time Directors***

Subject to the provisions of the Act and of these Articles, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of its Director/s or other person/s as Whole-Time Director or Whole-Time Directors of the Company out of the Directors/ persons nominated under Article only either for a fixed term that the Board may determine or permanently for life time upon such terms and conditions as the Board may determine or permanently for life time upon such terms and conditions as the Board thinks fit. The Board may by ordinary resolution and / or an agreement/s vest in such Whole-Time Director or Whole Time Directors such of the powers authorities and functions hereby vested in the Board generally as it thinks fit and such powers may be made exercisable and for such period of periods and upon such conditions and subject to such restrictions as it may be determined or specified by the Board and the Board has the powers to revoke, withdraw, alter or vary all or any of such powers and / or remove or dismiss him or them and appoint another or others in his or their place or places again out of the Directors / persons nominated under Article 192 only. The Whole Time Director or Whole Time Directors will be entitled for remuneration as may be fixed and

determined by the Board from time to time either by way of ordinary resolution or a Court act/s or an agreement/s under such terms not expressly prohibited by the Act.

#### **Article 191**

##### ***To what provisions Whole time Directors shall subject***

Subject to the provisions of Section 255 of the Act and these Articles, a Whole Time Director or Whole Time Director shall not, while he/they continue to hold that office, be liable to retirement by rotation but (subject to the provisions of any contract between him/they and the Company) he/ they shall be subject to the same provision as to resignation and removal as the other Directors, and he/they shall ipso facto and immediately ceases or otherwise under the sees to hold the office of Director/s for any reason whatsoever save that if he/they shall vacate office whether by retirement, by rotation or otherwise under the provisions of the Act any Annual General Meeting and shall be re-appointed as a Director of Directors at the same meeting he/they shall not by reason only of such vacation, cease to be a Whole Time Director or Whole Time Directors.

#### **Article 192**

##### ***Seniority of Whole Time Director and Managing Director***

If at any time the total number of Managing Directors and Whole Time Directors is more than one-third who shall retire shall be determined by and in accordance with their respective seniorities. For the purpose of this Article the seniorities of the Whole Time Directors and Managing Directors shall be determined by the date of their respective appointments as Whole Time Directors and Managing Directors of the Company.

### **PROCEEDINGS OF THE BOARD OF DIRECTORS**

#### **Article 193**

##### ***Meeting of Directors***

The Directors may meet together as a Board for the dispatch of business from time to time, and unless the Central Government by virtue of the provisions of Section 285 of the Act allow otherwise, Directors shall so meet at least once in every three months and atleast four such Meetings shall be held in every year. The Directors may adjourn and otherwise regulate their Meetings as they think fit. The provisions of this Article shall not be deemed to have been contravened merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum.

#### **Article 194**

##### ***Quorum***

- (a) Subject to Section 287 of the Act the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one third being rounded off as one) or two Directors whichever is higher. PROVIDED that where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the Total Strength, the number of the remaining Directors that is to say, the number of remaining who are not interested) present at the Meeting being not less than two shall be the quorum during such time.
- (b) For the purpose of clause(a)
  - (i) "Total Strength" means total strength of the Board of Directors of the Company determined in pursuance of the Act after deducting there from number of the Directors if any, whose places may be vacant at the time, and

- (ii) “Interested Directors” means any Directors whose presence cannot by reason of any provisions in the Act count for the purpose of forming a quorum at a meeting of the Board at the time of the discussion or vote on any matter.

## **Article 197**

### ***Question at Board meeting how decided***

Subject to the provisions of Section 316, 372(5) and 386 of the Act, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of any equality of votes, the Chairman shall have a second or casting vote.

## **Article 198**

### ***Powers of Board meeting***

A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act, or the Articles for the time being of the Company which are vested in or exercisable by the Board of Directors generally.

## **Article 199**

### ***Directors may appoint Committee***

The Board of Directors may subject to the provisions of Section 292 and other relevant provisions of the Act, and of these Articles delegate any of the powers other than the powers to make calls and to issue debentures to such Committee or Committees and may from time to time revoke and discharge any such Committee of the Board, either wholly or in part and either as to the persons or purposes, but every Committee of the Board so formed shall in exercise of the powers so delegated conform to any regulation(s) that may from time to time be imposed on it by the Board of Directors. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointments, but not otherwise, shall have the like force and effect, as if done by the Board.

## **Article 200**

### ***Meeting of the Committee how to be governed***

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding article. Quorum for the Committee meetings shall be two.

## **Article 201**

### ***Circular resolution***

- (a) A resolution passed by circulation without a meeting of the Board or a Committee of the Board appointed under Article 201 shall subject to the provisions of sub-clause (b) hereof and the Act, be as valid and effectual as the resolution duly passed at a meeting of Directors or of a Committee duly called and held.
- (b) A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation if the resolution has been circulated in draft together with necessary papers if any to all the Directors, or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and to all other Directors or members of the Committee at their usual addresses in India or to such other addresses outside India specified by any such Directors or members of the Committee and has been approved by such of the

Directors or members of the Committee, as are then in India, or by a majority of such of them as are entitled to vote on the resolution.

## **Article 202**

### ***Acts of Board or Committee valid notwithstanding defect in appointment***

All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered; that there was some defect in the appointment of one or more of such Directors or any person acting as aforesaid; or that they or any of them were disqualified or had vacated office or that the appointment of any of them is deemed to be terminated by virtue of any provision contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director; provided nothing in the Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

## **Article 203**

### ***General powers of management vested in the Board of Directors***

The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, 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 undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- (b) Remit, or give time for the repayment of, any debt due by a Director,
- (c) Invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company'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;
- (e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body;
  - (i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e)
  - (ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.

## **Article 204**

### ***Certain powers to be exercised by the Board only at Meetings***

1. Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;
  - (a) The power to make calls, on shareholders in respect of money unpaid on their Shares,
  - (b) The power to issue Debentures,
  - (c) The power to borrow moneys otherwise than on Debentures,
  - (d) The power to invest the funds of the Company, and
  - (e) The power to make loans

Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:

2. Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.
3. Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.
4. Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

### **Article 205**

#### ***Certain powers of the Board***

Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:

1. To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
2. To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.
3. Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
4. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, 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 engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
6. To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed.
7. To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose 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 legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon.
9. To act on behalf of the Company in all matters relating to bankruptcy and insolvency, winding up and liquidation of companies.
10. To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
11. Subject to the provisions of Sections 291, 292, 295, 370, 372 and all other applicable provisions 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 Shares of this Company), or without security and in such manner 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, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
13. To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
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, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a 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 moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, 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 of locality of operation, or of the public and general utility or otherwise.
16. Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest 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 to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or

expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and with full power to employ 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 redeemable preference shares or debentures or debenture 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 the credit of such funds interest at such rate as the Board may think proper.

17. To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.
18. To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.
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 person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.
20. Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, 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 terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.
21. At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
22. Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
23. From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.
24. To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.

25. To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
26. To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported-by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
27. To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.
28. To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.
29. From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.
30. To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.
31. To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.
32. To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.
33. Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.
34. 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.

## **MANAGEMENT**

### **Article 206**

#### ***Prohibition of simultaneous appointment of different categories of managerial personnel***

The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely:-

- (a) Managing Director and
- (b) Manager.

### **Article 208**

#### ***Minutes to be evidence of the proceeds***



- (a) The minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board or every Committee kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

***Books of minutes of General Meeting to be kept***

- (b) The books containing the aforesaid minutes shall be kept at the Registered Office of the Company and be open to the inspection of any Member without charge as provided in Section 196 of the Act and any Member shall be furnished with a copy of any minutes in accordance with the terms of that Section.

**Article 209**

***Presumptions***

Where the minutes of the proceedings of any General Meeting of the Company or of any meeting of the Board or of a Committee of Directors have been kept in accordance with the provisions of Section 193 of the Act, until the contrary is proved, the meeting shall be deemed to have been duly called and held, all proceedings thereat to have been duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid.

**Article 211**

***The Seal, its custody and use***

**(a) Seal**

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.

**(b) Common Seal for use outside India**

The Board may for the purpose of use of the Common Seal outside India, cause a facsimile of the Common Seal to be made and authorize the use of it in the manner provided under Section 50 of the Companies Act, 1956

**(c) Safe Custody of Seal**

The Common Seal shall be in the safe custody of the Director or the Secretary for the time being of the Company.

**(d) Affixing of Seal on deeds and instruments'**

On every deed or instrument on which the Common Seal of the Company is required to be affixed, the Seal be affixed in the presence of a Director or a Secretary or any other person or persons Authorised in this behalf by the Board, who shall sign every such deed or instrument to which the Seal shall be affixed.

**(e) Affixing of Seal on Share Certificates**

Notwithstanding anything contained in Clause (d) above, the Seal on Share Certificates shall be affixed in the presence of such persons as are Authorised from time to time to sign the Share Certificates in accordance with the provisions of the Companies (Issue of Share Certificates) Rules in force for the time being.

**(f) Removal of Common Seal outside the office premises**

The Board may authorize any person or persons to carry the Common Seal to any place outside the Registered Office inside or outside for affixture and for return to safe custody to the Registered Office.

**Article 212**

***Division of profits***

- (a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares.
- (b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.

## **Article 213**

### ***The Company at General Meeting may declare dividend***

The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.

## **Article 214**

### ***Dividends out of profits only***

No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

## **Article 215**

### ***Interim dividend***

The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies

## **Article 216**

### ***Debts may be deducted***

- (a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (b) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.

## **Article 217**

### ***Capital paid-up in advance to carry interest, not the right to earn dividend***

Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits

## **Article 218**

### ***Dividends in proportion to amounts paid-up***

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.

## **Article 219**

### ***No Member to receive dividend while indebted to the Company and the Company's right in respect thereof***

No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or

Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

#### **Article 220**

##### ***Effect of transfer of Shares***

A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.

#### **Article 221**

##### ***Dividend to joint holders***

Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

#### **Article 222**

##### ***Dividend how remitted***

The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

#### **Article 223**

##### ***Notice of dividend***

Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.

#### **Article 224**

##### ***Reserves***

The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

#### **Article 225**

##### ***Dividend to be paid within time required by law***

The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-

- (a) Where the dividend could not be paid by reason of the operation on any law; or
- (b) Where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or
- (c) Where there is dispute regarding the right to receive the dividend; or
- (d) Where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or
- (e) Where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

## **Article 226**

### ***Unpaid or unclaimed dividend***

**Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, to any shareholder entitled to the payment of dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called “Innovative Industries Limited\_\_\_\_\_ (year) Unpaid Dividend Account”.**

**Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.**

## **Article 227**

### ***Set-off of calls against dividends***

Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.

## **Article 228**

### ***Dividends in cash***

No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.

## **Article 229**

### ***Capitalisation***

- (1) The Company in General Meeting may, upon the recommendation of the Board, resolve:
  - (a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and
  - (b) That such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.

- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;
  - (a) Paying up any amount for the time being unpaid on any Shares held by such Members respectively, or
  - (b) Paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or
  - (c) Partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b)
- (3) A security premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.

## **Article 230**

### ***Board to give effect***

The Board shall give effect to the resolution passed by the Company in pursuance of above Article.

## **Article 231**

### ***Fractional certificates***

- (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;
  - (a) Make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares and
  - (b) Generally do all acts and things required to give effect thereto.
- (2) The Board shall have full power:
  - (a) To make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also
  - (b) To authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf by the application thereof of the respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing Shares.
- (3) Any agreement made under such authority shall be effective and binding on all such Members.
- (4) That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.

## **ACCOUNTS**

## **Article 232**

### ***Books to be kept***

- (1) The Company shall keep at its Registered Office proper books of account as would give a true and fair view of the state of affairs of the Company or its transactions with respect to:
  - (a) All sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place.
  - (b) All sales and purchases of goods by the Company.
  - (c) The assets and liabilities of the Company and
  - (d) If so required by the Central Government, such particulars relating to utilisation of material or labour or to other items of cost as may be prescribed by the Government.

Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decides the Company shall within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.

- (2) Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with the provisions of clause (1) if proper books of account relating to the transaction effected at the branch are kept at that office and proper summarised returns, made upto date at intervals of not more than three months, are sent by the branch office to the Company at its Registered Office or the other place referred to in sub-clause (1). The books of accounts and other books and papers shall be open to inspection by any Director during business hours.

## **Article 233**

### ***Inspection by Members***

No Members (not being a Director) shall have any right of inspecting any account books or documents of the Company except as allowed by law or authorised by the Board.

## **Article 234**

### ***Statements of accounts to be furnished to General Meeting***

The Board of Directors shall from time to time in accordance with Sections 210, 211, 212, 216 and 217 of the Act, cause to be prepared and laid before each Annual General Meeting a profit and loss account for the financial year of the Company and a balance sheet made up as at the end of the financial year which shall be a date which shall not precede the day of the Meeting by more than six months or such extended period as shall have been granted by the Registrar under the provisions of the Act.

## **Article 235**

### ***Right of Members or others to copies of balance sheet and Auditors' report and statement under Section 219***

- (1) The Company shall comply with the requirements of Section 219 of the Act.
- (2) The copies of every balance sheet including the Profit & Loss Account, the Auditors' Report and every other document required to be laid before the Company in General Meeting shall be made available for inspection at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting.

A statement containing the salient features of such documents in the prescribed form or copies of the documents aforesaid, as the Company may deem fit will be sent to every Member of the Company and to every trustee of the holders of any Debentures issued by the Company not less than 21 days before the date of the Meeting.

## **Article 237**

### ***Appointment of Auditors***

- (1) Auditors shall be appointed and their qualifications, rights and duties regulated in accordance with Section 224 to 229 and 231 of the Act.
- (2) The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office from conclusion of that Meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment give intimation thereof to the Auditor so appointed unless he is a retiring Auditor.
- (3) At any Annual General Meeting a retiring Auditor by whatsoever authority appointed shall be reappointed unless:
  - (a) He is not qualified for re-appointment;
  - (b) He has given to the Company notice in writing of his unwillingness to be re-appointed;

- (c) A resolution has been passed at that Meeting appointing somebody instead of him or providing expressly that he shall not be re-appointed; or
  - (d) Where notice has been given of an intended resolution to appoint some person or persons in the place of retiring Auditor, and by reason of the death, incapacity or disqualification of that person or of all those persons as the case may be, the resolution cannot be proceeded with.
- (4) Where at any Annual General Meeting no Auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy.
  - (5) The Company shall within seven days of the central government's power under sub-clause (4) becoming exercisable give notice of that fact to that Government.
  - (6) The Directors may fill any casual vacancy in the office of Auditors, but while any such vacancy continues, the surviving or continuing Auditor or Auditors (if any) may act but where such vacancy is caused by the resignation of art Auditor, the vacancy shall only be filled by the Company in General Meeting.
  - (7) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless a special notice of a resolution for appointment of that person to the office of Auditor has been given by a Member to the Company not less than fourteen days before the Meeting in accordance with Section 190 of the Act and the Company shall send a copy of any such notice to retiring Auditor and shall give notice thereof, to the Members in accordance with Section 190 of the Act and all the other provisions of Section 225 of the Act shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that retiring Auditor shall not be re-appointed.

#### **Article 238**

##### ***Accounts when audited and approved to be conclusive except as to errors discovered within 3 months***

Every account when audited and approved by a General Meeting shall be conclusive except as regards any errors discovered therein within the next three months after the approval thereof. Whenever any such error is discovered within that period, the account shall be corrected, and amendments effected by the Directors in pursuance of this Article shall be placed before the Members in General Meeting for their consideration and approval and, on such approval, shall be conclusive.

#### **Articles 239**

##### ***To whom documents must be served or given***

Document or notice of every Meeting shall be served or given 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 or Auditors for the time being of the Company, PROVIDED that when the notice of the Meeting is given by advertising the same in newspaper circulating in the neighbourhood of the office of the Company under Article 109, a statement of material facts referred to in Article 100 need not be annexed to the notice, as is required by that Article, but it shall merely be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.

#### **Article 240**

##### ***Members bound by documents or notices served on or given to previous holders***

Every person, who by operation of law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every document or notice in respect of such Share, which prior to his name and address being entered in the Register of Members shall have been duly served on or given to the person from whom he derived, his title to such Share.

#### **Article 241**

##### ***Service of documents on the Company***

A document may be served on the Company or an officer thereof by sending it to the Company or officer at the Registered Office of the Company by post under a certificate of posting or by registered post or by leaving it at its Registered Office.

#### **Article 242**

##### ***Authentication of documents and proceedings***

Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the Company may be signed by a Director, the Managing Director, or the Secretary or other authorised officer of the Company and need not be under the Seal of the Company.

### **REGISTERS AND DOCUMENTS**

#### **Article 243**

##### ***Authentication of documents and proceedings***

The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:

- (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act
- (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.
- (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act.
- (d) Foreign register, if so thought fit, as required by Section 157 of the Act
- (a) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act.
- (b) Register of Directors and Secretaries etc. as required by Section 303 of the Act.
- (c) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act.
- (d) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.
- (e) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.

Register of loans, guarantees, or securities given to the other companies                      under the same management as required by Section 370 of the Act.

#### **Article 244**

##### ***Inspection of Registers***

The registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in the case of the Register of Members of the Company provided for in clause (c) thereof. Copies of entries in the registers mentioned in the foregoing article shall be furnished to the persons entitled to the same on such days and during such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.

### **WINDING UP**

#### **Article 245**

##### ***Distribution of assets***



If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the Shares held by them respectively, and if in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

#### **Article 246**

##### ***Distribution in specie or kind***

- (a) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidator, with the like sanction, shall think fit.
- (b) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributions (except where unalterably fixed by the Memorandum of Association and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.
- (c) In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable act accordingly.

#### **Article 247**

##### ***Right of shareholders in case of sale***

A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.

#### **Article 248**

##### ***Directors and others right to indemnity***

Subject to the provisions of Section 201 of the Act, every Director or officer, or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as Auditor, shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, charges, losses and damages which any such person may incur or become liable to pay by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such if any as he shall incur or sustain through or by his own wrongful act, neglect or default) including expenses, and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, officer or Auditor or other office of the Company in defending any proceedings whether civil or

criminal in which judgment is given in his favour, or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

#### **Article 249**

##### ***Director, officer not responsible for acts of others***

Subject to the provisions of Section 201 of the Act no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damages arising from the insolvency or tortuous act of any person, firm or Company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgment, omission, default or oversight on his part of for any other loss, damage, or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.

#### **SECRECY CLAUSE**

#### **Article 250**

##### ***Secrecy Clause***

Every Director/Manager, Auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant or any other person-employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself, to observe a strict secrecy respecting all transactions and affairs of the Company with the Company customers and the state of the accounts with individuals and in matter thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required to do so by the Directors 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 provisions in these presents contained.

#### **Article 251**

##### ***No Member to enter the premises of the Company without permission***

No Member or other person (not being a Director) shall be entitled to visit or inspect any property or premises of the Company without the permission of the Board of Directors or Managing Director, or to inquire 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 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.

### **PART B**

#### ***1.1 PRELIMINARY***

Notwithstanding anything to the contrary contained in Part A of these Articles, so long as the (i) Share Subscription and Shareholders' Agreement (defined below); and (ii) Other Shareholders Agreement (defined below), shall be in effect, the provisions of this Part B of these Articles shall also apply and in the event of any inconsistency or contradiction between the provisions of Part A of these Articles and the provisions of Part B of these Articles, the provisions of Part B of these Articles shall override and prevail over the provisions of Part A of these Articles.

The termination of the Share Subscription and Shareholders' Agreement and/or the Other Shareholders Agreement, the ceasing of operation of certain Articles under Part B of these Articles shall be without prejudice to any claim or rights of action previously accrued to the Shareholders hereunder before such termination / cessation. Upon the termination of the Share Subscription and Shareholders' Agreement and/or the Other Shareholders Agreement, the inconsistent Articles contained in Part A of these Articles shall cease to be subordinate to Part B of these Articles.

Notwithstanding the termination of the Share Subscription and Shareholders' Agreement and/or the Other Shareholders Agreement, the provisions of the Share Subscription and Shareholders' Agreement or the Other Shareholders Agreement that are expressed to survive termination shall survive the termination of the Share Subscription and Shareholders' Agreement and the Other Shareholders Agreement, respectively.

## *1.2 DEFINITIONS & INTERPRETATION*

### **1.1 Definitions**

In these Articles, the following words and expressions (including in the recitals hereof or schedules hereto), unless the context otherwise requires, have the following meanings ascribed to them:

**“Act”** means the Companies Act, 1956 and the rules framed there under and any subsequent amendment or re-enactment thereof for the time being in force.

**“Action”** means any claim, demand, litigation, action, suit, investigation, proceeding, hearing, complaint, assessment, fine, penalty, inquiry or judgment, administrative or judicial, at law or in equity.

**“Affiliate”** means, in relation to any Person, any entity Controlled, directly or indirectly, by that Person, any entity that Controls, directly or indirectly, that Person, or any entity under common Control with that Person or, in the case of a natural Person, any Relative of such Person. Without limiting the generality of the above, a holding or subsidiary company of any entity shall be deemed to be an Affiliate of that entity.

**“Affirmative Vote Item(s)”** means the following matters:

- (i) The sale, transfer, mortgage, charge, pledge, creation of a lien or other Encumbrance, lease, exchange or other disposition of material Assets or any interest therein or sale or disposition of any part of the undertaking and/ or goodwill of the Company except to the extent such sale, transfer etc. is in the ordinary course of business of the Company or for the purpose of meeting requirements which have been approved in the business plan which shall be mutually agreed to between the Promoters and the Investor;
- (ii) Mergers, de-mergers, acquisitions, amalgamation, disinvestments, creation of subsidiaries, consolidation, reconstitution, reconstruction, recapitalization, reorganization or other business combination involving the Company and/ or its Subsidiaries;
- (iii) The institution, withdrawal or settlement of any material Litigation, Action or dispute in which the Company is a party and where the amount claimed against the Company exceeds Rs. 50,00,000/- (Rupees Fifty Lakhs only) or amount claimed by the Company exceeds Rs. 50,00,000/- (Rupees Fifty Lakhs only) ;
- (iv) Distribution of capital or profits by dividends, capitalization of reserves or otherwise;
- (v) Issuance or grant of Equity Shares, equity-linked instruments or any option in any form (including any commitments of equity to employees and Directors) to acquire/ subscribe to Equity Shares of the Company;

- (vi) Incurrence of debt or guarantee otherwise than in ordinary course of business of the Company or which is in excess of Rs. 5,00,00,000/- (Rupees Five Crores only);
- (vii) Issuance of any guarantee by the Company or Promoters to secure the liability of any Person or any pledge (otherwise than pledge of shares by the Promoters solely for the Business of the Company), sale transfer or otherwise granting of beneficial ownership of shares by the Promoters;
- (viii) Early repayment of debt or guarantee of any amounts in excess of Rs. 5,00,00,000/- (Rupees Five Crores only);
- (ix) Amendment of the Memorandum of Association or Articles;
- (x) Creation of any new class of Securities which have superior rights than the Equity Shares or the variation of any rights attaching to any Share in the Company, if the variation has the effect of rendering the Shares superior in any respect to the Equity Shares;
- (xi) Appointment of any employee with a remuneration in excess of Rs. Rs. 30,00,000/- (Rupees Thirty Lakhs only) per annum;
- (xii) Removal of the Key Employees, or adoption of or any material amendments to employment contracts of the Key Employees;
- (xiii) Capital expenditure or investment decisions (by way of deposits, loans and advances, subscription to Shares, rights, options, warrants to purchase capital stock or other convertible securities) by the Company in excess of the amount forecast in the business plan agreed between the Promoters and the Investor;
- (xiv) Any change in business scope, any diversification into business areas unrelated to its existing businesses and/or acquisition, disposition or dilution of a substantial interest in any other business, company, partnership or sole proprietorship and/or material deviations in operating expenses from the mutually agreed business plan or adoption of any new business plan by the Company;
- (xv) Utilisation of funds for purposes otherwise than as permitted in the Business Plan, annual operating plan and/or budget approved by the Investor;
- (xvi) Entering into or amendment of any agreement or contract or transaction by the Company with any Relative, Affiliate or Connected Person of the Company or the Promoters;
- (xvii) Voluntary liquidation or dissolution of the Company;
- (xviii) Entering into, variation, assignment, sub-contracting or termination of any material agreement or arrangement outside the ordinary scope of business by the Company;
- (xix) Approval of the annual accounts for any financial year of the Company;
- (xx) Approval, alteration or revision of the Business Plan or annual operating plan and budget for any financial year of the Company;
- (xxi) Change in the Financial Year of the Company;
- (xxii) Appointment, removal, change of the Independent Director(s) or the approval of or payment of any fee, compensation or other remuneration (in cash, in kind or otherwise) to any of the Directors in his capacity as director of the Company;

- (xxiii) Entering into any compromise with any of the creditors or any class of them by the Company with regard to any material debts in excess of Rs. 1,00,00,000/- (Rupees One Crore only);
- (xxiv) Appointment or removal or change of the statutory auditors and internal auditors of the Company or change in any policy on financial matters such as significant accounting practices and depreciation practices, unless required by applicable Laws;
- (xxv) The sale, transfer or grant of any trade secret or Intellectual Property Rights except in the ordinary course of business;
- (xxvi) Approve the timing, structure, pricing and other details relating to any IPO or any trade sale of the Company;
- (xxvii) The increase, reduction, sub-division, cancellation or variation of the Company's authorized or issued share capital, and in respect of issue and allotment of Shares, the terms and conditions of such issue and allotment;
- (xxviii) Change of management control of Company;
- (xxix) Commencement of any new business by the Company or any of its Subsidiaries;
- (xxx) Giving consent to any Key Employee to act as director of any Company or trustee, member of governing body of any Person;
- (xxxi) Declaration of any bonuses to any Key Employees;
- (xxxii) Appointment of any member to the Board;
- (xxxiii) Any change in the constitution of the Board or any committee of the Board or a change in the charter of any committee on the Board;
- (xxxiv) Any donations or political or social contributions on behalf of the Company;
- (xxxv) Any changes in the revenue recognition policies of the Company;
- (xxxvi) Any buy-back of shares by the Company other than as contemplated in the Transaction Documents;
- (xxxvii) Entering into any derivative contracts in excess of US Dollar 10 million;
- (xxxviii) Any transaction involving the acquisition of Equity Shares or other Securities of the Company by any third party;
- (xxxix) Commencement of voluntary winding up, dissolution and/or liquidation, by the Company, filing for 'bankruptcy, 'sick company' or other similar protection from creditors of the Company by whatever nomenclature;
- (xl) Any proposed voluntary retirement or voluntary retirement scheme;
- (xli) Giving of any loan by the Company to any Relative, Affiliate or Connected Person of the Company or the Promoters; and
- (xlii) Any commitment or agreement to do any of the foregoing.

**“Articles of Association” or “Articles”** means the articles of association of the Company, as amended from time to time.

“**Assets**” of any Person shall be construed as a reference to the whole or any part of its business, undertaking, property (including but not limited to factories, godowns, warehouses etc.), assets and revenues (including any right to receive revenues).

“**Auditor**” means the Person who is appointed, from time to time, as the statutory auditor of the Company.

“**Board of Directors**” or “**Board**” means the board of directors of the Company, as constituted from time to time.

“**Big Four Accountancy Firms**” means any of KPMG, PricewaterhouseCoopers, Deloitte & Touche or Ernst & Young and/or their affiliated or associated firms.

“**Business**” shall mean the business of business of manufacturing, trading, processing, selling, purchasing, importing, exporting and dealing in steel tubes, hot rolled, coils/sheets, motor vehicle components and press parts.

“**Business Day**” means a day (excluding Saturdays and Sundays) on which banks generally are open in Mumbai, India and Mauritius for the transaction of normal banking business.

“**Business Plan**” shall have the meaning ascribed to the said term in the Share Subscription and Shareholders Agreement.

“**Closing**” shall have the meaning ascribed to the said term in the Share Subscription and Shareholders Agreement.

“**Closing Date**” shall have the meaning ascribed to the said term in the Share Subscription and Shareholders Agreement.

“**Committee(s)**” shall mean committees of the Board.

“**Connected Person**” in relation to the Company means any:

- (a) company under the same management (as defined by Section 370 (1-B) of the Act) as the Company;
  - (b) directors or key employees of the Company;
  - (c) Affiliate of the Company;
  - (d) the Promoters or any Affiliate of the Promoters;
  - (e) Person having control or significant influence over the Company as defined in Accounting Standard 18 issued by the Institute of Chartered Accountants of India; and
  - (f) Related party to the Company as contemplated in Sections 295 to 301 (both inclusive) of the Act.
- but shall not include the Investor Director and the independent directors.

“**Contract**” means any written, oral or other agreement, contract, subcontract, lease, understanding, instrument, note, warranty, insurance policy, benefit plan or legally binding commitment or undertaking of any nature.

“**Control**” means, with respect to any Person, the ability to direct the management or policies of such Person, directly or indirectly, whether through the ownership of shares or other Securities, by Contract or otherwise, provided that in all events, the direct or indirect ownership of fifty percent (50%) or more of the voting share capital of a Person shall be deemed to constitute Control of that Person (the expressions “**Controlling**” and “**Controlled**” shall have the corresponding meanings).

**“Deed of Adherence”** shall have the meaning ascribed to the said term in the Share Subscription and Shareholders Agreement.

**“Director(s)”** means a director on the Board.

**“Disclosing Party”** shall have the meaning ascribed to such term in Article 15.1.4 hereof.

**“Encumbrance”** means (i) any voting agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any Person; (ii) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, security interest, trust, title retention, infringement, interference, restriction of any nature, or other encumbrances, covenants or conditions or any preferential or other arrangements that have the effect of granting or constituting a charge or security interest of any kind or conferring any priority of payment in respect of any obligation of any Person and includes without limitation any right granted by a transaction which, though in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable Law; and (iii) any adverse claim as to title, possession or use. The term “Encumber” shall have a co-relative meaning.

**“Equity Shares”** means the equity shares of the Company having a par value of Rs.10/- (Rupees ten only) each.

**“Financial Statements”** means the financial statements of a body corporate for a Financial Period (which include a balance sheet, statement of cash flows and a profit and loss statement) prepared in accordance with Indian GAAP.

**“Financial Year”** means the accounting year of the Company or any Subsidiary, as the case may be, commencing each year on April 1 and ending on March 31 of the following year.

**“Financial Period”** means any period (including a Financial Year) for which the Financial Statements of a body corporate are drawn up.

**“Fiscal Quarter”** shall mean, in any Financial Year, any of the following three month periods of such Financial Year:

- (a) April 1 to June 30
- (b) July 1 to September 30
- (c) October 1 to December 31
- (d) January 1 to March 31.

**“Fully Diluted Basis”** in relation to a company means, the total equity and preference share capital of such company calculated assuming that all outstanding convertible securities, stock options, warrants issued by such company (whether or not by their terms then currently convertible, exercisable or exchangeable) have been so converted, exercised or exchanged.

**“General Meeting”** in relation to any company means a meeting of the shareholders of such company in accordance with the provisions of the Act.

**“Governmental Authority”** means any government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, or any other government authority, agency, department, board, commission or instrumentality or any political subdivision thereof and any court, tribunal or arbitrator(s) of competent jurisdiction and any governmental or non-governmental self-regulatory organization, agency or authority; having jurisdiction over the Company, the other Shareholders, any shareholder or the assets or operations of any of the foregoing, or any of the transactions contemplated hereby.

**“Indebtedness”** of any Person, means (a) all obligations of such Person for borrowed money or with respect to advances of any kind, whether or not evidenced by bonds, debentures, notes or similar instruments (other than trade credit incurred in the ordinary course of such Person’s business);(b) all

obligations of such Person for the deferred purchase price of property or services; (c) all indebtedness (including any indebtedness of the type included in any clause of this definition) of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any lien, charge, security interest or other Encumbrance on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed by such Person; (d) all guarantees by such Person; (e) all obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real and/or personal property, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under Indian GAAP; and (f) all obligations of such Person as an account party in respect of letters of credit and bankers acceptances.

**“Indian GAAP”** means the generally accepted accounting principles consistently applied as in effect from time to time in India.

**“Indian Rupees”, “INR” and “Rs.”** each mean the lawful currency of the Republic of India.

**“Intellectual Property Rights”** means all patents, trade-marks, service marks, logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, semi-conductor topography rights, utility models, rights in know-how, trade secrets, business methods and other intellectual property rights and proprietary data, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect anywhere in the world which are held or beneficially owned by the Company.

**“Investor”** means Kavos Capital Limited, a company incorporated under the laws of Mauritius, having its registered office at Les Cascades, Edith Cavell Street, Port Louis, Mauritius (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include its successors and permitted assigns).

**“Investor Director”** shall have the meaning ascribed to such term in Article 4.1 hereof.

**“Investor Required Amounts”** at any time in relation to each Investor Share means the Total Investor Required Amounts divided by the number of Investor Shares held by the Investor immediately subsequent to Closing.

**“Investor Shares”** shall mean any Shares held by the Investor including the Subscription Shares and Kavos Shares.

**“IPO”** means initial public offering of Shares (which may include an offer for sale of Equity Shares by the Investor) or other Securities (including depository receipts) which offers liquidity for the Shares or other securities and consequent listing of the Shares or other securities of the Company in stock exchanges, domestic or overseas.

**“IRR”** means the internal rate of return which shall, as of the date of determination, be calculated based on the XIRR function of Microsoft Excel and shall take into account all cash and/or cash equivalents (in whatever form) paid by the Company to the Investor in case of the Kavos Investment Amount, from March 7, 2008 and in case of the Subscription Amount from the Closing Date, and in each case, until the date of determination, provided such cash and/or cash equivalent payments shall only be those associated for the relevant tranche for which the IRR is being calculated.

**“Kavos Agreement”** means the Share Purchase and Shareholders Agreement dated February 21, 2008 entered into between the Company, Promoter 1 and the Investor, as may be amended, supplemented or replaced or otherwise modified from time to time and the expression “Kavos Agreement” shall include any document which amends, supplements, replaces or otherwise modifies the Kavos Agreement, together with the recitals and all the annexures, appendices and schedules attached hereto.



**“Kavos Investment Amount”** means an amount of Rs. 15,00,00,000/- (Rupees Fifteen Crores) paid by the Investor for acquiring the Kavos Shares in accordance with the terms contained in the Kavos Agreement.

**“Kavos Shares”** shall have the meaning ascribed to the said term in the Share Subscription and Shareholders Agreement.

**“Key Employee”** shall mean and include all working directors, chief executive officer, chief financial officer, whole time company secretary, if employed and any other employee of the Company, who notwithstanding the nomenclature of his designation, is responsible for key business operations/corporate functions of the Company.

**“Law”** means any statute, law, regulation, ordinance, rule, judgment, notification, rule of common law, order, decree, bye-law, government approval, directive, guideline, requirement or other governmental restriction, or any similar form of decision of, or determination by, or any interpretation, policy or administration, having the force of law of any of the foregoing, by any authority having jurisdiction over the matter in question, whether in effect as of the date of the Share Subscription and Shareholders Agreement or thereafter.

**“Litigation”** includes all suits, civil and criminal actions, arbitration proceedings, and all legal proceedings, pending, threatened or proposed whether before any court, judicial or quasi-judicial or regulatory authority, tribunal, Governmental Authority or any arbitrator or arbitrators.

**“Losses”** includes all actual and direct losses, liabilities, obligations, claims, demands, actions, fines, costs, expenses, royalties, deficiencies, diminishing of the value of the Securities held by the Investor, damages (whether or not resulting from third party claims), including interests and penalties with respect thereto and out-of-pocket expenses, including reasonable attorneys’ and accountants’ fees and disbursements but excluding any consequential, indirect, special and/or punitive damages.

**“Material Adverse Effect”** means any material change or material development including a prospective change, change in national or international monetary, financial, economic or political conditions or currency notes that would have a material adverse effect on the validity and/or enforceability of these Articles and/or of the rights or remedies of the Investor and/or on:

- (i) The Assets, business properties, liabilities, financial condition, results or operations or prospects of the Company, Subsidiaries or the Promoters; or
- (ii) The ability of any Shareholder to perform its obligations under these Articles; or
- (iii) The ability of the Company to exercise or enforce any right, benefit, privilege or remedy under any Contract binding on the Company.

The term Material Adverse Effect shall include:

- (i) Any employee or labour dispute or disruption affecting, or likely to affect, the operations of the Business of the Company or any Subsidiary in a material way;
- (ii) Any material claim or demand in relation to Tax being made upon the Company or any Subsidiary by any Governmental Authority for which provisioning in full has not been made by the Company or the relevant Subsidiary.
- (iii) Any adverse order or action by a Governmental Authority in connection with the affairs of the Company or any Subsidiary including but not limited to the Business, employment practices etc. or any adverse order or action by a Governmental Authority against the Promoters.

**“Memorandum of Association”** means the memorandum of association of the Company, as amended from time to time.

**“Minimum Listing Requirement”** shall mean the minimum level of public shareholding threshold required for listing of Securities on a recognized stock exchange by the Company pursuant to an IPO (including a QIPO), as prescribed by applicable Law from time to time.

**“Non-Disclosing Party”** shall have the meaning ascribed to such term in Article 15.1.4 hereof.

**“Official”** means any officer of a political party or candidate for political office or any officer or employee of any Governmental Authority.

**“Other Shareholder”** refers to Other Shareholder 1 to Other Shareholder 5 individually and **“Other Shareholders”** refers to Other Shareholder 1 to Other Shareholder 5 collectively.

**“Other Shareholder 1”** means Mrs. Shubhangi Jadhav, w/o Mr. Chandu Chavan, residing at SN-64/14 Ambiance Empyrean Resi Third Phase BL-C Kawade Mala Near Empress Garden Ghorpadi Pune 411 001, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include her successors, legal heirs, legal representatives and permitted assigns).

**“Other Shareholder 2”** means Mrs. Vishakha Bhade, w/o Mr. S.T. Bhade, residing at Flat No. 301, Roop Ganga Apt., Gaikwad Nagar, Aundh, Pune - 411 002, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include her successors, legal heirs, legal representatives and permitted assigns).

**“Other Shareholder 3”** means Mrs. Mrunal Katre, w/o Mr. R.W. Katre, residing at Flat No. 302, Disha Apartments Apt, 14+129+130+131, PLN -25 Mayur Colony Kothrud Pune - 411 029, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include her successors, legal heirs, legal representatives and permitted assigns).

**“Other Shareholder 4”** means Mrs. Kavita Dhupkar, w/o Mr. P.M. Mulye, residing at Siddhi 7, Bhaktiyog Co-op. Hsg. Soc, Nr. MIT College, Paud Road, Kothrud, Pune, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include her successors, legal heirs, legal representatives and permitted assigns).

**“Other Shareholder 5”** means Mrs. Smita Katke, w/o Mr. S.R. Katke, residing at 31/10, Uday Hsg. Soc., Erandwana, Gaothan, Karve Road, Nr. Mhatre Bridge, Pune - 411 004, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include her successors, legal heirs, legal representatives and permitted assigns).

**“Other Shareholders Agreement”** shall mean the agreement entered into on or about the date of the Share Subscription and Shareholders Agreement by the Investor, the Company, the Other Shareholders and Promoter 1.

**“Person(s)”** includes any natural person, individual, firm, corporation, partnership, limited liability partnership, company, corporation, proprietorship, Hindu undivided family, trust, union, association, joint venture, government (or agency or political subdivision thereof) or other entity of any kind, whether or not having separate legal personality and where the context permits, include such person's executors, administrators, heirs, legal representatives and successors in interest and permitted assigns.

**“Prohibited Payment”** means any offer, gift, payment, promise to pay or authorization of the payment of any money or anything of value, directly or indirectly, to or for the use or benefit of any Official (including to any other Person for the use or benefit of any Official) for the purpose of influencing any act or decision or omission of any Official in order to obtain, retain or direct business to or to secure any benefit or advantage for the Company or any Subsidiary, their respective Affiliates or any other Person;

provided that any such offer, gift, payment, promise or authorization of payment shall not be considered a Prohibited Payment if, in the Investor's reasonable opinion, it is lawful under applicable Laws.

**"Promoter 1"** means Mr. Chandu Chavan, s/o Mr. Laxman Chavan, residing at SN-64/14 Ambiance Emperan Resi Third Phase BL-C Kawade Mala Near Empress Garden Ghorpadi Pune 411 001, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include his successors, legal heirs, legal representatives and permitted assigns).

**"Promoter 2"** means Mr. R.W. Katre, s/o Mr. Waman Katre, residing at Flat No. 302, Disha Apartments Apt, 14+129+130+131, PLN -25 Mayur Colony Kothrud Pune - 411 029, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include his successors, legal heirs, legal representatives and permitted assigns).

**"Promoter 3"** means Mr. S.H.Waghulade, s/o Mr. Harishchandra Waghulade, residing at Flat No. 301, Disha Apartments Apt, 14+129+130+131, PLN -25 Mayur Colony Kothrud Pune - 411 029, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include his successors, legal heirs, legal representatives and permitted assigns).

**"Promoter 4"** means Mr. S.R. Katke, s/o Mr. Ramchandra Katke, residing at 31/10, Uday Hsg. Soc., Erandwana, Gaothan, Karve Road, Nr. Mhatre Bridge, Pune - 411 004, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include his successors, legal heirs, legal representatives and permitted assigns).

**"Promoter 5"** means Mr. P.M. Mulye, s/o Mr. Mohan Mulye, residing at Siddhi 7, Bhaktiyog Co-op. Hsg. Soc, Nr. MIT College, Paud Road, Kothrud, Pune, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include his successors, legal heirs, legal representatives and permitted assigns).

**"Promoter 6"** means Mr. S.T. Bhade, s/o Mr. Tanaji Bhade, residing at Flat No. 301, Roop Ganga Apt., Gaikwad Nagar, Aundh, Pune - 411 002, (which expression shall, unless repugnant to the subject, context or meaning thereof, be deemed to mean and include his successors, legal heirs, legal representatives and permitted assigns).

**"Promoter"** refers to Promoter 1 to Promoter 6 individually and **"Promoters"** refers to Promoter 1 to Promoter 6 collectively.

**"Promoter Shareholding"** means the total number of Equity Shares of the Company which are collectively held by the Promoters and the Other Shareholders.

**"Qualified IPO"** means an IPO of Equity Shares of the Company which satisfies all of the following conditions:

9. The IPO is consummated prior to the fourth anniversary of the Closing Date;
10. the IPO is a firmly underwritten public offering;
11. The IPO is consummated at an equity valuation which provides to the Investor (based on the lower end of the price band fixed by the merchant banker in connection with the filing of the DRHP) a minimum cumulative IRR of 25% per annum on the Subscription Amount and Kavos Investment Amount from their respective dates of investment till the date of the Qualified IPO, provided that if the final IPO price (i.e. the lower end of the price band at which subscriptions are sought) is lower than the lower end of such price band and the final IPO price does not provide to the Investor the requisite IRR, the approval of the Investor shall be required to proceed with such Qualified IPO;

12. Subject to (5) and (6) below, the Investor having a right to make an offer for sale of all or any Equity Shares held by the Investor as is determined by the Investor at its sole discretion, simultaneously with the IPO.
13. If the IPO is consummated prior to the first anniversary of the Closing Date, the price at which Equity Shares of the Company is subscribed / purchased in the IPO is such that the value of the Investor's total shareholding in the Company at such price, is at least 1.35 times the Total Investment Amount and the Investor has the absolute right (in priority to the other shareholders) to sell one-third of its Equity Shares as an offer for sale in such an IPO;
14. If the IPO is consummated prior to the second anniversary of the Closing Date, the price at which Equity Shares of the Company is subscribed / purchased in the IPO is such that the value of the Investor's total shareholding in the Company at such price, is at least 1.75 times the Total Investment Amount and the Investor has the absolute right (in priority to the other shareholders) to sell one-third of its Equity Shares as an offer for sale in such an IPO;
15. The Shares offered in the IPO are listed on the National Stock Exchange and Bombay Stock Exchange in India, or (if the Investor has provided its prior written consent), on an international stock exchange;
16. The IPO is managed by merchant bankers/lead managers appointed by the Company in consultation with Investor and which are acceptable to the Investor.

**"Relative"** means the relative as defined by sub-section (41) of Section 2 of the Act.

**"Security"** means common stock, Equity Shares, preferred stock, preference shares and any other capital stock, equity interest or other ownership interest or profit participation or similar right with respect to the Company, including, without limitation, any partnership or membership interest, any stock appreciation, phantom stock or similar right or plan, and any note or debt security having or containing equity or profit participation features, or any option, warrant or other security or right which is directly or indirectly convertible into or exercisable or exchangeable for any other Shares of the Company.

**"Shares"** shall mean an Equity Shares or other Security issued by the Company from time to time.

**"Shareholder"** means any Person who owns Shares.

**"Share Capital"** shall mean the total issued and paid up share capital of the Company determined on a Fully Diluted Basis.

**"Share Subscription and Shareholders Agreement"** or **"SSHA"** means the agreement dated August 3, 2010 entered into between the Company, the Investor, Promoter 1, Promoter 2, Promoter 3, Promoter 4, Promoter 5 and Promoter 6.

**"Subscription Amount"** means the US Dollar equivalent of an aggregate amount of Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) towards subscription of Subscription Shares, paid by the Investor to the Company in accordance with the Share Subscription and Shareholders Agreement.

**"Subscription Shares"** means 7,10,492 (Seven Lakhs Ten Thousand Four Hundred and Ninety Two) Equity Shares of the Company.

**"Subsidiary"** or **"Subsidiaries"** in relation to a company shall have the meaning attributed to the term in the Act and shall include the following subsidiaries of the Company:

1. Sankalp Forgings Private Limited
2. Saicon Steel Private Limited
3. Arihant Steel and Metal Wires Private Limited

4. Arihant Auto Component Private Limited
5. Seven Star Electrodes Private Limited
6. Arihant Steel Products and Services Private Limited

**“Threshold Stake”** in relation to the shareholding of the Investor in the Company, means the number of Shares of the Company which is equal to 25% (twenty five percent) of the aggregate number of Shares which are held by the Investor on the Closing Date after issuance of the Subscription Shares to the Investor.

**“Total Investment Amount”** shall mean the aggregate of the Subscription Amount and the Kavos Investment Amount.

**“Total Investor Required Amount”** at any time means the aggregate of the Total Investment Amount and the amounts which gives an IRR of 25% (twenty five percent) per annum on the Total Investment Amount at such time.

**“Transaction Documents”** shall mean the Share Subscription and Shareholders Agreement, the Other Shareholders Agreement and all other agreements, instruments or documents to be executed by the Shareholders or any of them pursuant to or in connection with the Share Subscription and Shareholders Agreement.

**“Transfer”** means to sell, transfer, gift, assign, transfer any interest in trust, mortgage, alienate, hypothecate, pledge, Encumber, grant a security interest in, or suffer to exist (whether by operation of law or otherwise) any Encumbrance on, any Shares or any right, title or interest therein or otherwise dispose off in any manner whatsoever voluntarily or involuntarily including, without limitation, any attachment, assignment for the benefit of creditors against the Company or appointment of a custodian, liquidator or receiver of any of its properties, business or undertaking, but shall not include transfer by way of testamentary or intestate succession, or any general reorganization or rearrangement of its business.

**“USD”, “US Dollar”** each means the lawful currency of the United States of America.

## 1.2 Interpretation

- (i) The index hereto and headings and titles herein are used for convenience of reference only and shall not affect the construction of these Articles.
- (ii) References to Articles are references respectively to the articles to these Articles.
- (iii) In these Articles unless the context thereof otherwise requires:
  - (a) Reference to the singular includes a reference to plural and vice versa.
  - (b) Reference to any gender includes a reference to all other genders.
  - (c) Capitalized terms used but not defined in these Articles shall have the meaning ascribed to them in the Act.
  - (d) Reference to any statute, rules, ordinances or other Laws shall be deemed to include any amendment, replacement or modification thereof.
  - (e) A reference to any document (including these Articles) is to that document as amended, consolidated, supplemented, novated or replaced from time to time.

- (f) any document expressed to be “**in the agreed form**” means a document in a form which has been or will be agreed by the Investor, the Promoters and the Company and initialed by or on behalf of each of them, for the purposes of identification.
- (iv) Unless otherwise expressly stated, the words “**herein**”, “**hereof**”, and “**hereunder**” and other words of similar import refer to these Articles as a whole and not to any particular Article or other subdivision.
- (v) Reference to the word “include” shall be construed without limitation and the *ejusdem generis* (of the same kind) rule will not apply to the interpretation of these Articles.
- (vi) References to writing include any mode of reproducing words in a legible and non-transitory form.
- (vii) Words and abbreviations, which have well known technical or trade/commercial meanings, are used in these Articles in accordance with such meanings.
- (viii) Reference to an “amendment” includes a supplement, modification, novation, replacement or re-enactment and “amended” is to be construed accordingly.
- (ix) If in terms of these Articles or the other Transaction Documents, the day or date for taking any action by any Shareholder falls on a day that is not a Business day, then such action would be required to be taken on the immediately succeeding Business Day.
- (x) Unless the contrary is expressly stated, no Article in these Articles limits the extent or application of another Article.
- (xi) “in writing” includes any communication made by letter or e-mail or facsimile.
- (xii) The words “include”, “including” and “in particular” shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any preceding words.
- (xiii) References to knowledge, information, belief or awareness of any Person shall be deemed to include such knowledge, information, belief or awareness such Person would have if such Person has made due and careful enquiries.
- (xiv) If any provision in Article 1 is a substantive provision conferring rights or imposing obligations on any Shareholder, effect shall be given to it as if it were a substantive provision in the body of these Articles.
- (xv) Notwithstanding anything to the contrary, any time limits specified in any provision of these Articles, within which any Shareholder is required to perform any obligations or complete any activity, shall be extended by such period as may be required to comply with any requirement of applicable Laws including those laws relating to foreign investment, provided, that, the Shareholder that is required to comply with such applicable Laws shall act in good faith and use its best efforts to ensure compliance with such applicable Laws within the minimum time possible.
- (xvi) unless otherwise specified, all warranties, representations, indemnities, agreements and obligations given or entered into by more than one Person are given or entered into jointly and severally.

## **2. MANAGEMENT AND GOVERNANCE OF THE COMPANY**

2.1 So long as the Investor is a shareholder of the Company, the Investor shall have the right, exercisable by it directly or through its nominee and at its sole discretion, to appoint 1 (one) person on the Board, as a Director of the Company (“**Investor Director**”) and:

- (a) remove from office such Investor Director; and

- (b) appoint another Person in his place.
- 2.2 The Company and the Promoters shall take all necessary steps to appoint independent directors on the Board (the “**Independent Directors**”) who shall be nominated based on mutual discussions between the Promoter 1 and the Investor. The Independent Directors may be removed only with the mutual agreement of the Investor and Promoter 1 and any other individual may be nominated in his place to be appointed as Independent Directors in accordance with this Article. The Investor shall be entitled to appoint 1 person on the board of directors of all or any of the Subsidiaries as director of such Subsidiaries or as an observer on the board of such Subsidiaries and the Company and Promoters shall take all necessary steps to appoint such person nominated by the Investor as director or observer on the board of any Subsidiary.
- 2.3 The Investor shall be entitled to nominate alternate directors as contemplated in Section 313 of the Act for each director nominated by it if the director concerned is not present in Maharashtra. Such alternate director may attend all meetings and exercise all voting rights which the originally elected Investor Director, was entitled to, when such originally appointed Investor Director is not in attendance.
- 2.4 The appointment of the Investor Director and his alternate director shall take place as the first item of business at the meeting of the Board that is held immediately following the receipt by the Company, of such nomination from the Investor. The Promoters shall vote their Shares or execute consents or exercise any other powers available to them, as the case may be, and to take all other actions as may be necessary including causing the Company, to call and hold a general meeting of its Shareholders, attending such meeting in person or by proxy, and exercising their votes at such meeting, and causing meetings of the Board, or Committees thereof to be called and held, and causing any representative or nominee directors or Shareholder to exercise his or her vote so as to ensure the election of the Investor Director on the Board, as required by the Investor.
- 2.5 The Investor Director shall be a non-executive member of the Board; provided however that the Investor Director shall be entitled to all the privileges and powers that other directors of the Company, are entitled to, including receipt of any sitting fees. No Person other than the Investor shall be entitled to remove or replace, for any reason whatsoever, the Investor Director who shall not be liable to retire by rotation in terms of Section 255 of the Act. In the event of the resignation, retirement, death, removal or vacation of office, of the Investor Director, the Investor shall be entitled to appoint another Director to fill such vacancy. The Investor Director shall not be required to hold qualification shares.
- 2.6 The Investor Director shall be entitled to examine the books, accounts and records of the Company, and shall have free access to any and all properties and facilities of the Company. The Investor Director shall be entitled to periodically, at his option, circulate reports, extracts of meetings, minutes or agenda of meetings and any other information to which he has access, to the Investor or its shareholders and investors. Further, the Investor Director shall be entitled to act on the instructions of the Investor, including seeking directions from the Investor during the conduct of any meeting.
- 2.7 The Company shall indemnify the Investor Director to the maximum extent permitted under applicable Law and in accordance with these Articles. The Company shall reimburse all reasonable expenses incurred by the Investor Director in attending meetings of the Board including air travel, accommodation and miscellaneous costs (“Investor Director Costs”). From the beginning of Financial Year 2010, Investor Director Costs shall be paid by the Company to Lighthouse Advisors India Private Limited unless otherwise directed by the Investor.
- 2.8 Subject to applicable Law, no past or present Investor Director shall be:
- (a) liable for any default or failure of the Company or the Promoters in complying with applicable Laws;
  - (b) identified as officers in default of the Company or occupiers of any premises used by the Company,

and in all cases the Company and the Promoters shall indemnify all past and present Investor Director in accordance with Section 16 of the Share Subscription and Shareholders Agreement.

- 2.9 The Investor Director shall be entitled to be member of the audit and/or the compensation/remuneration Committees (by whatever name called) and of all other Committees of the Company which are formed by the Board.

**2.10 Meetings of the Board**

- 2.10.1. Meetings of the Board shall be held in accordance with the requirements of the Act and Law. Meetings of the Board shall be held at Pune, India or at such other place in India as may be determined by the managing director of the Company.
- 2.10.2. Subject to Article 2.10.3, all resolutions and decisions of the Board shall require the affirmative consent of a majority of Directors present or represented at the Board meeting.
- 2.10.3. Notwithstanding anything to the contrary contained in these Articles and subject to Articles 2.12.1 to 2.12.5, the Board shall not approve or otherwise ratify any of the actions, deeds, matters or things that are Affirmative Vote Items without the prior written consent of the Investor. For the approval or ratification of any Affirmative Vote Item, the managing director of the Company shall personally identify the views of Investor or Investor Director to the Board and shall record the same in the minutes of the meeting of the Board.
- 2.10.4. Quorum for a meeting of the Board shall be at least 3 Directors. Provided, however, that no quorum as aforesaid shall be validly constituted, and no business at any meeting of the Board shall be transacted, unless the Investor Director is present at the commencement of such meeting and throughout its proceedings. The Investor Director may waive his right to participate in a meeting of the Board in writing. The agenda of each Board meeting shall be circulated prior to the meeting and no matters other than as included in said agenda shall be dealt with in the Board meeting or in any adjourned meeting. Provided further that, a matter not included in the agenda of a Board meeting may be discussed at a Board meeting or an adjourned Board meeting, if and only if, (a) such matter is not an Affirmative Vote Item; and (b) prior notice of at least 5 days has been provided to all the Directors in respect of discussing such matter at the Board meeting or the adjourned Board meeting, as the case may be.
- 2.10.5. Without prejudice to the right of the Investor with respect to Affirmative Vote Items, if no quorum is present by the appointed time for any meeting of the Board in accordance with Article 2.10.4 above (“**Original Board Meeting**”), the Original Board Meeting shall stand adjourned to the same Day in the next week at the same time and place (such adjourned meeting of the Board is referred to as the “**Adjourned Board Meeting**”) and the quorum at the Adjourned Board Meeting shall be that prescribed under Article 2.10.4 provided that:
- (i) written notice of the adjournment was given to each Director at his/her usual address for service of notices of meetings of the Board not less than 5 (five) Days before the date of the Adjourned Board Meeting;
  - (ii) no agenda items may be considered at the Adjourned Board Meeting which were not specifically set out on the agenda for the Original Board Meeting; and
  - (iii) no decision shall be taken on a Affirmative Vote Item if the quorum stipulated in Article 2.10.4 is not present.

Provided that without prejudice to the Investor's right to ensure attendance by the Investor Director at a meeting of the Board (including the Adjourned Board Meeting), with respect to any Affirmative Vote Items that were part of the agenda for the Original Board Meeting or the Adjourned Board Meeting, the Investor will have a right to issue a written notice (“**Investor Board RM Notice**”) to the Company indicating the Investor’s intention to either grant its consent or dissent with respect to any Affirmative



Vote Item provided that in a case where the Investor Board RM Notice contains a dissent by the Investor on any Affirmative Vote Item, the Board shall not be entitled to pass any resolutions with respect to such Affirmative Vote Item at the Original Board Meeting or the Adjourned Board Meeting, as the case may be. It is clarified that if, despite having issued a notice as aforesaid, the Investor Director attends any meeting of the Board and votes in manner which conflicts with the content of the relevant Investor Board RM Notice, then also the notice issued by the Investor shall prevail and shall be taken into account.

A failure of the Investor to issue the Investor Board RM Notice as contemplated hereinabove shall be deemed to be a consent/ affirmative vote in respect of any Affirmative Vote Items contained in the agenda for the Original Board Meeting or Adjourned Board Meeting (or any Committee meeting) unless the Investor Director attends the Original Board Meeting or Adjourned Board Meeting (or the relevant Committee meeting) and casts a dissenting vote in respect of such Affirmative Vote Items.

- 2.10.6. The provisions of Articles 2.10.1 to 2.10.5 shall apply to meetings of any committee of the Board, as if reference to the Board in such Articles were a reference to such committee of the Board.
- 2.10.7. Subject to the Act, including sections 289 and 292 of the Act, the Board or a committee thereof may pass resolutions through circulation. Provided however that no resolution shall be deemed to have been duly passed by the Board or a committee thereof by circulation, unless the resolution has been circulated in draft, together with the information required to make a fully-informed good faith decision with respect to such resolution and appropriate documents required to evidence passage of such resolution, if any, to all Directors (including their alternates, if any) or to all members of the committee at their usual address, and has been approved by a majority of the Directors in writing as are entitled to vote on the resolution. Provided further that for any Affirmative Vote Items, the affirmative vote of the Investor shall be required for the resolution to be deemed to have been duly passed.
- 2.10.8. Subject to applicable Law permitting, any Director shall be entitled to attend and participate in a meeting of the Board in which he or she is not physically present, by telephone or video conference, and the chairman of such meeting shall record such Director's observations in the minutes of such meeting.

## **2.11 General Meetings of the Company**

- 2.11.1. The Board may whenever it thinks fit convene a General Meeting of the Company. The Board shall also proceed to convene a General Meeting if so requisitioned by the shareholders of the Company in accordance with the provisions of the Act and the Articles.
- 2.11.2. Every year the Company shall hold, in addition to any other General Meetings, an annual General Meeting in accordance with Section 166 of the Act.
- 2.11.3. Subject to the provisions of the Act, at least 21 (twenty one) days written notice of every General Meeting shall be given to every Shareholder of the Company, at their usual address whether in India or abroad, provided always that a meeting may be convened by a shorter notice than 21 (twenty one) days with consent of Persons holding at least 95% of the total share capital of the Company paid-up on the relevant date.
- 2.11.4. Every notice of a General Meeting shall specify the place, date and hour of the meeting and shall contain a statement of the business to be transacted thereof and where any such business consists of special business, as defined under the Act, there shall be annexed to the notice an explanatory statement in accordance with Section 173 of the Act. The agenda for any meeting of the Board, or committee thereof, shall clearly identify any Affirmative Vote Items and no matters other than as included in said agenda shall be dealt with in the General Meeting or in any adjourned General Meeting.
- 2.11.5. Subject to provisions of the Act, the quorum for a General Meeting shall be two (2) shareholders present in person, provided that there shall be no quorum unless the Investor is represented at such General Meeting. A corporate shareholder represented by a duly authorised representative shall be deemed to be present in person for purposes of these Articles 2.11.5 and 2.11.6.

- 2.11.6. If within an hour from the time appointed for a meeting of the Shareholders' (such meeting of the Shareholders is referred to as the "**Original Shareholders Meeting**"), the requisite quorum is not present, the Original Shareholders Meeting shall be adjourned to a date, time and place mutually agreed by all the Shareholders or 14 (fourteen) Days from the date of the Original Shareholders Meeting at the same time and place, whichever is earlier (such adjourned meeting of the Shareholders is referred to as the "**Adjourned Shareholders Meeting**"). A prior notice of at least 7 (seven) Days will be given to each of the Shareholders in relation to such Adjourned Shareholders Meeting. At the Adjourned Shareholders Meeting, the number of Shareholders present (being more than one) shall constitute the quorum, provided that no decision shall be taken and no resolution shall be passed at such Adjourned Shareholders' Meeting on a Affirmative Vote Item, if the quorum stipulated in Article 2.11.5 is not present.

Provided further that without prejudice to Investor's right to ensure attendance of an authorised representative of the Investor at the Original Shareholders Meeting or the Adjourned Shareholders' Meeting, as the case may be, the Investor shall, prior to the date of the Original Shareholders Meeting and the Adjourned Shareholders' Meeting, as the case may be, have the right to issue a written notice ("**Investor RM Notice**") to the Company and the Promoters indicating its consent or dissent, with respect to any Affirmative Vote Items (that were part of the agenda for the Original Shareholders' Meeting).

- 2.11.7. The contents of the Investor RM Notice shall be adhered to, such that if the Investor has dissented in the Investor RM Notice with respect to any Affirmative Vote Item (as applicable), no resolutions with respect to the relevant Affirmative Vote Items shall be passed in contravention of the contents of the Investor RM Notice.

It is clarified that if, despite having issued an Investor RM Notice as aforesaid, the representative of the Investor attends any meeting of the shareholders and votes in manner which conflicts with the content of the relevant Investor RM Notice, then also the notice issued by the Investor shall prevail and shall be taken into account.

It is further clarified that a failure of the Investor to issue an Investor RM Notice shall be deemed to be a consent/ affirmative vote of the Investor with respect to the relevant Affirmative Vote Item that was part of the agenda for the Original Shareholders' Meeting or Adjourned Shareholders Meeting, unless the authorised representative of the Investor attends the Original Shareholders' Meeting or the Adjourned Shareholders' Meeting and casts a dissenting vote in respect of the relevant Affirmative Vote Items.

- 2.11.8. Every question submitted to a meeting shall be decided at the first instance by show of hands, and in case of an equality of votes, both on a show of hands and on a poll.
- 2.11.9. Notwithstanding anything to the contrary contained elsewhere in these Articles, no item or resolution which forms a part of or deals with an item specified in and as a Affirmative Vote Item shall be deemed to have been passed by the Company in General Meeting unless the affirmative consent of the Investor has been accorded to such Affirmative Vote Item and has been specifically identified to the meeting by the chairman of the General Meeting.

## 2.12 **Affirmative Vote Items**

- 2.12.1. Notwithstanding anything to the contrary contained in these Articles the Company shall not, so long as the Investor holds the Threshold Stake, take any action or decision with respect to any matter identified as an Affirmative Vote Item unless the Investor has accorded prior written consent to the taking of such action or decision.
- 2.12.2. If in or prior to any meetings of the shareholders of the Company, or in any meeting of the Board or committees thereof or by resolution by circulation, the Investor have voted against or not accorded consent to any matter which is an Affirmative Vote Item, then in respect of such matter, the Promoters

shall vote or cause their respective nominees in such meeting to vote against any resolution at such meeting regarding an Affirmative Vote Item for which the Investor has not accorded a written affirmative consent or has voted against.

- 2.12.3. No Affirmative Vote Items which are not discussed at Board meetings or for which the Investor has not accorded consent shall be raised by the Company, at the shareholders meeting of Company.
- 2.12.4. The consent for an Affirmative Vote Item shall be sought from the Investor.
- 2.12.5. Any limits or thresholds mentioned in Affirmative Vote Items may be revised, from time to time by the Board with the prior written consent of the Investor.

### **3. FURTHER ISSUE OF SHARES**

- 3.1 If the Company proposes an offering of Securities to a third party (other than an employee stock grant or securities offered to the public pursuant to a IPO of the Company), the Investor shall subject to applicable Law, have the right to purchase, at the same terms set forth in the offering pro rata a portion of such offered Securities equal to its then holding of Securities as a percentage of total share capital of the Company.
- 3.2 If the Company issues any Equity Shares or Securities at a price which is lower than the per Equity Share price ("**Lower Consideration**") at which the Investor acquired Subscription Shares on the Closing Date or the fair market value of the Equity Shares or Securities, whichever is lesser, the Company and the Promoters shall take all requisite steps to issue additional Equity Shares to the Investor at par and keeping with applicable Law so as to ensure that the average price per share of the Company then held by the Investor (on a Fully Diluted Basis) is not greater than the Lower Consideration.
- 3.3 In the event that any person who is currently not a shareholder of the Company (a) acquires Shares in the Company or (b) subscribes to Shares in the Company and is allotted Shares of the Company, on terms, price, rights, privileges or protections more favorable than those granted to the Investor under these Articles, the Investor shall on such subscription or acquisition by such Person, be entitled to the benefits of such favorable terms with such favorable terms being adjusted for any stock splits or bonus or rights issue of Shares that the Company may conduct in accordance with applicable Law.

### **4. TRANSFER AND TRANSMISSION OF SHARES HELD BY THE PROMOTERS**

- 4.1 On and from the Closing Date and till such time the Investor's shareholding does not fall below the Threshold Stake, the Promoters and the Other Shareholders shall not, without the prior written consent of the Investor, be entitled to sell, dispose off, Encumber or in any other manner Transfer any Securities held by them and any such transfer if allowed, shall be subject to compliance with Articles 4.3 and/or 4.4, as the case may be, chosen at the option of the Investor. It is clarified that notwithstanding the options available to the Investor under Articles 4.3 and 4.4, the Investor is not bound to provide its written consent for Transfer of Securities by the Promoters and the Other Shareholders.
- 4.2 Notwithstanding the provisions of Article 4.1, the Promoters and the Other Shareholders shall collectively be entitled to Transfer, upto 5 (five) percent of the Promoter Shareholding to any person as the transferring Promoter or the transferring Other Shareholder deems fit subject to execution of a Deed of Adherence by the transferee to the satisfaction of the Investor. It is clarified that in the event any one or more Promoters or any one or more of the Other Shareholders, individually or collectively, Transfer Shares which are equal to 5 (five) percent of the Promoter Shareholding, any further Transfer of Shares by any Promoter(s) or any Other Shareholder(s) shall require the prior written consent of the Investor in accordance with Article 4.1. Prior to consummating the proposed Transfer in accordance with Article 4.2, the Promoters and the Other Shareholders, as the case may be, shall provide to the Investor the following details: (a) name of the proposed transferee; (b) price per share; (c) number of shares being transferred; and (d) and such other documents as may be requested by the Investor.

#### 4.3 **Right of First Refusal**

- 4.3.1. At any point of time, if the Promoters and/or the Other Shareholders (after having received written consent of the Investor under Article 4.1 hereof) (the “**Selling Party**”) receive a firm offer from a third party (“**Offeror**”) to Transfer such Selling Party’s Securities (“**Offered Shares**”), the Selling Party shall provide a written notice (“**Offer Notice**”) to the Investor of the proposed Transfer of the Offered Shares. The Offer Notice shall include the price per Share offered by the third party (“**Offer Price**”), the identity of the proposed transferee, payment mechanism and other conditions of sale.
- 4.3.2. Upon receiving the Offer Notice, the Investor may, either by itself or through its nominee(s), acquire all or part of the Offered Shares at the Offer Price by providing a written notice to the Selling Party (“**Acceptance Notice**”) within thirty (30) Business Days from the date of receipt of the Offer Notice by the Investor (the “**Acceptance Notice Period**”).
- 4.3.3. If the Investor serves an Acceptance Notice, it shall be bound to purchase, and the Selling Party shall be bound to Transfer to the Investor (or its nominee(s), as the case may be), the Offered Shares or such part thereof as is mentioned in the Acceptance Notice within 30 (thirty) Business Days from the date of receipt of the Acceptance Notice by the Selling Party, unless otherwise mutually agreed by the Investor and the Selling Party. The aforementioned time period for the Transfer of Offered Shares or such part thereof as is mentioned in the Acceptance Notice to the Investor shall also be extended by such period as is required to obtain any required Governmental Approvals for such Transfer. If such Transfer to the Investor does not occur within the aforesaid time period, the Offered Shares along with the rest of the Selling Party’s Shares shall again be subject to the restrictions on Transfer contained in this Article 4.1.
- 4.3.4. If the Investor does not offer to purchase the Offered Shares in full, the Selling Party shall be free to Transfer the remaining Offered Shares to the third party named in the Offer Notice on terms and conditions not more favourable to such third party than those stated in the Offer Notice and at a price not less than the Offer Price within a period of 30 (thirty) Business Days after the expiration of the Acceptance Notice Period. The Selling Party shall furnish to the Investor adequate documentation evidencing the completion of the sale of the remaining Offered Shares at the price and on other terms no more favourable than those mentioned in the Offer Notice to the transferee mentioned therein within thirty (30) days of such Transfer to the third party. If such Transfer does not occur within 30 (thirty) Business Days after the expiration of the Acceptance Notice Period, the remaining Offered Shares shall again be subject to Article 4.1

#### 4.4 **Tag Along Right**

- 4.4.1. Upon receiving the Offer Notice from the Promoters and/or the Other Shareholders under Article 4.3.1, the Investor, instead of providing the Acceptance Notice, shall have the right to require the Selling Party, by notice in writing (“**Tag Along Notice**”) within 30 (thirty) Business Days of the Investor’s receipt of the Offer Notice (“**Tag Along Period**”), to Transfer a proportionate number of the Shares/Securities held by the Investor (“**Tag Along Shares**”), along with the Offered Shares on the same terms and conditions as set out in the Offer Notice. The details of the Tag Along Shares shall be specified in the Tag Along Notice. In the event the Investor does not exercise its tag along right hereunder, such tag along right shall lapse and the Selling Party shall be free to Transfer all or part of the Offered Shares to the third party purchaser in accordance with the provisions of Article 4.3.4 above.
- 4.4.2. In the event the Investor exercises its tag along right, the sale of Offered Shares by the Selling Party to the third party purchaser shall be subject to the third party purchaser also simultaneously acquiring the Tag Along Shares on terms no less favourable than those offered by the third party purchaser to the Selling Party. If, however, the third party purchaser is unwilling to acquire all the Offered Shares and the Tag Along Shares, the Selling Party shall cancel the proposed Transfer of Offered Shares and send a written notice to such third party purchaser (with a copy to the Investor) about such cancellation and stating that such third party purchaser may allocate the maximum number of Shares which such proposed purchaser is willing to purchase among the Offered Shares and the Tag Along Shares pro-rata, in the

ratio of the shareholding of the Selling Party and the Investor in the Company and complete such Transfer.

4.4.3. Other than representations limited to the marketable title of the Investor to the Tag Along Shares, the Investor would not be required to make any other representations, warranties or indemnities to the third party purchaser of such Tag Along Shares.

4.4.4. All notices required to be given under this Articles 4.1, 4.2 and 4.3 shall be given concurrently to the Company.

**4.4.5. Transmission of Shares held by the Promoters and the Other Shareholders**

In the event of transmission of any Shares or Securities held by the Promoters and/or the Other Shareholders, the Company shall not register the beneficiary of such Shares/Securities as a member of the Company unless and until such beneficiary has executed the Deed of Adherence (as defined hereinafter) and has undertaken, to the satisfaction of the Investor, all the obligations of the Promoters and/or the Other Shareholders (as the case may be) as stipulated under these Articles.

**5. TRANSFER/SUBSCRIPTION OF SHARES BY INVESTOR**

Notwithstanding any provision in these Articles to the contrary and subject to applicable Law, the Investor shall be entitled to transfer all or any Securities held by it to any third party. The Investor shall also be entitled to nominate any of its Affiliates to subscribe to, acquire and /or hold any Securities which the Investor is entitled to subscribe acquire or hold, under any provision of these Articles.

**6. DEED OF ADHERENCE**

The Promoters, the Other Shareholders and the Company shall cause such Persons, to which any Shares/Securities are issued by the Company or are transferred by the Promoters and/or the Other Shareholders, to execute a Deed Of Adherence. The Investor shall cause such Persons, to which any Shares/Securities are Transferred by the Investor, to execute a Deed of Adherence.

**7. IPO**

7.1 Prior to the fourth anniversary of the Closing Date, the Company and the Promoters shall cause a Qualified IPO of the Company to occur. The Investor shall have the right (but not the obligation) to require an offer for sale of any of the Shares held by the Investor, along with or as a part of the Shares being listed pursuant to such Qualified IPO. Further, notwithstanding the aforesaid in this Article, the Company may, upon obtaining the written consent of the Investor, cause an IPO of the Company to occur which is not a Qualifying IPO and on such terms as may be specified by the Investor.

7.2 The Company shall comply with all ongoing costs and requirements including *inter-alia*, payment of all present and future costs relating to the Qualified IPO or IPO including but not limited to underwriting fees, listing fees, merchant bankers fees, bankers fees, brokerage, commission and any other costs that may be incurred due to the changes to any applicable Law for the time being in force and all intermediaries, agents and managers shall be appointed by the Company in consultation with the Investor and at the cost of the Company. The Company shall obtain all required disclosures, obtain required consents from any Governmental Authority, provide customary representations, warranties and indemnities and execute required documentation.

7.3 For the purposes of the Qualified IPO or IPO, the Investor would not be required to make any representations, warranties or indemnities to any underwriter, broker, recognized stock exchange, any Governmental Authority or any other Person other than representations limited to the marketable title of the Investor to the shareholding of the Investor that is being included in such IPO and its ability to transfer such Shares.

- 7.4 The Promoters and the Company undertake, subject to applicable Law that, the Investor shall not be designated as a "promoter" of the Company nor shall any declaration or statement be made, either directly or indirectly, in filings with any Governmental Authority, offer documents or agreements or otherwise which have the effect of designating the Investor as the "promoter" of Company. The Promoters and the Company shall ensure that restrictions under the applicable Law applicable to "promoters" do not apply to the Investor, which is a financial investor in and not promoter of the Company. If the Shares of the Company are subject to lock in for the purposes of the Qualified IPO or IPO of the Company, the Promoters shall first offer their shareholding in the Company for such lock-in and shall ensure that to the extent permissible under Law, the Shares held by the Investor shall not be subjected to a lock-in or other restriction on Transfer.
- 7.5 Subject to the provisions relating to a Qualified IPO, if any IPO is made in India, and the Company is required to offer a minimum number of Equity Shares to comply with the Minimum Listing Requirement as required under applicable Law, existing from time to time, then in order to comply with such requirements, the Promoters shall contribute such additional Equity Shares as may be required under applicable Law to facilitate the Qualified IPO or IPO and ensure the listing of the Equity Shares of the Company in compliance with the Minimum Listing Requirement.
- 7.6 The Company and the Promoters jointly and severally undertake to indemnify the Investor to the maximum extent permitted under applicable Law, against any loss, claim, damage, liability (including reasonable attorneys' fees), cost or expense arising out of or relating to any misstatements and omissions of the Company in any registration statement, offering document or preliminary offering document, and like violations of applicable securities laws by the Company or any other error or omission of the Company in connection with the Qualified IPO or IPO.
- 7.7 In the event the Company is unable to consummate a Qualified IPO prior to the fourth anniversary of the Closing Date, the Investor shall, at any time after the expiry of 4 (four) years from the Closing Date, be entitled to issue a notification ("**Sale Notification**") require the Company and the Promoters to undertake all or any of the following ("**Investor Share Sale**"):
- 7.7.1. Consummation of an IPO; or
  - 7.7.2. Buy-back by the Company of all or any of the Securities held by the Investor; or
  - 7.7.3. Purchase by the Promoters of all or any of the Securities held by the Investor; or.
  - 7.7.4. Facilitate the sale of all or any of the Securities held by the Investor to a third party acceptable to the Investor.
- 7.8 In the event the Investor issues a Sale Notification, the Investor Share Sale shall be conducted on terms which are acceptable to the Investor and at a price which is the higher of:
- 7.8.1. The price which provides the Investor Required Amount; or
  - 7.8.2. The fair market value of the Securities held by the Investor as determined by any of the Big Four Accountancy Firms chosen by the Investor.
- 7.9 In the event the Investor elects to consummate the Investor Share Sale by sale of all or any of the Securities held by the Investor to a third party, the Promoters shall, if required by the Investor, sell such number of Securities held by the Promoters to such third party transferee as may be required to facilitate the Investor Share Sale. It is clarified that sale of Securities by the Promoters to the third party transferee pursuant to this Article shall take place on the same terms and conditions on which the Investor is selling Securities held by it to such third party transferee.

- 7.10 The Investor Share Sale shall be concluded within a period of 30 Business Days from the date of the Sale Notification.

## **8. PROMOTERS' INCENTIVE**

- 8.1 As an incentive to the Promoters, the Company and the Promoters shall be entitled, at any time between the third and the fourth anniversary of the Closing Date and not thereafter, to exercise the following options, subject to the provisions of Articles 8.2.1 to 8.2.5 ("**Incentive Option**"):

8.1.1. Buy Back:

The Company shall be entitled to buy-back not more than 1/3<sup>rd</sup> (one third) of the Investor Shares then held by the Investor ("**Buy Back Shares**") at an amount that shall provide the Investor with Investor Required Amount.

To exercise the aforesaid right, the Company shall issue a written notice to the Investor ("**Buy-back Notice**") and shall ensure that the buy-back is concluded within a period of 15 Business Days from the date of the Buy-back Notice.

8.1.2. Call Option:

- (a) The Promoters shall, be entitled to call upon the Investor ("**Call Option**") to sell not more than 1/3<sup>rd</sup> (one third) of the Investor Shares then held by Investor ("**Call Option Shares**") at an amount that shall provide the Investor with the Investor Required Amount.

- (b) To exercise the aforesaid right, the Promoters shall issue a written notice to the Investor ("**Call Notice**") and shall ensure that the purchase of Call Option Shares is concluded within a period of 15 Business Days from the date of the Call Notice.

- 8.2 The exercise of the Incentive Option shall be subject to the following conditions:

- 8.2.1. The Company and the Promoters shall be entitled to exercise the Incentive Option jointly only provided that the aggregate of the Call Option Shares and Buy Back Shares does not exceed 1/3<sup>rd</sup> (one third) of the Investor Shares then held by Investor.

- 8.2.2. The Company and the Promoters can jointly exercise the Incentive Option only once.

- 8.2.3. The Company can individually exercise the Incentive Option only once and upon such exercise the Promoters shall not be entitled to individually exercise the Incentive Option.

- 8.2.4. The Promoters can individually exercise the Incentive Option only once and upon such exercise the Company shall not be entitled to individually exercise the Incentive Option.

- 8.2.5. Prior to exercise of the Incentive Option, the Company and the Promoters shall specify in writing to the Investor whether they are exercising the Incentive Option jointly or individually and in case of a joint exercise, shall also specify the number the Buy Back Shares and Call Option Shares.

- 8.3 In the event, the Company and/or the Promoters fail to exercise the rights mentioned in Articles 8.1.1 and 8.1.2, the said rights shall lapse. The Company and the Promoters shall, within 15 days from the date of consummation of the transactions contemplated in Articles 8.1.1 and 8.1.2, file with the RBI and other concerned authorities all documents required under any applicable Law in connection therewith including but not limited to the filing of all documents with RBI required to be filed in accordance with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, and thereafter shall forthwith furnish copies of the same (along with the acknowledgements of delivery to RBI and other concerned authorities) to the Investor.

## **9. SALE TO THE PROMOTERS AND DRAG ALONG RIGHT**

- 9.1 In consideration of the Investor investing the Subscription Amount in the Company, the Promoters grant to the Investor, the right (the “**Sale Right**”), to be exercisable in the event the Promoters or the Company have breached any representation, warranty or covenant contained herein or defaulted in complying with any of their obligations and/or duties hereunder and the other Transaction Documents (“**Sale Event**”).
- 9.2 Upon the exercise of the Sale Right by the Investor, the Promoters shall unconditionally and irrevocably purchase all the Sale Right Shares (as defined hereinafter), in proportion to their shareholding in the Company on the date of the Sale Right Notice (as defined hereinafter), from the Investor by paying the Sale Exercise Price (as defined hereinafter).
- 9.3 The Investor may, at any time, and from time to time until completion of the purchase of all the outstanding Shares held by the Investor, after a Sale Event has occurred, deliver to the Promoters a notice in writing (the “**Sale Right Notice**”) exercising the Sale Right and specifying the following:
- (a) The number of Shares that are the subject of that Sale Right Notice (the “**Sale Right Shares**”);
  - (b) The Sale Exercise Price; and
  - (c) The account and bank or the authorised dealer to which the Sale Exercise Price should be credited.
- 9.4 For the purposes of this Article 9:
- (a) “**Sale Exercise Price**” means a price which is the higher of:
    - (i) The price which provides the Investor Required Amount; or
    - (ii) The fair market value of the Securities held by the Investor as determined by any of the Big Four Accountancy Firms chosen by the Investor.
  - (b) “**Sale Settlement Date**” is the date falling on the 15<sup>th</sup> day from the date of the Sale Right Notice or such other date as may be mutually agreed between the Investor and the Promoters.
- 9.5 The Promoters shall, by close of the Business Day, on Sale Settlement Date pay the Sale Exercise Price in Indian Rupees in respect of the relevant Sale Right Shares to the account of the Investor (or the account of their authorised dealer) specified in the relevant Sale Right Notice.
- 9.6 Immediately upon receipt of the Sale Exercise Price, unless the applicable Law requires otherwise in which event such delivery would be simultaneous to the receipt of the Sale Exercise Price, the Investor shall ensure the delivery and Transfer by way of sale of the Sale Right Shares to the Promoters and shall take all steps to ensure that the Sale Right Shares are transferred in favour of the Promoters.
- 9.7 All costs in relation to the transfer or delivery of Sale Right Shares, including any stamp duties, shall be borne by the Promoters.
- 9.8 If on the Sale Settlement Date, the Promoters do not pay the Sale Exercise Price in full for all Sale Right Shares and the Investor accepts an offer from any Person to buy the Shares held by the Investor, but such offer is conditional upon such Person being able to acquire the Promoters and/or the Other Shareholders’ shareholding in the Company in part or in full, then in order to enable the Investor to sell their stake in the Company, the Promoters and/or the Other Shareholders shall, at the direction of the Investor (“**the Drag Along Right**”), sell to such Person such portion of their shareholding in the Company, including the entire Shareholding, if required by the Investor, upon the same terms and conditions at which the Investor is selling its shareholding to such Person. The consideration per Share for the Equity Shares being sold by the Promoters and/or the Other Shareholders shall be the same consideration per Equity Share being received by the Investor, if the Investor is selling any Equity Shares and if the Investor is selling any Securities other than Equity Shares, then the consideration per Equity Share to be received by



the Promoters and/or the Other Shareholders shall be arrived at by dividing the price per Security being sold by the Investor with the number of Equity Shares available to the Investor upon conversion of such Securities.

**10. COMPLIANCE WITH LAW AND OTHER OBLIGATIONS OF THE COMPANY AND THE PROMOTERS**

- 10.1 Where the Investor is subscribing to or purchasing any Securities pursuant to these Articles, in the event that the Investor is prevented from subscribing to or purchasing the Securities due to any applicable Laws or other stipulation of any Governmental Authority including RBI, it shall have the option of subscribing to or purchasing such Securities through any of its Affiliates.
- 10.2 Where the Investor is subscribing to or purchasing Securities pursuant to these Articles and if the RBI or any other Governmental Authority with jurisdiction over the subject matter determines that the price determined in accordance with the prevailing regulatory guidelines is higher than the price at which the Investor is purchasing Securities, as determined in accordance with the relevant provisions of these Articles, and stipulates that the price to be paid by the Investor for acquiring such Securities should be the price determined in accordance with the prevailing regulatory guidelines, the Investor may elect to:
- (a) cause one or more of its nominee Affiliates being a person resident in India or any other jurisdiction to purchase the said Securities at the price as determined in accordance with the relevant provision of these Articles; or
  - (b) choose not to purchase the said Securities; or
  - (c) Purchase the said Securities at the price determined in accordance with the prevailing regulatory guidelines as per the requirements of the RBI or any other Governmental Authority.
- 10.3 Subject to applicable Law, the Investor shall not be required to bear any liability by virtue of its shareholding in the Company including but not limited to any liability for any acts or transactions done by or on behalf of the Company, or non-compliance of any statutory requirement or contractual obligation by the Company.
- 10.4 The Company shall comply with and is in compliance with the Foreign Corrupt Practices Act of the United States of America.
- 10.5 Neither the Company nor any of its respective officers, employees, Directors, representatives or agents shall, in order to assist the Company or its Affiliates in obtaining or retaining Business, or directing business to any Person, knowingly offer, promise, authorize or make, directly or indirectly (i) any Prohibited Payments or (ii) other inducements to any official of a Governmental Authority including any official of an entity owned or controlled by a Governmental Authority or any Official of a political party or candidate for political office with the intent or purpose of:
- (a) Influencing any act or decision of such official in his official capacity;
  - (b) Inducing such official to do any act or omit to do any act in violation of the lawful duty of such Official; or
  - (c) Inducing such Official to use his influence with Governmental Authority or instrumentality thereof to affect or influence any act or decision of such Governmental Authority.
- 10.6 All of the Investor's rights hereunder including the rights to issue notices, receive information, granting of permissions etc. may be exercised by the Investor directly or through the Investor Director.
- 10.7 The Investor shall not be required to pledge its shareholding in the Company, provide any other support to any third party or provide any guarantee or security in respect of any present or future liability,

borrowing or Indebtedness of the Company and its Affiliates. In the event the Investor is called upon to bear any liability, the Company shall indemnify the Investor in accordance with Article 12 hereof.

- 10.8 The Company shall insure all of its material assets against all risks in accordance with prevailing best industry practices.
- 10.9 The Company shall conduct its business in accordance with applicable Law.
- 10.10 The Company and each Subsidiary shall prepare their respective audited Financial Statements and any other financial statements for any Financial Period in accordance with guidelines issued by the Institute of Chartered Accountants of India consistently applied.
- 10.11 The Company shall continue to be managed in accordance with prudent financial and industry practices, with due diligence and efficiency with a vision to optimize shareholders value; and
- 10.12 Subject to prior approvals of the Board and the rights of the Investor under Article 2.12 hereof, any Connected Person may enter into transactions with the Company, provided that such transactions shall always be on objectively determined market rates, on commercial arms length basis and shall be entered and performed in accordance with applicable Laws.
- 10.13 The Investor shall be entitled to require the Company to change its internal and/or statutory auditor and upon such notification, the Company shall, and the Company shall, change its internal and/or statutory auditor and appoint any one of the Big Four Accountancy Firms or any other accountancy firm chosen by the Investor as the internal and/or statutory auditor.

## **11. INFORMATION OBLIGATIONS OF THE COMPANY AND OTHER INVESTOR RIGHTS AND COMPANY OBLIGATIONS**

- 11.1 The Company shall comply with its obligations in this Article regarding the provision of information to the Investor so long as the Investor holds the Threshold Stake. The Company shall be deemed to have complied with its obligations hereunder if the information required to be submitted hereunder is furnished to the Investor.
- 11.2 If the Investor requests certain information concerning the running, progress or activities of the Company that is not ordinarily provided to it under this Article, the Company shall deliver such information within a reasonable period of time after the Investor's request.
- 11.3 On and from the Closing Date and till such time that the Investor holds the Threshold Stake, the Company shall provide the following information to the Investor:
  - 11.3.1. As soon as practicable after the end of each Financial Year and in any event within 90 calendar days thereafter, audited consolidated balance sheets of the Company prepared in accordance with the Indian GAAP;
  - 11.3.2. As soon as they become available (and in any case not later than 30 calendar days after the end of the Fiscal Quarter) the un-audited but reviewed Financial Statements of the Company (including a balance sheet, income statement and cash flow statement);
  - 11.3.3. Monthly sales statements within one week of the end of each calendar month; and
  - 11.3.4. As soon as it becomes available, information and data on any event or condition which may constitute and Material Adverse Effect.
- 12. Pursuant to Amendment to Shareholders Agreement dated September 28, 2010 executed by and between our Company, Investors, Promoters and Other Shareholders; it was agreed that on and from the date when the Company receives final trading approval/notification from the relevant stock exchange in India

for the equity shares it proposes to issue by way of an IPO in India on recognised stock exchange(s) in India and evidence thereof is submitted to the Investor, special rights given to the Parties under the Agreement, except the right to appoint a Nominee Director, shall automatically stand terminated without any shareholders being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under the Agreements.

## SECTION IX – OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of filing of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus have been delivered to the Registrar of Companies, Pune for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Red Herring Prospectus until the Bid / Issue Closing Date of this Issue.

#### *Material Contracts*

1. Joint Engagement Letter dated September 25, 2010 between our Company and the BRLMs.
2. Issue Agreement dated September 29, 2010 between our Company and the BRLMs.
3. Memorandum of Understanding dated August 8, 2010 between our Company and the Registrar to the Issue.
4. Escrow Agreement dated [●] between our Company, the BRLMs, the Syndicate Members, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [●] between our Company, the BRLMs and the Syndicate Members.
6. Underwriting Agreement dated [●] between our Company, the BRLMs and the Syndicate Members.
7. Share Purchase and Shareholders' Agreement executed on February 21, 2008 by and between our Company, Kavos Capital Limited and Mr. Chandu Chavan
8. Business Transfer Agreement executed on January 20, 2009 by and between our Company and M/s. Steel Engineers
9. Business Transfer Agreement executed on January 20, 2009 by and between our Company and M/s. Steel Master
10. Share Subscription and Shareholders' Agreement dated August 3, 2010 among Kavos Capital Limited and Innoventive Industries Limited, Mr. Chandu Chavan, Mr. R.W. Katre, Mr. S.H. Waghulade, Mr. S.R. Katke, Mr. P.M. Mulye and Mr. S.T. Bhade
11. Other Shareholders Agreement executed on August 9, 2010 by and between Kavos Capital, Limited and Innoventive Industries Limited and Mr. Chandu Chavan and Mrs. Shubhangi Jadhav and Mrs. Vishakha Bhade and Mrs. Mrunal Katre and Mrs. Kavita Dhupkar and Mrs. Smita Katke
12. Amendment to the Shareholders Agreement executed on September 28, 2010 by and between Kavos Capital, Limited and Innoventive Industries Limited and Mr. Chandu Chavan and Mr. R.W. Katre and Mr. S.H. Waghulade and Mr. S. R. Katke and Mr. P. M. Mulye and Mr. S.T. Bhade and Ms. Shubhangi Jadhav and Ms. Vishakha Bhade and Ms. Mrunal Katre and Ms. Kavita Dhupkar and Ms. Smita Katke
13. Subscription and Shareholders Agreement dated February 7, 2011 by and between Standard Chartered Private Equity (Mauritius) II Limited and Standard Chartered Private Equity (Mauritius) III Limited and Kavos Capital Limited and Innoventive Industries Limited and Mr. Chandu Chavan and Mr. R. W. Katre, Mr. S. H. Waghulade and Mr. S. R. Katke and Mr. P. M. Mulye and Mr. S. T. Bhade and Mrs. Shubhangi

Jadhav and Mrs. Vishakha Bhade and Mrs. Mrunal Katre and Mrs. Kavita Dhupkar and Mrs. Smita Katke

14. Share Purchase Agreement dated February 7, 2011 between Standard Chartered Private Equity (Mauritius) III Limited, Ajay Yerwadekar and Innoventive Industries Limited
15. Amendment Agreement to the Subscription and Shareholders' Agreement dated April 1, 2011 by and between our Company and Standard Chartered Private Equity (Mauritius) II Limited and Standard Chartered Private Equity (Mauritius) III Limited and Kavos Capital Limited and Mr. Chandu Chavan

***Material Documents for Inspection***

1. Certificate of Incorporation
2. Certified true copies of the Memorandum and Articles of Association of our Company, as amended from time to time.
3. Resolution of the Board of Directors dated August 4, 2010, authorising the Issue.
4. Resolution of the shareholders passed at the Annual General Meeting dated September 6, 2010, authorising the Issue.
5. Consent of the Auditor, M/s. B. K. Khare & Co., for inclusion of their report in the form and context in which it appears in this Red Herring Prospectus.
6. Statement of tax benefits accruing to the Company and its shareholders from PCK & Associates, Chartered Accountants dated March 8, 2011
7. Copies of the annual reports of our Company for the years ended March 31 2006, 2007, 2008, 2009 and 2010
8. Consents of Auditors, Bankers to the Company, BRLMs, Legal Advisors to this Issue, Directors, Company Secretary, Compliance Officer, Registrars to this Issue and Escrow Collection Banks as referred to, in their respective capacities.
9. In-principle listing approvals dated October 28, 2010 and November 9, 2010 from BSE and NSE.
10. Tripartite agreement between the NSDL, our Company and the Registrar dated August 14, 2007.
11. Tripartite agreement between the CDSL, our Company and the Registrar dated November 3, 2010.
12. Due diligence Certificate dated September 29, 2010 to SEBI from the BRLMs.
13. SEBI observation letter no. CFD/DIL/ISSUES/SK/PN/OW/6698/2011 dated February 28, 2011 and our response to the same dated March 9, 2011.
14. Report of the IPO Grading Agency dated March 8, 2011.
15. Legal Advisor's Opinion dated August 9, 2010 on the validity of bonus issue made to Kavos Capital Limited
16. Trust Deed settling the Innoventive Group Employee(s) Welfare Trust dated September 24, 2010
17. Amended Trust Deed amending the Innoventive Group Employee(s) Welfare Trust dated February 24, 2011

18. Certificate from Independent Chartered Accountants Pankaj P. Singhi & Co. dated March 11, 2011 certifying that the loans that are proposed to be repaid through this Issue were utilized by our Company for the purpose for which they were sanctioned.
19. Certificate from B.K. Khare & Co., Chartered Accountants, dated March 11, 2011 certifying that the unsecured loans were utilized for the purpose for which they were sanctioned.
20. Legal Opinion from Crawford Bayley & Co. dated August 9, 2010 on the bonus issue of Equity Shares made to Kavos Capital Limited on July 30, 2010.
21. Certificate from B.K. Khare & Co. dated November 9, 2010 certifying that our Company has received cash from the allotment of Equity Shares made subsequent to March 31, 2010.
22. Certificate from B.K. Khare & Co. dated March 11, 2011 certifying that our Company and our Subsidiaries utilized the unsecured loans for the purpose for which they were issued.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We, the Directors of the Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the regulations issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992, each as amended or rules made there under or guidelines / regulations issued, as the case may be. We further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

*Signed by the Directors of the Company*

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**Mr. Chandu Chavan, Chairman**

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**Mr. Ravindra Katre, Managing Director**

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**Mr. Sanjay Waghulade, Whole time Director**

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**Mr. William Sean Sovak, Nominee Director**

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**Mr. Ramprasad Joshi, Independent Director**

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**Mr. Yashpaul Gupta, Independent Director**

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**Mr. Pradeep Tupe, Independent Director**

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**Dr. Rajendra Jagdale, Independent Director**

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**Mr. Jitendra Palande,**  
*Innovative Group Chief Executive Officer*

**Date: 11th April, 2011**

**Place: Pune.**

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