

**RED HERRING PROSPECTUS**

April 23, 2011

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue**SANGHVI FORGING AND ENGINEERING LIMITED**

(Our Company was incorporated on March 16, 1989 under the provisions of the Companies Act, 1956 as Sanghvi Forging and Engineering Private Limited in Gujarat. Pursuant to a special resolution passed by the shareholders of our Company at the extra-ordinary general meeting held on April 28, 1992 our Company was converted into a public limited company and consequently the name of our Company was changed to Sanghvi Forging and Engineering Limited. A fresh certificate of incorporation reflecting the new name was issued by the Registrar of Companies, Gujarat on July 29, 1992. The Corporate Identification Number of our Company is U28910GJ1989PLC012015. For details of changes in our Registered Office, please refer to the chapter titled "History and Other Corporate Matters" on page no. 99 of the Red Herring Prospectus).

Registered Office: 244/6-7, GIDC Industrial Estate, Waghodia – 391 760, Vadodara, Gujarat, India.

Tel. No: + 91-2668-263020/262201; **Fax No:** + 91-2668-263411; **E-mail:** cs@sanghviforge.com; **Website:** www.sanghviforge.com;

Contact Person: Mr. Kiran Mohanty, Company Secretary and Compliance Officer

Promoter: Mr. Babulal Sanghvi, Mr. Jayanti Sanghvi, Mr. Naresh Sanghvi, Mr. Vikram Sanghvi.

PUBLIC ISSUE OF [●] EQUITY SHARES OF ₹10/- EACH AT A PRICE OF ₹. [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE) FOR CASH AGGREGATING UPTO ₹ 3690.02 LACS (THE "ISSUE"), BY SANGHVI FORGING AND ENGINEERING LIMITED (THE "COMPANY" OR THE "ISSUER"). THE ISSUE WILL CONSTITUTE [●]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

Price Band: ₹ [●] To ₹ [●] Per Equity Share of Face Value of ₹ 10 Each.

The Price Band and the minimum bid lot size will be decided by our Company, in consultation with the Book Running Lead Manager and advertised at least two working days prior to the bid/issue opening date.

The Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bid/Issue Period not exceeding 10 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), whose online IPO system will be available for bidding, by issuing a press release and by indicating the change on the website of the Book Running Lead Manager (BRLM) 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 a 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (QIBs) subject to valid bids being received at or above the Issue Price. For details, please see "Issue Procedure" on page no. 244. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. 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.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first public 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 ₹10/- and the Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value. The price band (has been determined and justified by the BRLM and the issuer as stated under the chapter on "Basis for Issue Price" on page no. 48 of the 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 or sustained trading in the Equity Shares of our Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY



Our Company, having made all reasonable enquiries, accepts responsibility for and confirms that the Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue; that the information contained in the Red Herring Prospectus is true and correct in all material 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

IPO GRADING

The Issue has been graded by CARE as CARE IPO Grade 3 indicating Average Fundamentals through its letter dated April 11, 2011. The IPO Grading is assigned on a 5 point scale from 1 to 5 with an 'IPO Grade 5' indicating strong fundamentals and an 'IPO Grade 1' indicating poor fundamentals. For further details and grading rationale, please refer to page no. 16 of the Red Herring Prospectus under the section 'General Information'.

LISTING ARRANGEMENT

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and on The National Stock Exchange of India Limited (NSE). In-principle approvals have been received from BSE and NSE for the listing of the Equity Shares vide their letters dated January 14, 2011 and December 29, 2010 respectively. For the purposes of this Issue, BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER		REGISTRAR TO THE ISSUE	
	ARIHANT capital markets Ltd.		Bigshare Services Private Limited
	SEBI Registration No.: INM000011070 3rd Floor, Krishna Bhavan, 67, Nehru Road, Vile Parle (East), Mumbai- 400 057 Tel.: +91- 22- 4225 4800/847; Fax. : +91- 22- 4225 4880 Email: amol.kshirsagar@arihantcapital.com Investor Grievance Email: mbd@arihantcapital.com Website: www.arihantcapital.com Contact Person: Mr. Amol Kshirsagar		SEBI Registration No: INR000001383 E/2, Ansa Industrial Estate, Saki Vihar Road, Andheri (E), Mumbai-400072 Tel No: + 91 22 28470652/40430200 Fax No: ++91 22 28475207 Email: info@bigshareonline.com Investor Grievance Email: sanghvi@bigshareonline.com Website: www.bigshareonline.com Contact Person: Mr. Ashok Shetty

ISSUE PROGRAMME

BID/ISSUE OPENS ON	MAY 4, 2011	BID/ISSUE CLOSURES (FOR QIB BIDDERS) ON	MAY 6, 2011
		BID/ISSUE CLOSURES (FOR NON-QIB BIDDERS) ON	MAY 9, 2011

TABLE OF CONTENTS

CONTENTS	PAGE
Section I – Definitions and Abbreviations	
Issuer Related Terms	I
Conventional/General Terms	I
Issue Related Terms	II
Industry Related Terms	VII
Abbreviations	IX
Section II – General	
Presentation of Financial Information and Use of Market Data	XI
Forward Looking Statements	XII
Section III – Risk Factors	XIII-XXVIII
Section IV – Introduction	
Summary	1
Summary of Financial Information	6
The Issue	10
General Information	11
Capital Structure	21
Section V – Objects of the Issue	
Objects of the Issue	36
Basis for Issue Price	48
Statement of Tax Benefits	52
Section VI – About Us	
Industry Overview	62
Business Overview	74
Key Industry Regulations and Policies	95
History and Other Corporate Matters	99
Our Management	101
Our Subsidiaries	114
Our Promoters, Promoter Group and Group Companies	115
Currency of Presentation	122
Dividend Policy	123
Section VII – Financial Information	
Auditors’ Report and Financial Information of Our Company	124
Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements	206
Financial Indebtedness	216
Section VIII – Legal and other Regulatory Information	
Outstanding Litigations, Material Developments and Other Disclosures	221
Government and Other Statutory Approvals	227
Other Regulatory and Statutory Disclosures	231
Section IX –Issue Related Information	
Terms of the Issue	239
Issue Structure	242
Issue Procedure	244
Restrictions on Foreign Ownership of Indian Securities	270
Section X – Description of Equity Shares and Terms of the Articles of Association	
Main Provisions of Articles of Association	271
Section XI –Other Information	
Material Contracts and Documents for Inspection	325
Section XII – Declaration	327

SECTION I - DEFINITIONS AND ABBREVIATIONS

ISSUER RELATED TERMS

Term	Description
“Sanghvi Forging and Engineering Limited”, “Sanghvi Forging”, “SFEL”, “our Company”, “the Company”, “the Issuer Company”, “the Issuer” “we”, “us”, and “our”	Unless the context otherwise requires, refers to Sanghvi Forging and Engineering Limited, a public limited company incorporated under the Companies Act, 1956.
Articles/ Articles of Association	The Articles of Association of Sanghvi Forging and Engineering Limited.
Auditors	The Statutory Auditors of our Company namely, M/s Shah & Bhandari, Chartered Accountants.
Board / Board of Directors	The Board of Directors of Sanghvi Forging and Engineering Limited unless otherwise specified or any committee constituted thereof.
Group Companies	Companies, firms, ventures etc. promoted by our promoters as described in the chapter “Our Promoters, Promoter Group and Group Companies” on page no. 118.
Memorandum/ Memorandum of Association	The Memorandum of Association of Sanghvi Forging and Engineering Limited.
New Project/Proposed Project	Project to set up 15,000 MTPA open die forging unit (with single piece forging up to 40 MT) to manufacture proof machined products viz. stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, forging items etc at GIDC Industrial Estate (at plot no. 1401, 1402 & 1403), Waghodia District Vadodara
Promoter(s)	Unless the context otherwise requires, refers to Mr. Babulal Sanghvi, Mr. Naresh Sanghvi, Mr. Jayanti Sanghvi and Mr. Vikram Sanghvi.
Promoter–Director (s)	Unless the context otherwise requires, refers to Mr. Babulal Sanghvi, Mr. Naresh Sanghvi, Mr. Jayanti Sanghvi and Mr. Vikram Sanghvi.
Promoter Group	Individuals, Companies and entities forming part of our Promoter Group as per the SEBI ICDR Regulations
RoC	Office of Registrar of Companies, Gujarat, Dadra And Nagar Haveli, RoC Bhavan, Opposite Rupal Park Society, Naranpura, Ahmedabad-380 013.
Registered Office	The Registered Office of our Company situated at 244/6-7, GIDC Industrial Estate, Waghodia – 391760, District Vadodara, Gujarat.
Subsidiary/ Subsidiary Company / Sanghvi FZE / Sanghvi Middle East (FZE)	Sanghvi Middle East (Free Zone Establishment)

CONVENTIONAL/GENERAL TERMS

Term	Description
Act/ Companies Act	The Companies Act, 1956, as amended from time to time.
Equity Shares	The Equity Shares of face value of ₹ 10 each of Sanghvi Forging and Engineering Limited.
Indian GAAP	Generally Accepted Accounting Principles in India.

Term	Description
Non Resident	A person who is not an NRI, FII and is not a person resident in India.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Quarter	A period of three continuous months.
RBI Act	The Reserve Bank of India Act, 1934.
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, 2009 / SEBI ICDR Regulations	Means the regulations for Issue of Capital and Disclosure Requirements issued by Securities and Exchange Board of India, constituted in exercise of powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (as amended), called Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
Stock Exchanges	Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE), referred to as collectively.

ISSUE RELATED TERMS

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, Allotment of Equity Shares to successful Bidders pursuant to this Issue.
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted.
Applications Supported by Blocked Amount (ASBA)	Application Supported by Blocked Amount means an application (whether physical or electronic) subscribing to an Issue containing an authorization to block the Bid Amount in their specified bank account with Self Certified Syndicate Bank.
ASBA Bidders/Investor	A Bidder / an Investor, who intends to apply through ASBA process.
ASBA Form / ASBA BCAF	The Bid-cum-Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purpose of Red Herring Prospectus and Prospectus.
ASBA Bid Revision Form	The form used by 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).
Banker(s) to the Issue / Escrow Collection Banks	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened and in this case being HDFC Bank Ltd., ICICI Bank Ltd., and Axis Bank Ltd.
Bid	<p>An indication to make an offer made during the Bidding Period by a prospective investor, pursuant to submission of a Bid-cum-Application Form to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto.</p> <p>For the purposes of ASBA Bidders, it means an indication to make an offer during the Bidding Period by any Bidder pursuant to the submission of an ASBA Bid-cum-Application Form to subscribe to the Equity Shares.</p>

Term	Description
Bid Lot/ Minimum bid lot	[●] Equity Shares.
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 (except for ASBA Investor).
Bid/ Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English and Hindi national newspapers and a Gujarati newspaper, each with wide circulation.
Bid-cum-Application Form / Bid 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 the Prospectus including ASBA Form or ASBA BCAF, if applicable.
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in widely circulated English and Hindi national newspapers and a Gujarati language newspaper, each with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form, including an ASBA Bidder.
Bidding	The process of making a Bid.
Bidding Centre	A centre for acceptance of the Bid-cum-Application Form.
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 can submit their Bids including any revisions thereof.
Book Building Process	Book Building Process as provided under Schedule XI of SEBI (ICDR) Regulations, 2009, as amended in terms of which this Issue is being made.
BRLM	Book Running Lead Manager to this Issue, in this case being Arihant Capital Markets Limited.
Brokers to this 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 after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted, including any revision thereof. In this case being ₹ [●].
Cut-off /Cut-off Price	Any price within the Price Band finalized by our Company in consultation with the BRLM. A bid submitted at the Cut-off Price 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.
Controlling Branches	Such branches of the SCSBs which co-ordinate Bids received under this Issue by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchange(s) and a list of which is available at www.sebi.gov.in .

Term	Description
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A Depository Participant as defined under the Depositories Act, 1996.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Designated Date	The date on which the Escrow Collection Banks transfer and the SCSBs issue, or by when have been issued, instructions for transfer, of the funds from the Escrow Accounts and ASBA Accounts, respectively to the Public Issue Account or the Refund Account, as appropriate, after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders.
Designated Stock Exchange or DSE	Bombay Stock Exchange Limited
Draft Red Herring Prospectus/ DRHP	The Draft Red Herring Prospectus which does not have complete particulars of the price at which the Equity Shares are offered and size of the Issue, which was filed with the SEBI and Stock Exchanges. It will become a Red Herring Prospectus issued in accordance with the provisions of Section 60B of the Companies Act after filing with the RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with the RoC after determination of the Issue Price.
Electronic ASBA Application / Bid	Submission of ASBA Bid-cum-Application Form electronically, by an ASBA Investor, through the internet banking facility offered by the SCSBs.
Eligible NRI	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 offered herein.
Equity Shares	The equity shares of our Company of face value of ₹ 10 each. .
Escrow Account(s)	An Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst our Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM and the Syndicate Member(s) in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders (excluding ASBA Bidders).
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted in this case being ₹ [●].
Issue / The Issue / This Issue	Public Issue of [●] Equity Shares of ₹10 each at a Price of ₹ [●] per Equity Share (including a premium of ₹ [●] per Equity Share) for cash aggregating ₹ 3690.02 Lacs, by Sanghvi Forging and Engineering Limited. The Issue will constitute [●] % of the fully diluted Post Issue Paid-up capital of our Company.

Term	Description
Issue Management Team	The team managing this Issue as set out in the chapter titled 'General Information' in the Red Herring Prospectus.
Issue Price	The final price at which Equity Shares will be issued and allotted in term of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.
Issue Proceeds	The proceeds of the Issue that will be available to our Company being upto ₹3690.02 Lacs
Key Management Personnel	The Personnel listed as key management personnel in "Our Management" on page no. 111.
Margin Amount	An amount up to 100% of the Bid Amount paid by Bidders or blocked in the ASBA Account, as the case may be, at the time of submission of the Bid cum Application Form or the ASBA Form, as applicable.
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Fund Portion	That portion of the Issue, being 5% of the QIB Portion or [●] Equity Shares shall be available for allocation to Mutual Funds only, out of the QIB Portion on a proportionate basis to Mutual Funds only.
Net Proceeds	Net proceeds of the Issue after deducting the Issue related expenses from the Issue Proceeds.
Non Institutional Bidders	All Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for Equity Shares for an amount more than ₹2,00,000.
Non Institutional Portion	The portion of the Issue being not less than 15% of the Issue i.e. [●] Equity Shares of ₹10 each available for allocation to Non Institutional Bidders on a proportionate basis, subject to receipt of valid Bids at or above the Issue Price.
Overseas Corporate Body	A company, partnership firm, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 03, 2003 and immediately before such date had taken benefits under the general permission granted to Overseas Corporate Bodies under the FEMA. Overseas Corporate Bodies are not permitted to invest in this Issue.
Physical ASBA Application / Bid	ASBA Bid-cum-Application Forms submitted by an ASBA Investor physically with the designated branches of the SCSBs.
Pre-IPO Placement	A pre-placement of Equity Shares to investor made by the Company prior to the filing of the Red Herring Prospectus with the RoC, in this case being Dango & Dinenthal Maschinenbau GMBH, Germany.
Price Band	Being the Price Band of a minimum price (Floor Price) of ₹ [●] and the maximum price (Cap Price) of ₹ [●] and includes revisions thereof. The Price Band and the minimum Bid Lot size for the Issue will be decided by our Company in consultation with the BRLMs and advertised, at least two working days prior to the Bid/ Issue Opening Date, in two national newspapers (one each in English and Hindi) and in one Gujarati newspaper with wide circulation.
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price.

Term	Description
Prospectus	The prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account(s) and accounts of ASBA Investors for this Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	<p>“Qualified Institutional Buyer” means:</p> <ul style="list-style-type: none"> (i) a mutual fund, venture capital fund and foreign venture capital investor registered with the SEBI; (ii) a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the SEBI; (iii) a public financial institution as defined in section 4A of the Companies Act, 1956; (iv) a scheduled commercial bank; (v) a multilateral and bilateral development financial institution; (vi) a state industrial development corporation; (vii) an insurance company registered with the Insurance Regulatory and Development Authority; (viii) a provident fund with minimum corpus of ₹2500 Lacs; (ix) a pension fund with minimum corpus of ₹ 2500 Lacs; (x) 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; (xi) Insurance funds set up and managed by Army, Navy or Air Force of the Union of India; and (xii) Insurance Funds set-up and managed by the Department of Posts, India
QIB Portion	The portion of this Issue being not more than 50% of the Issue, i.e. [●] Equity Shares of Rs 10 each available for allocation on proportionate basis to QIBs of which 5% shall be available for allocation on proportionate basis to Mutual Funds registered with SEBI, subject to valid bids being received at or above the Issue Price.
Refund Account	The no-lien account maintained by the Refund Bank(s) to which the surplus money shall be transferred on the Designated Date.
Refund Bank	The bank(s) which have been appointed / designated for the purpose of refunding the amount to investors (except ASBA Investors) either through the electronic mode as prescribed by SEBI and / or physical mode in accordance with the procedure contained in the Chapter titled “Issue Procedure” on page no. 244 of the Red Herring Prospectus.
Resident Retail Individual Investor /Resident Retail Individual Bidder	A Retail Individual Bidder who is a “person resident in India” (as defined in Foreign Exchange Management Act, 1999) and who has Bid for Equity Shares for an aggregate amount not more than ₹2 Lacs. in all of the bidding options in the Issue.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than ₹ 2 Lacs in any of the bidding options in this Issue.
Retail Portion	The portion of this Issue being not less than 35% of the Issue i.e. [●] Equity Shares of ₹ 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s).

Term	Description
Red Herring Prospectus/ RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the bid/ Issue Opening date and will become Prospectus after filing with the RoC after determination of the Issue Price.
Registrar to the Issue or Registrar	In this case being, Bigshare Services Private Limited.
Self Certified Syndicate Bank (SCSB) / SCSB(s)	Self Certified Syndicate Bank (SCSB) is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf .
Syndicate	The BRLM and the Syndicate Member(s).
Syndicate Agreement	The agreement to be entered into between our Company, BRLM and the Syndicate Member(s), in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Issue.
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member(s) are appointed by the BRLM in this case being Arihant Capital Markets Limited, Khandwala Securities Limited and Prabhudas Lilladher Pvt. Ltd.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member(s) to the Bidder as proof of registration of the Bid on the online system of BSE/NSE.
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
Underwriters	The BRLM and the Syndicate Member(s).
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.
Working Days	All days excluding Sundays and bank holidays

INDUSTRY RELATED TERMS

ABS	ABS Industrial Verification (India) Private Limited
ACHEMA	The world forum of industry and pioneering technology summit in chemical engineering, environmental protection and biotechnology
ADIPEC	Abu Dhabi International Petroleum Exhibition and Conference
AIFI	Association of Indian Forging Industry
AMIE	Associate Member of the Institution of Engineers
BHEL	Bharat Heavy Electrical Limited
BVIS	Bureau Veritas(India) Private Limited
CAGR	Compound Annual Growth Rate
CIA	Central Intelligence Agency
CNC	Computer Numerical Control Machines
CRN	Canadian Registration Number
CS	Carbon Steel
DAE	Department of Atomic Energy
DG	Diesel Generator
DNV	Det Norske Veritas
DIPP	Department of Industrial Policy & Promotion
DOFA	Defence Offset Facilitation Agency
DPP	Defence Procurement Policy
DPR	Detailed Project Report
DWT	Deadweight Tonnage
ECB	External Commercial Borrowing

EIL	Engineers India Limited
EMSS	Earthmoving Machinery Spares & Services
EPCG	Export Promotion Capital Goods
ERP	Enterprise Resource Planning
GAIL	Gas Authority of India Limited
GASTECH	GasTech Engineering Corporation
GDP	Gross Domestic Product
GE	General Electric
GEB	Gujarat Electricity Board
GIDC	Gujarat Industrial Development Corporation
GoG	Government of Gujarat
GoI	Government of India
GT	Gross Tonnage
E&P	Exploration and Production
EIA	Energy Information Administration
HPCL	Hindustan petroleum Corporation Limited
HT	Hi-Torque
IBR	Indian Boiler Regulations
IEO	International Energy Outlook
IEP	Integrated Energy Policy
IIP	Index of Industrial Production
IMF	International Monetary Fund
IMFA	IMFA Group, Orisa
ISBA	Indian Shipbuilders Association
ISO	International Organization for Standardization
IOCL	Indian Oil Corporation Limited
ISBA	Indian Shipbuilders Association
IT	Information Technology
JNPT	Jawaharlal Nehru Port Trust
KNPC	Kuwait National Petroleum Company
KVA	Kilo Volt Ampere
L & T	Larsen & Toubro
LNG	Liquefied Natural gas
LRIS	Lloyds Register Asia
M&A	Mergers & Acquisitions
MGVCL	Madhya Gujarat Vij Company Limited
MT	Metric Tonne
MTPA	Metric Tonnes Per Annum
MMTPA	Million Metric Tonne Per Annum
MoD	Ministry of Defence
MRO	Maintenance, Repair and Overhaul
MW	Mega Watt
NACIL	National Aviation Company of India Limited
NPCIL	Nuclear Power Corporation of India Limited
NTPC	National Thermal Power Corporation
OEM	Original Equipment Manufacturers
OHSAS	Occupational Health Safety and Security
ONGC	Oil & Natural Gas Corporation
OPEC	Organization of the Petroleum Exporting Countries
PDIL	Projects and Development India Limited
PDO	Petroleum Development Oman
PNGRB	Petroleum and Natural Gas Regulatory Board
POL	Petroleum Oil & Lubricants
PSU	Public Sector Undertaking
R&D	Research & Development
RBI	Reserve Bank of India
ROR	Rate of Return
SAP	System Application & Products

SCI	Shipping Corporation of India
SGS	SGS India – Inspection, Verification, Testing and Certification Company
SME	Small and Medium Enterprises
SS	Stainless Steel
UHDE India	UHDE India Private Limited
TICB	Tecnimount ICB
TOYO	Toyo Engineering India Pvt Ltd
UAE	United Arab Emirates
UHDE	A subsidiary of Uhde GmbH of Germany
UK	United Kingdom
UMPP	Ultra Mega Power Projects
USA	United States of America

ABBREVIATIONS

Abbreviation	Full Form
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
ASBA	Applications Supported by Blocked Amount
BRLM	Book Running Lead Manager
BSE	Bombay Stock Exchange Limited
CAN	Confirmation of Allocation Note
CB	Controlling Branch
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CIN	Corporate Identification Number
DB	Designated Branch
DIN	Director's Identification Number
DP	Depository Participant
DP ID	Depository Participant's Identification Number
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting of the shareholders
EPS	Earnings per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations issued thereunder
FBT	Fringe Benefit Tax
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time] registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FIs	Financial Institutions
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIDC	Gujarat Industrial Development Corporation
GIR Number	General Index Registry Number
GoI / Government	Government of India
HNI	High Net Worth Individual
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
INR	Indian National Rupee
IPO	Initial Public Offering
IT Act	Income Tax Act, 1961, as amended

Abbreviation	Full Form
Ltd.	Limited
MAPIN	Market Participant and Investor Database
Merchant Banker	Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulation, 1992
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NR	Non-Resident
NRE Account	Non Resident (External) Account
NRI	Non-Resident Indian
NRO Account	Non Resident (Ordinary) Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	Overseas Corporate Body
P/E Ratio	Price / Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
RBI	The Reserve Bank of India
RoNW	Return on Net Worth
₹	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCSB	Self Certified Syndicate Bank
SPV	Special Purpose Vehicle
TAN	Tax Deduction Account Number
TIN	Taxpayers Identification Number
TRS	Transaction Registration Slip
UoI	Union of India
WDV	Written Down Value
w.e.f	With effect from

SECTION II - GENERAL

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Financial Data

Unless stated otherwise, the financial information used in the Red Herring Prospectus is derived from our Company's restated financial statements for the financial year ended 2006, 2007, 2008, 2009, 2010 and period ended December 2010 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI (ICDR) Regulations, 2009, as stated in the report of our Auditors, M/s Shah & Bhandari, Chartered Accountants, on page no.124 of the Red Herring Prospectus.

Our Financial Year commences on April 1 and ends on March 31 of the ensuing calendar year. Unless stated otherwise, references herein to a Financial Year (e.g., Financial Year 2009), are to the Financial Year ended March 31 of that particular year.

In the Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI (ICDR) Regulations, 2009. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Red Herring Prospectus should accordingly be limited. Our Company has not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data.

Market and Industry Data

Unless stated otherwise, industry data used throughout the Red Herring Prospectus has been obtained or derived from industry publications and/or publicly available government documents. Industry publications or publicly available government documents generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although our Company believes that industry data used in the Red Herring Prospectus is reliable, it has not been verified by us or any other person connected with the Issue.

FORWARD LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

1. Our inability to renew or maintain our statutory and regulatory permits and approvals required to operate our businesses may have a material adverse effect on our business.
2. The cost of implementing new technologies could be significant and could adversely affect our results of operations.
3. Our business is dependent on our continuing relationships with our customers, with whom we have not entered into long term arrangements. Any reduction or interruption in the business of a key customer, or a substantial decrease in orders placed by a key customer may have an adverse impact on our revenues and operations.
4. Failure to obtain or maintain pre-qualifications from newer customers or loss of our pre-qualified status from our existing customers could adversely impact our business.
5. We could become liable to customers, suffer adverse publicity and incur substantial costs as a result of defects or failure in our products, which in turn could adversely affect our business, financial condition, results of operations and cash flows.

For a further discussion of factors that could cause our actual results to differ, *please refer Section titled “Risk Factors” on page no.XIII of the Red Herring Prospectus, and Chapters titled “Business Overview” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements” on pages no.74 and 206, respectively of the Red Herring Prospectus.* By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLM, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until the time of grant of listing and trading permissions by the Stock Exchanges.

SECTION III - RISK FACTORS

An investment in Equity Shares involves a high degree of financial risk. You should carefully consider all information in the Red Herring Prospectus, including the risks described below, before making an investment in our Equity Shares. The risk factors set forth below do not purport to be complete or comprehensive in terms of all the risk factors that may arise in connection with our business or any decision to purchase, own or dispose of the Equity Shares. This section addresses general risks associated with the industry in which we operate and specific risks associated with our Company. Any of the following risks, as well as the other risks and uncertainties discussed in the Red Herring Prospectus, could have a material adverse effect on our business and could cause the trading price of our Equity Shares to decline and you may lose all or part of your investment. In addition, the risks set out in the Red Herring Prospectus are not exhaustive. Additional risks and uncertainties, whether known or unknown, may in the future have material adverse effect on our business, financial condition and results of operations, or which we currently deem immaterial, may arise or become material in the future. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including events described below and elsewhere in this Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from and should be read in conjunction with restated financial statements of the Company as of and for the Fiscals 2006, 2007, 2008 2009 and 2010 and period ended December 2010, in each case prepared in accordance with Indian GAAP, including the schedules, annexure and notes thereto.

INTERNAL RISK FACTORS

1. There are outstanding legal proceedings involving our Company.

There are outstanding legal proceedings involving our Company. These proceedings are pending at different levels of adjudication before various courts and enquiry officers. An adverse outcome in these proceedings could have an adverse effect on our business, prospects, financial condition and results of operations. In addition, further liability may arise out of these claims. Brief details of such outstanding litigation as of the date of the Red Herring Prospectus are as follows:

<i>Nature of Cases (Civil)</i>	<i>No. of outstanding cases</i>	<i>Amount involved (in ₹ Lacs)</i>
Income tax	4	6.48
Central Excise and Service tax	6	18.34
Customs	1	1.72
Central Sales Tax and VAT	5	Not quantifiable
Others	1	0.77
TOTAL	17	27.31

For further details of the legal proceedings involving our Company, see “Outstanding Litigations, Material Developments and Other Disclosures” on page 221.

2. There are certain weakness reflected in the Appraisal Report

State Bank of India, which has appraised our New Project, has point out the following weaknesses in our New Project such as:

1. Experience & Capability
2. Cost Overrun
3. Time overrun
4. Delay in IPO

5. Plant Operating Risk
6. Environmental/ Safety risk
7. Raw material availability
8. Off take risk (for proposed product)
9. Plant Performance
10. Foreign Exchange Fluctuations

For further details on risks and threats as given in the Appraisal Report, please see the para titled “Appraisal” in the Section titled “Objects of the Issue” on page no.46.

3. *The implementation of the New Project is at a very preliminary stage. Any delay in implementation of the same may increase the capital cost and also affects returns from the New Project.*

Our Company is planning to set-up a manufacturing facility near our existing factory at Waghodia, Vadodara. Presently, the implementation is at a very preliminary stage. Our Company has acquired leasehold right on plot no. 1401, 1402, 1403 situated at Waghodia Industrial Area, Taluka Waghodia, Dist Vadodara. However, the construction activity is yet to commence. Any delay in implementation of the same will increase the capital cost and also affect the realization of returns from the expansion.

4. *The New Project being implemented by us is large in context of our Company’s current scale of operations. We may face several risks on account of implementation of New Project.*

Our Company has embarked upon a project of around ₹ 12039 Lacs, which is large in size compared to the present networth of our Company as on December 31, 2010 i.e. ₹ 1708.80 Lacs (on consolidated basis). Since, the management and financial resources are till date allocated to a smaller scale of processing facilities, the New Project, poses some unforeseen risks and challenges to the financial and managerial capacity of our Company. We have appointed experienced Key Managerial Personnel to assist the Promoters in implementing the New Project and have identified and placed orders of key machineries with leading manufacturers

5. *We have certain contingent liabilities and capital commitments not provided for in our financial statements, which may adversely affect our financial condition.*

As per our financial statements on a consolidated basis as of December 31, 2010, our Contingent liabilities not provided for, are as detailed in the following table:

(₹ in Lacs)

Particulars	For the Period Ended December 31, 2010
Bank Guarantee	386.96
Letter of Credit	41.55
Liabilities Disputed	
- Disallowances for the Assessment Year 2008-2009	6.43
- Excise Duty on Account of Cenvat Credit	18.15
- Service Tax on Account of Import of Services	0.16
- Custom Duty under EPCG Scheme	1.09
- PF Under Provident Fund Act	0.52
Total	454.86

As per our financial statements on a standalone basis as of December 31, 2010, our Contingent liabilities not provided for, are as detailed in the following table:

(₹ in Lacs)

Particulars	For the Period Ended December 31,2010
Bank Guarantee	386.96
Letter of Credit	41.55
Liabilities Disputed	
- Disallowances for the Assessment Year 2008-2009	6.43
- Excise Duty on Account of Cenvat Credit	18.15
- Service Tax on Account of Import of Services	0.16
- Custom Duty under EPCG Scheme	1.09
- PF Under Provident Fund Act	0.52
Total	454.86

6 The cost of implementing new technologies could be significant and could adversely affect our results of operations.

Our business requires us to keep pace with technological advances. Over the years, we have acquired modern and sophisticated machinery for our operations. Our future success will depend in part on our ability to respond to technological advances and emerging standards and practices on a cost-effective and timely basis. The cost of implementing new technologies could be significant and could adversely affect our financial condition and results of operations. Further, our inability to acquire new and modern machinery may have an adverse effect on our financial conditions and results of operations.

7. Our New Project could face time and cost overrun, which would have a material adverse effect on our business, financial condition and results of operations.

Any delay in completing the New Project due to any reason whatsoever may result in a significant cost and time overrun. Due to these time and /or cost overrun, the overall benefits of such plans to our revenue and profitability may decline and it may significantly increase our interest costs. Further any delay in commercial production may adversely impact the cash flows and profitability of our company.

8. The construction and commencement of commercial operations of our New Project involve many uncertainties and risks that may have a material adverse effect on our business, results of operations and financial condition.

A key part of our strategy is dependent upon the timely completion of the New Project by May 2012. The New Project involves engineering, construction and other commercial risks, including:

- (a) reliance on third parties to supply plant and machineries;
- (b) engineering design and technological changes;
- (c) mobilizing the required resources;
- (d) failure to obtain necessary governmental and other approvals;
- (e) changes in market conditions;
- (f) accidents, natural disasters and weather-related delays;
- (g) time and cost overruns and unanticipated expenses; and
- (h) regulatory changes.

Any significant delay in completing the New Project as planned or on schedule may result in commencing operations in an increased competitive environment for its products. Such a scenario may have a material adverse effect on our business, results of operations and financial condition.

9. *Some of our Promoter Group entities have objects similar to that of our Company's business and this could lead to a potential conflict of interest.*

Some of our Promoter Group Companies i.e. Gautam Stainless Private Limited and Rajeshwari Forgings Private Limited have some of the objects similar to that of our Company's business. As on the date of filing the Red Herring Prospectus, the aforesaid entities are not carrying any business competing with that of our Company. Currently we do not have any non-compete agreement/arrangement with any of our Promoter Group Entities and absence of such non-compete agreement/arrangement may result in the situation of potential conflict of interest in future. For further details of Group entities, please refer section titled "Our Promoters, Promoter Group and Group Companies" on page no.119 of this Red Herring Prospectus.

10. *The success of our New Project depends largely upon highly skilled technical professionals and our ability to employ and retain these personnels.*

Our ability to execute the New Project depends largely on our ability to employ, train, and retain highly skilled technical professionals, particularly project managers and other mid-level professionals. The success of our New Project will be dependent on the continued service of these persons or replacement of equally competent persons from the market. Competition for senior management in the forgings industry is intense, and we may or may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future unless we offer industry best compensation packages, which will have impact on our profitability. Our inability to employ and retain such skilled professional or other senior professionals may adversely affect our New Project, along with results of operations and financial condition of our Company.

11. *We have not yet placed orders for entire plant & machinery required to set up our New Project, which exposes us to change in prices at the time of giving orders.*

We propose to acquire plant and machinery aggregating ₹ 7461 Lacs for our New Project. We have not yet placed orders for plant and machinery aggregating ₹ 2961 Lacs required by us which constitutes approximately 40% of the total plant and machinery required for the New Project. We are subject to risks on account of inflation in the price of plant and machinery for which orders have not been placed. Our Company has received quotations for these machineries, and negotiations with the vendors have commenced. The details of quotations received appear *under the Section titled 'Objects of the Issue' on page no.43 of the Red Herring Prospectus*. Since part-financing of the New Project is from the IPO proceeds, any delay in access to IPO proceeds would eventually delay the process of placing the orders. The purchase of plant and machinery would require us to consider factors including but not limited to pricing, delivery schedule and after-sales maintenance. There may also be a possibility of delay at the suppliers' end in providing timely delivery of these machineries, which in turn may delay the implementation of the New Project.

12. *We have entered into major supply contracts with Danieli & Company, Italy and Dango & Dinenthal Maschinenbau GMBH, Germany for supply of major plant & machinery required for our New Project. Delay in delivery of the plant and machinery may have an adverse impact on the implementation of the New Project. The contract entered into with Dango & Dinenthal Maschinenbau GMBH, Germany is enforceable in jurisdictions outside India, which may expose us to higher legal and other costs in case of any disputes with Dango & Dinenthal Maschinenbau GMBH, Germany and affect enforceability of judgments obtained against counterparties.*

We have entered into supply contracts with Danieli & Company, Italy and Dango & Dinenthal Maschinenbau GMBH, Germany for supply of major plant and machinery required for our New Project. In the event the plant and machinery is not delivered within the time stipulated in the contract, it may lead to delay in implementation of the New Project and result in cost overruns. Further, the contract with Dango & Dinenthal Maschinenbau GMBH, Germany is enforceable in Singapore. The legal and other costs that we may incur in initiating and/or defending any actions arising out of such contract could be significantly higher outside India as compared to in India and such higher costs may

adversely affect our financial position and profitability. Further, we may not always be able to enforce/execute judgments obtained in foreign courts/tribunals against the counter parties.

13. We have entered into transactions in foreign currency and are subject to risks arising from foreign exchange rate fluctuations, which could adversely affect our financial condition.

Our Company has placed orders to import plant & machinery worth ₹4500 Lacs which constitute 60% of the total plant and machinery required to be purchased for the New Project. Since the cost of these plant & machinery are denominated in foreign currency, any adverse fluctuations in the exchange rate of foreign currency for Indian Rupee could adversely affect our financial condition and operations. We have not hedged our risks against foreign exchange fluctuations in this regard.

14. Our wind mill is located at Porbandar Gujarat and the electricity generated therefrom is sold to Gujarat Energy Transmission Corporation Limited (GETCO) through the electricity grid against which our company gets payment / credit in our power bill in respect of power usage at our factory in Waghodia, Dist. Vadodara. Any loss of or breakdown of operations at any of our facilities located at Porbandar and Waghodia may have an adverse effect on our business, financial condition and results of operations.

Our power generation unit is located at Porbandar, Gujarat and the electricity generated therefrom is sold to Gujarat Energy Transmission Corporation Limited (GETCO) through the electricity grid against which our company gets payment / credit in our power bill in respect of power usage at our factory in Waghodia, Dist. Vadodara, Gujarat to the extent of units so generated and transmitted. As such we are subject to geographical risks arising from multiple locations. Our facilities are subject to operating risks, such as the breakdown or failure of equipment, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks at Porbandar could adversely affect our operating results. Although precautions are taken to minimize the risk of any significant operational issues at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

15. Pending Government / Statutory Approvals and Licenses

Our Company has made applications to regulatory authorities for grant of the following Government / statutory approvals and licenses but the same has not been issued to us till date:-

Sr. No.	Nature of Registration / License	Date of Application	Issuing Authority	Purpose/ Plants/offices for which said licenses is applied for
1.	Environmental Clearance	May 8, 2010	Government Environment Clearance Committee, Department of Environment and Forest	Approval for New Project
2.	Air and Water Pollution Control clearance.	17.03.2011	Gujarat Pollution Control Board	Approval under Water (Prevention & Control of Pollution Act, 1974) Air (Prevention & Control of Pollution Act, 1981) and Hazardous Waste (Management and Handling) Rules 1989.

If we fail to obtain any of the aforesaid licenses, approvals or permissions, our ability to carry on business may be affected and our Company and our officials may be subject to penalties under the relevant laws. Consequently, our turnover and profitability may be adversely affected.

16. *Our Company is dependant on limited number of suppliers for our power and fuel requirements.*

We have significant power / fuel requirements for our furnances in our existing and New Project. These include electricity, furnace oil and / or gas and we are dependent on limited number of external suppliers for the same. Further we are yet to enter into definitive arrangements for power and fuel requirements for our New Project. Failure on our part to enter into definitive arrangements or failure of the supplier to deliver the desired quantity and quality supplies at the required time may adversely impact the business, result of operations and financial condition.

17. *There has been a decline in profits for the Financial Year 2008-09.*

For the Financial Year ended 2007-08, the Profit as per restated Profit and Loss Account was ₹ 245.93 Lacs. However, the same declined to ₹ 226.62 Lacs (on consolidated basis) for the Financial Year 2008-09.

18. *Failure to obtain or maintain pre-qualifications from customers or loss of our pre-qualified status from our existing customers could adversely impact our business.*

Majority of our customers require forging manufacturers to undergo pre-qualification processes. These processes evaluate both the technical ability to provide relevant products with the exact specifications needed by the end-user, and the production capabilities of the supplier. These processes generally take time to complete and involve our incurring significant up-front expenses in learning and meeting customer qualification requirements. We continuously strive to retain our pre-qualification status as approved suppliers, with the existing customers. Our failure to obtain pre-qualifications from newer customers or loss of our prequalified status from our existing customers could have an adverse impact on our profits, results of operations and cash flows.

19. *Our business is dependent on our continuing relationships with our customers, with whom we have not entered into long term arrangements.*

We do not have long term arrangements with any of our customers to purchase our products in the future, at the current prices or at all. There is no assurance that we will be able to maintain historic levels of business from the existing customers or to retain the existing customers, or that we will be able to replace our customer base in a timely manner or at all, in the event our existing customers do not continue to purchase products manufactured by us. Such loss of customers may have an adverse effect on our revenues, cash flows and operations, including an interruption or partial or total work stoppage at our manufacturing facilities.

20. *We have high working capital requirements and we may not be able to raise the required capital for future orders.*

Our business requires a large amount of working capital, used primarily to finance the purchase and processing of raw materials before payments are received from customers. Our working capital requirements may increase if, under certain orders, payment terms do not include advance payments or such orders have payment schedules that shift payments toward the end of the order or otherwise increase our working capital burdens. In addition, our working capital requirements have increased in recent years because we have undertaken a growing number of orders within a similar timeframe and due to the growth of the Company's business generally. All of these factors may result, or have resulted, in increases in our working capital needs.

Our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of our current projects and other laws that are conducive to our raising capital in this manner. Our attempts to complete future financings may not be successful or on favourable terms, which may adversely impact our profits, results of operations and cash flows.

- 21. *Our existing manufacturing facility and registered office are acquired on lease and we enjoy only leasehold rights on such premises. Our rights concerning these premises are limited as per the lease agreement. In the event we are unable to renew the lease agreement, or if such agreement is terminated, we may suffer a disruption in our operations.***

Our manufacturing facility and our registered office has been set up on premises that has been acquired on long term lease from Gujarat Industrial Development Corporation. The term of this agreement may or may not be renewed. In the event the lessor terminates or does not renew the lease on commercially acceptable terms, or at all, and we are required to vacate the premises, in such an event, we may be compelled to identify alternative premises and enter into fresh lease. Such a situation could result in loss of business and may adversely affect our operations and profitability. Further, we do not own the premises on which our marketing office in Vadodara is situated. It is operated from rented premises. In the event of failure to renew the agreement, we may suffer a disruption in our operations which would have material adverse effect on our business and operations.

- 22. *Our inability to renew or maintain our statutory and regulatory permissions and approvals required to operate our businesses may have a material adverse effect on our business.***

We are required to obtain requisite approvals and licenses under various laws for operating our business. For more information, see “Government and Other Statutory Approvals” on page 227. Further, licenses and approvals granted to us could be subject to several conditions, and we cannot assure you that we would be able to continuously meet such conditions or be able to prove compliance with such conditions to the statutory authorities, and this may lead to cancellation, revocation or suspension of relevant licenses or approvals, which may result in the interruption of our operations and may adversely affect our business, financial condition and results of operations. If we fail to obtain necessary approvals required by us to undertake our business, or if there is any delay in obtaining these approvals, or if these approvals are cancelled/terminated and/or expired our business and financial condition could be adversely affected.

- 23. *Investors run the risk of being allotted shares pursuant to this IPO at a price which may be higher than the price at which we have allotted shares to other shareholders in the last one year.***

We have completed a Pre-IPO placement to Dango and Dienenthal for cash consideration at a price of ₹ 80 per Equity Share (including a share premium of ₹ 70 per Equity Share), which may be at a price lower than the Issue Price. Details of shareholder who has been issued shares within one year are as under:

Date of Allotment	Name of Allotee	Number of Equity Shares	Face Value (₹)	Issue Price (₹)
December 29, 2010	Dango & Dienenthal Maschinenbau Gmbh & Co KG	340952	10	80
April 13, 2011	Dango & Dienenthal Maschinenbau Gmbh & Co KG	359029	10	80

- 24. *Any disruption in the adequate and timely supply of raw materials at commercially acceptable prices could adversely affect our business and results of operations.***

The timely and cost effective execution of our orders is dependant on the adequate and timely supply of raw materials such as carbon steel, stainless steel etc. We are sourcing raw materials from multiple vendors but have not entered into any long-term contracts for the purchase of such raw materials with our suppliers. We cannot assure you that we will be able to procure adequate supplies of key materials in the future, as and when we need them on commercially acceptable terms. Additionally, we typically use third-party transportation providers for the supply of most of our raw materials. Transportation strikes by members of Indian truckers unions and various legal or regulatory restrictions placed on transportation providers may have an adverse effect on our receipt of supplies. Further, transportation costs have been steadily increasing, and the prices of raw materials themselves can fluctuate. If such

restrictions and incidents occur, or if we are unable to procure the requisite quantities of raw materials in time and at commercially acceptable prices, the performance of our business and results of operations may be adversely affected.

25. *The conditions and restrictions imposed by our lenders could restrict our ability to expand our business and operations.*

As on December 31, 2010 we have availed an aggregate of ₹1187.02 Lacs as secured loans from various banks and other entities. Most of our loans are secured by way of mortgage of fixed assets and hypothecation of current assets both present and future. In case we are not able to pay our dues in time, the same could adversely impact our operations. In addition to the above, our financing arrangements also include conditions and covenants that require us to obtain consents of our lenders prior to carrying out certain activities and entering into certain transactions. Failure to obtain such consents can have significant consequences on our capacity to expand and therefore adversely affect our business and operations. We cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender could assert that we have not complied with all terms under our existing financing documents. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements and may adversely affect our ability to conduct our business and operations or implement our business plans.

26. *Some of our Promoters had pledged and have agreed to pledge some of their Equity Shares in the Company subsequent to the Issue to the State Bank of India to secure the financial obligations of the Company.*

Three of our Promoters, Mr. Jayanti Sanghvi, Mr. Babulal Sanghvi and Mr. Naresh Sanghvi had pledged 13,39,140 equity shares held by them in our Company constituting 16.03% of the pre-issue paid-up capital in favour of State Bank of India in order to secure the financial obligations of the Company. By a letter dated April 11, 2011, State Bank of India has revoked the said pledge on the Equity Shares. However, the said shares would be repledged in their favour only after listing of the Equity Shares of the Company on the Stock Exchanges but before disbursement of the new term loan. In the event of default or a breach of the covenants, the bank shall have the right to enforce the pledge which may result in substantial reduction of the shareholding of the Promoters in the Company and may adversely affect the shareholding and/or management structure of the Company. For further details please see the Section Titled “Capital Structure” on page no. 26.

27. *Our Promoters and Promoter Group will continue to retain significant control in our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval in their favour.*

After this Issue, our Promoter and Promoter group will beneficially own approximately [●] % of our post-Issue Equity Share Capital. As a result, they will have the ability to exercise significant influence over all matters requiring shareholders’ approval, including the election of directors and approval of significant corporate transactions. The Promoter and Promoters Group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where they are required by applicable laws to abstain from voting. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

28. *Impairment of assets of our Company can adversely affect our results of operations*

Our Company has provided for impairment to its assets in the Fiscal 2009-2010 to the extent of 2.07 Lacs on account of obsolete assets. Any future substantial impairment may adversely impact the results of our operations.

29. *There are certain audit qualifications in the auditor’s report of our previous financial years/periods.*

Our auditors have qualified the financial statements for FY 2005-2006, FY 2006-2007, FY 2007-08 and FY2008-09 with regard to non-compliance of AS-15- Employee Benefits. These audit

qualifications have been given effect to the tune of ₹2.56 Lacs in the restated financial statements. For further details of audit qualifications, please refer to the section titled “Auditor’s Report and Financial Information of Our Company” on page no.129 of this Red Herring Prospectus.

30. *Our success depends largely on our Promoters, senior management and Key Managerial Personnel and our ability to attract and retain them.*

We are highly dependent on our promoters and senior management of our Company. Our future performance will be affected by the lack of continued service of these persons. We do not maintain keyman life insurance for any of the senior members of our management team or other key personnel. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of our senior management or other key personnel may adversely affect our business, results of operations and financial condition.

31. *Our insurance cover may be inadequate to fully protect us from all losses and may inturn adversely affect our financial condition.*

We maintain such insurance coverage as we believe is customary for our type of industry. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We maintain Office Building, Stocks, Vehicle and Employee Group Health Insurance coverage. However, we cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. Further, 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 loss or damage that is not covered by insurance or which exceeds our insurance coverage, our results of operations or cash flows may be affected.

32. *Delays or defaults in client payments could result in a reduction of our profits.*

We regularly commit resources to orders prior to receiving advances or other payments from clients in amounts sufficient to cover expenditures on orders as they are incurred. We may be subject to working capital shortages due to delays or defaults in client payments. If clients default in their payments on an order to which we have devoted significant resources or if a project in which we have invested significant resources is delayed, cancelled or does not proceed to completion, it could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

33. *We may face labour disputes that could interfere with our operations and business.*

While we believe we have a satisfactory working relationship with our employees, we remain subject to the risk of labour disputes and adverse employee relationships. These potential disputes and adverse relations could result in work stoppages or other events that could disrupt our business operations, which could have a material adverse effect on our business, financial condition and our results of operations.

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

Our business is subject to environmental, health and safety laws and regulations. Any changes in or amendments to these standards or laws and regulations could regulate our business and may force us to incur additional, unanticipated expenses in order to comply with these changed standards. Additionally, the scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted. The costs and management time required to comply with these requirements could be significant. If we fail to meet safety, health and environmental requirements, we may be subjected to appropriate proceedings. Clean-up and remediation costs, as well as damages, payment of fines or other penalties, other liabilities and related litigation, could adversely affect our business, prospects, financial condition and results of operations.

35. *The requirements of being a public listed company may strain our resources and distract management.*

We have no experience as a public listed company or with the increased scrutiny of its affairs by shareholders, regulators and the public at large that is associated with being a public company. As a public listed company, we will incur significant legal, accounting, corporate governance and other expenses that we did not incur as an unlisted company. We will also be subject to the provisions of the listing agreements signed with the Stock Exchanges which require us to file unaudited financial results (on a limited review basis) on a quarterly basis. In order to meet our financial control and disclosure obligations, significant resources and management supervision will be required. As a result, our management's attention may be diverted from other business concerns, which could have an adverse effect on our business and operations. There can be no assurance that we will be able to satisfy our reporting obligations and/or readily determine and report any changes to our results of operations in as timely a manner as other listed companies. In addition, we may need to increase the strength of team and hire additional legal and accounting staff with appropriate experience in a public listed company and accounting knowledge and we cannot assure you that we will be able to do so in a timely manner. Furthermore, we may not be able to attract suitable employees which may have an adverse effect in our results of operations and financial performance.

36. *Our ability to pay dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors.*

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors. There can be no assurance that we shall have distributable funds or that we will declare dividends in the future. Additionally, the terms of any financing we obtain in the future, may contain restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

37. *We have entered into certain related party transactions*

We have, in the course of our business, entered into transactions with related parties that include our Promoter Group, our Subsidiary, our associate companies and our Group Companies. While we believe that all such transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we may enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. For more information on Related Party Transactions, please see the section titled "Auditor's Report and Financial Information of Our Company" are appearing on page no. 149.

38. *Some of our Group Companies and our Subsidiary have incurred losses in the past.*

The following group companies and Subsidiary have incurred losses in the past:

Sr. No.	Name of Entity	PAT / (Loss) ₹ In Lacs		
		March 31, 2010	March 31, 2009	March 31, 2008
1.	Rajeshwari Forgings Private Limited	0.001	0.04	(0.05)
2.	Sanghvi Middle East (Free zone Establishment)	(16.14)	(0.68)	N.A.

There is no assurance that these companies or any other companies or ventures promoted or acquired by the Promoters or by the Company will not incur losses in any future periods or that there will not be an adverse effect on our reputation or business as a result of such losses.

39. *The Trademark registration in respect of Sanghvi logo is pending.*

Our Company is yet to receive approval from trademark authorities for our logo and name for which the Company has made application to the Trademark Registry under Trade Marks Act, 1999. If we fail to successfully obtain or enforce our trademark, we may need to change our logo. In the absence of the registration of our trademark, we may have a lesser recourse to legal proceedings to protect our trademark and/or any costs involved in connection with any litigation in this regard could adversely affect our operations.

40. *We could become liable to customers, suffer adverse publicity and incur substantial costs as a result of defects or failure in our products, which in turn could adversely affect our business, financial condition, results of operations and cash flows.*

Many of our orders involve providing products that are critical to the operations of our customer's business. Any failure on our part to design and manufacture products as per customer requirements could result in a claim or legal proceeding against us for substantial damages, regardless of our responsibility for such a failure or defect. These lawsuits against us may adversely affect the results of our operations, our financial condition and cash flows and also result in adverse publicity.

41. *Our Company's outstanding debt, exposes it to interest rate fluctuations. Changes in interest rates could significantly affect our results of operations.*

Changes in interest rates could significantly affect our financial condition and results of operations. Most of our borrowings are at floating rates of interest. If the interest rate for our existing or future borrowings increases significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

42. *We may face a risk on account of not meeting our export obligations.*

Our Company is importing certain plant & machinery for our New Project under the EPCG scheme, in terms of which, capital goods may be imported at a concessional / NIL rate of custom duty, as per the prevailing norms. Under the EPCG scheme, we are required to export goods aggregating in value to eight times of the import duty saved within 8 years, failing which an amount equivalent to the duty amount saved along with the interest at applicable rates would be required to be paid to the Government of India. Our export obligation will commence from the time the machines are received in India.

43. *The deployment of funds to be raised from the present issue of equity shares is at our discretion and no independent agency has been appointed to monitor its deployment*

Although the proposed project is appraised by State Bank of India and part-financed by State Bank of India and Bank of Baroda, the deployment of funds proposed to be raised from the present issue of shares towards the objects of the Issue is at the discretion of our Board of Directors and is not subject to monitoring by external independent agency. Further, we cannot assure that the actual costs or schedule of implementation of the proposed processing facility will not vary from the estimated costs or schedule of implementation, and such variance may be on account of one or more factors, some of which may be beyond our control. However, our audit committee will monitor the deployment of funds towards the object of the Issue and our Company shall inform about material deviations in the utilization of issue proceeds, if any, to the stock exchanges and provide the details in the balance sheet about the same.

EXTERNAL RISK FACTORS

Risks Relating to Industry

- 44. *Global economic, political and social conditions may harm our ability to do business, may increase our cost and negatively affect our stock price.***

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, foreign exchange fluctuations, consumer credit availability, consumer debt levels, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence clients' confidence. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

- 45. *Our Company's ability to raise capital may be constrained by Indian law.***

As an Indian company, our Company is subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our Company's financing sources and hence could constrain its ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, our Company cannot assure you that the required approvals will be granted to it without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our Company's business growth, financial condition and results of operations.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Although, these provisions have been formulated to ensure that interests of investors/shareholders are protected. These provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to its stakeholders, it is possible that such a takeover would not be attempted or consummated because of Indian takeover regulations.

- 46. *Changes in Government Policies and political situation in India may have an adverse impact on the business and operations of our Company***

Since 1991, the Government of India has pursued policies of economic liberalization, including relaxing restrictions on the private sector. We cannot provide any assurance that the process of liberalization will be sustained in future. There could be a slowdown in the pace of economic development. The rate of economic liberalization could change, specific laws and policies, foreign investment, currency exchange rates and other matters affecting investing in our securities could change as well. Any adverse change in Government policies relating to the forging industry may have an impact on our profitability.

- 47. *A slowdown in economic growth in India, force majeure events, terrorist attacks and other acts of violence or war involving India, the United States or other countries could adversely affect the financial markets, result in a loss of investor confidence and adversely affect our business, results of operations, financial condition and cash flows.***

Our performance and growth are dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action. Any slowdown in the Indian economy may adversely impact our business and financial performance and the price of our Equity Shares. Certain events that are beyond our control, such as terrorist attacks and other acts of violence or war, including those involving India, the United Kingdom, the United States or other countries, may adversely affect worldwide financial markets and could potentially lead to a severe economic recession, which could adversely affect our business, results of operations, financial condition and cash flows, and more generally, any of these events could lower confidence in India's economy. Southern Asia has, from time to time, experienced instances of civil unrest and political tensions and hostilities among neighbouring countries, including India, Pakistan and China. India witnessed a major terrorist attack in Mumbai on November 26, 2008, which led to an escalation of political tensions between India and Pakistan. Political tensions could create a perception that there is a

risk of disruption of services provided by India-based companies, which could have an adverse effect on our business, future financial performance and price of the Equity Shares. India has from time to time also experienced social and civil unrest and hostilities, including riots, regional conflicts and other acts of violence. The occurrence of any of the foregoing could therefore adversely affect our financial performance or the market price of the Equity Shares, even if unrelated to our business.

48. *The Indian economy has had sustained periods of high inflation.*

A substantial portion of our direct costs are incurred in India. India has experienced high levels of inflation since 1980. In the event of a high rate of inflation, our costs, such as salaries, travel costs and related allowances, which are typically linked to general price level, may increase. However, we may not be able to increase the rates that we charge for our products sufficiently to preserve operating margins. Accordingly, high rates of inflation in India could increase our employee costs and decrease our operating margins, which could have an adverse effect on our results of operations.

49. *Indian corporate and other disclosure and accounting standards differ from countries in the European Union and other jurisdictions.*

Our financial statements are prepared in accordance with Indian GAAP, which differ in significant respects from IFRS. As a result, our financial statements and reported earnings could be significantly different from those which would be reported under IFRS. Such differences may be material. We have not attempted to quantify the impact of IFRS on the financial data included in this Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of IFRS. Accordingly, the degree to which the Indian GAAP 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. Because differences exist between Indian GAAP and IFRS, the financial information in respect of our Company contained in this Red Herring Prospectus may not be an effective means to compare us with other companies that prepare their financial information in accordance with IFRS. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the Issue and the financial information relating to our Company. Potential investors should consult their own professional advisers for an understanding of these differences between Indian GAAP and IFRS, and how such differences might affect the financial information contained herein.

50. *It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.*

We are incorporated under the laws of India and all our Directors and executive officers reside in India. All our assets, and the assets of our Directors and officers, are also located in India. As a result, you may be unable to effect service of process outside of India upon us and such other persons or entities; or enforce in courts outside of India judgments obtained in such courts against us and such other persons or entities.

Section 44A of the CPC, provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United Kingdom has been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the CPC and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or

inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered.

51. You may be restricted in your ability to exercise pre-emptive rights under Indian law and may be adversely affected by future dilution of your ownership position.

Under the Companies Act, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares which are voted on the resolution unless we have obtained government approval to issue without such rights. However, if the law of the jurisdiction you are in does not permit you to exercise your pre-emptive rights without us filing an offering document or registration statement with the applicable authority in the jurisdiction you are in, you will be unable to exercise your pre-emptive rights unless we make such a filing. If we elect not to make such a filing, the new securities may be issued to a custodian, who may sell the securities for your benefit. The value such custodian would receive upon the sale of such securities, if any, and the related transaction costs cannot be predicted. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by you, your proportional interest in us would be reduced.

52. Increasing employee compensation in India may erode some of our competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than the wage costs in the developed countries, which has been one of our competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. This could impact our performance, profit margins and may have a material adverse effect on our business.

53. Any disruption in the supply of power, raw materials, telecom lines could disrupt our business process or subject us to additional costs.

Any disruption in basic infrastructure could negatively impact our business since we may not be able to provide timely or adequate services to our clients. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, raw materials and telecom lines is disrupted. This may result in the loss of a client, impose additional costs on us and have an adverse effect on our business, financial condition and results of operations and could lead to decline in the price of our Equity Shares.

54. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. Natural calamities could have a negative impact on the Indian economy and may cause suspension, delays or damage to our current projects and operations, which may adversely affect our business and our results of operations.

55. We operate in a very competitive industry and our failure to successfully compete could result in the loss of one or more significant customers.

We operate in a very competitive environment and compete against various domestic and foreign forging companies. Our competitive edge depends on various factors, such as the type of project, contract value, potential margins, the complexity, location of the project and risks relating to revenue generation. While service quality, technical ability, performance record, experience, health and safety records and the availability of skilled personnel are key factors in client decisions among competitors, price often is the deciding factor in most tender awards.

Risks Relating to issue and the Equity Shares

- 56. Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.**

Any future equity issuances by us, including in a primary offering, may lead to the dilution of investors' shareholdings in our Company. Any future equity issuances by us or sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

- 57. There is no existing market for our Equity Shares and we cannot assure you that such a market will develop. The stock price may be volatile, and you may be unable to resell your shares at or above the Issue price or at all.**

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained upon the completion of this Issue. The Issue Price of the Equity Shares offered hereby may not be indicative of the market price of the Equity Shares after this Issue. The market price of our Equity Shares after this Issue will be subject to significant fluctuations in response to among other factors:

- variations in our operating results and the performance of our business;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- changes in financial estimates by securities research analysts;
- addition or loss of executive officers or key employees;
- loss of one or more significant customers;
- the performance of the Indian and global economy;
- significant developments in India's economic liberalization and deregulation policies, and the
- fiscal regime; and
- volatility in the Indian and global securities markets.

Many of these factors are beyond our control. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future.

- 58. The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue and the market price of our Equity Shares may decline below the issue price and you may not be able to sell your Equity Shares at or above the Issue Price.**

The Issue Price of our Equity Shares will be determined on the basis of the Book Building Process. This price will be based on numerous factors (*For further information please refer the Chapter titled "Basis for Issue Price" on page no.48 of the Red Herring Prospectus.*) and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to sale your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- Changes in revenue or earnings estimates or publication of research reports by analysts;
- Speculation in the press or investment community;
- General market conditions; and
- Changes in economic, legal and regulatory factors (both domestic and international) unrelated to our performance such as global recession, imposition of trade / non trade barriers and sanctions etc.

59. You will not be able to immediately sell any of our Equity Shares purchased through this Issue on Stock Exchanges until the receipt of appropriate trading approvals from Stock Exchanges.

Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors 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 the Designated Stock Exchange. Thereafter, upon receipt of trading approval from the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved. 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 approvals would restrict your ability to dispose of your Equity Shares.

60. You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Capital gains arising from the sale of shares and debentures are generally taxable in India. Any gain realised on the sale of shares and debentures on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the securities transaction tax, or STT, has been paid on the transaction. The STT will be levied on and collected by an Indian stock exchange on which shares or debentures are sold. Any gain realised on the sale of shares and/or held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of shares and/or debentures held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of shares and/or debentures will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of the shares and/or debentures, as the case may be. However, capital gains on the sale of the Equity Shares purchased in the Issue by residents of certain countries will not be taxable in India by virtue of the provisions contained in the taxation treaties between India and such countries.

Prominent Notes:

- The investors may contact the BRLM for any complaint pertaining to the Issue.
- Public Issue of [●] Equity Shares of ₹ 10 each for cash at a price of ₹ [●] per Equity Share (including a share premium of ₹ [●] per Equity Share) aggregating upto ₹ 3690.02
- Our Company's net worth on a standalone basis as at December 31, 2010 was ₹ 1736.03 Lacs and our Company's net worth on a consolidated basis as at December 31, 2010 was ₹ 1708.80 Lacs.
- Based on our restated consolidated financial statements, the net asset value per equity share having a face value of ₹ 10/- each was ₹ 22.32 as of December 31, 2010.
- The average cost of acquisition per Equity Share by our Promoters is as follows:

Sr No.	Name of Promoter	Cost of Acquisition (in ₹)
1.	Babulal Sanghvi	1.87
2.	Jayanti Sanghvi	2.26
3.	Vikram Sanghvi	2.75
4.	Naresh Sanghvi	2.31

For details of the transactions between our Company and our Group Companies or Subsidiary, please see the section titled "Auditor's Report and Financial Information of Our Company" appearing on page no.149.

- Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to the investors at large and no selective or additional information would be

available for a section of investors in any manner whatsoever. For any clarification or information relating to the Issue, investors may contact the BRLMs, who will be obliged to provide such clarification or information to the investors.

- Our Company was originally incorporated in the State of Gujarat as Sanghvi Forging and Engineering Private Limited March 16, 1989 under the provisions of the Companies Act, 1956. Our Company was converted into a public limited company and consequently, the name of our Company was changed to Sanghvi Forging and Engineering Limited and a fresh certificate of incorporation reflecting the new name was issued by the Registrar of Companies, Gujarat on July 29, 1992. For details please refer to the chapter titled “History and Certain Corporate Matters” on page no. 99 of the Red Herring Prospectus
- During the period of six months immediately preceding the date of filing of this Red Herring Prospectus with SEBI, no financing arrangements existed whereby the Promoter Group, our Promoters, our Directors and their relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity. For the details of transactions with the Group Companies and other related party transaction, please see the section titled "Auditor's Report and Financial Information of Our Company" appearing on page no.149.

SECTION IV – INTRODUCTION

SUMMARY

INDUSTRY

The information contained in this section is excerpted from the Section titled “Industry Overview” on page no. 62 of this RHP.

Global Economy

The multi-speed recovery in the global economy that was observed in the first half of 2010 became more entrenched in the second half, as the advanced economies faced greater uncertainty while the emerging market economies (EMEs) experienced consolidation of growth around trend. The advanced economies which faced the prospect of double dip recession have in fact outperformed GDP growth forecasts made a year ago.

Growth in world industrial production exhibited signs of deceleration after attaining a peak in May 2010, partly reflecting the base effect (Figure 1). Trade activities, however, have sustained the momentum of a strong recovery, prompting the WTO in December 2010 to retain its September 2010 estimates for growth in merchandise trade volume at 13.5 per cent for 2010 (Figure 2). This high growth, however, needs to be seen against the low base that resulted from the sharp 12.2 per cent contraction experienced in 2009. In value terms, even after expanding by 23 per cent during the first three quarters of 2010, world merchandise trade remained below the peak level attained before the financial crisis. At 30 per cent, Asian exports increased at a significantly faster rate during the third quarter of 2010 on a year-on-year basis than the 18 per cent growth for world merchandise trade. With deficient domestic demand and high unemployment rate in advanced economies, protectionism remains a possible response, which could hinder overall global recovery. *(Source: RBI publication on External Economy dated January 24, 2011 from a RBI website publication from www.rbi.gov.in extracted as on April 13, 2011)*

Indian Economy

India is the world’s largest democracy by the population size, and one of the fastest growing economies in the world.

For the fiscal 2009-10 India's economy grew by 7.4 percent which is an upward revision from earlier estimates of 7.2 percent due to higher-than-anticipated growth in agriculture, mining and manufacturing sectors. Despite global downturn, it has grown at an average rate of 7.10% per annum during the last three years. According to CIA World Factbook, India’s estimated population was 1.16 billion people in July 2009. India had an estimated GDP of approximately US\$ 3,548.0 billion in 2009, which makes it the fourth largest economy in the world after the United States of America, China and Japan, in purchasing power parity terms.

Real GDP in India increased by 8.9 per cent during the first half of 2010-11, reflecting strong domestic demand, especially private consumption and investment, and improving external demand. Although on a cumulative basis, the IIP grew by 9.5 per cent during April-November 2010, it has been volatile in the current financial year with growth rates ranging between 2.7 per cent and 16.6 per cent. Overall, robust corporate sales, large indirect tax collections, advance tax payments and leading indicators of service sector activity suggest persistence of the growth momentum

On the other hand, the latest quarterly Industrial Outlook Survey conducted by the Reserve Bank during October-December 2010 indicates a marginal moderation in overall business expectations during January-March 2011 from their high level in the previous quarter. The Reserve Bank’s order book, inventories and capacity utilisation survey for July-September 2010 showed a marginal improvement in capacity utilisation in Q2 of 2010-11, while the HSBC Purchasing Managers’ Index (PMI) showed some moderation in the pace of manufacturing sector expansion in December 2010. *(Source: Third Quarter Review of Monetary Policy 2010-11: Reserve Bank of India from www.rbi.org.in extracted as on April 08, 2011)*

Indian Forging Industry

The Indian Forging industry has now emerged as a major contributor to the manufacturing sector of the Indian economy. Forging industry is a basic industry and such industries tend to grow in a country in relation to the rate of growth of its GDP. As far as India is concerned, we expect our GDP to continue to grow at a higher pace and therefore, the basic industries will grow and so will the forging industry. Along with automotive sector, non-automotive sectors also have shown positive growth rate during past 2 years. Opportunities for exports are huge in forging industry. An increasing number of companies from all over the world are coming to India to procure components and products. Hence the optimism that the forging industry will continue to grow and do well in the immediate future. *(Sources: The Indian Forging Industry—A Profile, AIFI, website www.indianforging.com extracted as on September 29, 2010)*

Forging Industry for Non-Automotive Sectors

Our company has made a conscious decision to focus on non-automotive sector as our major business strategy. We are manufacturing products for non-automotive sectors and we believe that, positive outlook of different user sectors, will drive the growth of forging industry for non-automotive sectors and also the growth of our company. Our new project will have the capacity to manufacture products for various sectors which includes, Oil & Gas, Power sector – thermal, hydro and nuclear power, wind power, chemical & petro-chemical, heavy fabrication (OEMs), ship building, defence, general engineering and aerospace.

The major opportunities for non-automotive forgings are in the following Industries

- ❖ Oil and Gas
- ❖ Power – Thermal, Hydro and Nuclear
- ❖ Ship Building
- ❖ Aerospace & Defence

Oil and Gas

Efficient, reliable and competitively priced energy supplies are prerequisites for accelerating economic growth. For any developing country, the strategy for energy development is an integral part of the overall economic strategy. Realisation of high economic growth aspirations by the country in the coming decades, calls for rapid development of the energy market.

Natural gas, accounting for 24 percent of the total global primary energy supply, is the third largest contributor to the global energy basket. Natural gas consumption is expected to increase at an average of 2.4 percent per year from 2003 to 2030 as per EIA, IEO 2006.

Major Thrust Areas for the Petroleum and Natural Gas Sector

Exploration & Production

Refining

Pipelines

(Source: Report of GoI's Working Group on Petroleum & Natural Gas Sector for the XI Plan-2007-2012 extracted as on September 29, 2010)

The global scenario and planned and proposed actions of Government is expected to attract large scale investment in exploration, refining and distribution of Oil and Gas (through pipe lines). This would lead to increase in demand for various engineering and capital goods requirements for setting up the necessary infrastructure. The demand capital goods production will entail demand for its components including various forging products.

Power

The working group of planning commission for Power sector has recommended generation planning based on growth of energy generation requirement of 9.5%.

Based on the preparedness of the projects, it was envisaged that a capacity of about 68,869 MW is feasible for addition during 11th plan period.

Out of feasible capacity addition of 68,869 MW, projects totaling to 31,345 MW are already under construction and the balance projects totaling to 37,524 MW have been committed for implementation by the concerned generating companies during the 11th Plan.

It is expected that the market for components involving a long manufacturing cycle, such as heavy forgings and those using special raw materials, is likely to open up first, followed by that for construction and engineering services, and lastly by that for turbine plant equipment, electrical plant, and other balance of plant equipment. *(Source: Report of GoI's Working Group on Power Sector for the XI Plan-2007-2012 and <http://www.npcil.nic.in> extracted as on September 29, 2010)*

Ship building

Shipping plays an important role in the transport sector of India's economy. Approximately, 95% of the country's Exim merchandise trade by volume (70% in terms of value) is moved by sea. India has one of the largest merchant shipping fleet among the developing countries and is ranked 20th in the world. Indian maritime sector facilitates not only transportation of national and international cargoes but also provides a variety of other services such as cargo handling services, shipbuilding and ship repairing, freight forwarding, light house facilities, training of marine personnel, etc

The Shipping Corporation of India Ltd. has proposed to acquire 62 vessels of various categories during 11th Plan period. The SCI has proposed an outlay of ₹13,135 crores (₹3705 from IR and ₹9430 crore from EBR/ECB) for the ongoing and new schemes including the requirement for joint ventures. *(Source: Report of working group for shipbuilding and ship-repair industry for eleventh year plan 2007-2012 published by GoI, Ministry of shipping, Road Transport & Highways date March 2007)*

With the thrust of the government for increasing the indigenous tonnage capacity we believe that the market size of the forging components required in this sector will grow which will be beneficial for the non-automotive forging manufacturers.

Aerospace and Defence

India is poised to become a large commercial and defence aircraft market. With rising passenger traffic and increasing military and defence expenditures, the demand for aircrafts is expected to increase. Boeing expects a demand of between 900 to 1,000 commercial aircraft worth USD100 billion approximately in the next 20 years. This also suggests that a significant portion of business opportunity could accrue to India, due to the associated offsets. The defence offset policy has been under implementation and a formal civil offset policy is also expected to follow shortly. The total spending in the next 5 years is expected to be between USD25 billion (assuming uniform demand) for commercial aircrafts and USD100 billion as defence expenditure. Out of the defence expenditure, approximately 15-20 percent (USD15-20 billion) is expected to be spent on military aircrafts. Assuming an offset of 30 percent for the civil sector too, the total offset opportunity for the aerospace sector is valued to be at least USD10-15 billion. *(Source: website of Confederation of Indian Industries website- <http://www.cii.in> extracted as on September 29, 2010)*

It is expected that with growing GDP the aerospace and defence sector will provide huge investment opportunities over coming years which include fleet augmentation, replacement in aerospace sector and promoting indigenous procurement in defense supplies and befits due to defense offset clause.

BUSINESS

We are manufacturer and exporter of forging products for the non-automotive sector. We have an installed capacity of 3600 MTPA for manufacturing of forged flanges and precision machined components (with single piece forging up to 4 MT) in the area of open and closed die forgings. We manufacture these products from carbon steel, alloy steel and stainless steel conforming to international standards. We operate from our existing plant based in Vadodara, Gujarat. Our registered office is located at Plot No. 244 /6-7 GIDC Industrial Estate, Waghodia-391760, District Vadodara which also houses our existing manufacturing unit. We also have an office located at A-8, Parvati Chamber, opposite Apsara Cinema, Pratapnagar Road., Vadodara – 390 004. We have been in this present business of manufacturing of forgings and machined components.

Mr. Babulal Sanghvi, our founder promoter alongwith his three sons, Mr. Jayanti B. Sanghvi, Mr. Naresh B. Sanghvi and Mr. Vikram B. Sanghvi are our present Promoters. They have between themselves, in-depth knowledge and good experience in the forging industry. Our Promoters share various functional responsibilities amongst themselves for effective management and are well supported by qualified and experienced professionals at different levels with appropriate functional responsibilities. Our current overall staff strength is 103

We manufacture forged flanges, forgings and machined components for various industries like oil & gas, fertilizers, power, desalination & water treatment, ship building, defence, fabrication of process equipments, instrumentation etc. We are capable of manufacturing both standardized as well as customized products. We have also established market for our products overseas. We regularly export various countries mainly to Europe, Middle East and Canada.

Our existing manufacturing plant consists of forging shop, die shop, heat treatment shop, conventional and CNC machining shop backed by related quality assurance equipments. Presently, we are using steam hammer technology for the open die forging and can produce single forged piece upto 4 MT.

The key factor in our forging business is the vendor/consultant approval, given the critical end use of the product. We have, in the last few years, been successful in obtaining various such approvals in both the domestic and international markets. We share a good client relationship worldwide where we receive majority of our business from repeat clients.

Our product profile includes forged flanges, closed die forgings, open die forgings and machined components.

Sr. No.	Product Category	End-Use Industries
1.	Forged Flanges	Oil and gas, petrochemicals, fertilizers and process plants
2.	Closed Die Forgings	Valve manufacturers and OEMs
3.	Open Die Forgings	OEM fabricators and power sector
4.	Machined Components	OEMs for instrumentation and valves

Competitive Strengths

- Diverse product portfolio catering to various industries
- Approvals from clients / other industry bodies
- In-depth understanding of the client requirements
- We have a strong track record which will help us achieve success in the New Project

Competitors

Some of our competitors are as follows:

- (a) Ramkrishna Forging Limited;
- (b) Pradeep Metals Limited;
- (c) Hilton Metal Forgings Limited;
- (d) Rajkumar Forge Limited;
- (e) Shri Ganesh Forging Limited;
- (f) Aditya Forge Limited;
- (g) Techno forge Limited ; and

(h) Bharat Forge Limited

Our New Project:

We now propose to set up a 15,000 MTPA open die forging unit (with single piece forging up to 40 MT) to manufacture products open die forging products like stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, shells, disks etc which are generally imported. We will primarily cater to the wind energy, oil & gas, Steel, Power, Pressure Vessel, Petrochemical & Sugar Industry, Nuclear Plant etc. The New Project has been appraised and part-financed by State Bank of India, Industrial Finance Branch, Vadodara and is estimated to cost ₹ 12039 Lacs.

Rationale for the New Project:

We have been in the business of manufacturing of forged products for application in various industrial sectors since over 15 years. We have successfully obtained patronage of some of the top industrial companies both in India and abroad for their critical forging requirements. We have obtained certification / approval from a number of international agencies, domestic and international customers, engineering and project consultants etc. We have consistently exhibited our ability to meet quality requirements of our clients for whom these forging products find end-usage in critical components. These achievements in the last many years have now encouraged us to take a big step forward by putting up an expansion project in the same line of business, but catering to more sophisticated and larger segment of industry - in terms of size of single-piece forging, in terms of range and volume of products and in terms of criticality of end-use of the product. This segment is presently met to limited extent by local supplies from large forging manufacturers but largely by imports. By setting up this project, we believe we can partake of a reasonable share of this market and thereby our future growth will be derived from the growth in our user industries which are witnessing huge capital expenditure and expansion programmes.

State Bank of India in its appraisal note has pointed out its perceived risks and classified the corresponding risk as under:

Management Risk	
Experience & Capability	Risk Level: Low
Pre-completion Risk	
Cost Overrun	Risk Level: Medium
Time overrun	Risk Level: Medium
Delay in IPO	Risk Level: Medium
Post-completion Risk	
Plant Operating Risk	Risk Level: Low
Environmental/ Safety risk	Risk Level: Low
Raw material availability	Risk Level: Low
Market Risk	
Off take risk (for proposed product)	Risk: Medium
Technology Risk	
Plant Performance	Risk: Medium
Financial Risk	
Foreign Exchange Fluctuations	Risk: Low

SUMMARY FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(₹ in Lakhs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A.	Fixed Assets						
	Gross Block	364.17	702.68	1,068.02	1,241.43	1,322.32	1,374.12
	Less : Depreciation	77.08	96.03	126.45	181.69	225.15	273.31
	Net Block	287.10	606.65	941.57	1,059.74	1,097.17	1,100.81
	Capital Work In Progress	0.98	0.98	0.98	0.98	3.69	1,124.71
	Total	288.08	607.63	942.55	1,060.72	1,100.86	2,225.52
B.	Investments	-	-	-	-	-	-
C.	Current Assets, Loans & Advances						
	Inventories	246.90	335.24	493.92	472.97	550.10	912.47
	Sundry Debtors	262.04	456.17	430.79	689.99	1,020.56	867.85
	Cash and Bank Balance	18.27	17.96	23.83	34.01	33.41	60.50
	Loans & Advances	101.31	145.22	72.28	145.58	68.46	111.89
	Total	628.52	954.59	1,020.82	1,342.55	1,672.53	1,952.71
D.	Liabilities & Provisions						
	Secured Loans	330.32	582.44	853.68	987.05	965.85	1,187.02
	Unsecured Loans	104.46	130.06	148.89	146.63	80.13	348.80
	Deferred tax liability	34.97	59.86	114.50	154.22	164.54	176.09
	Current Liabilities & Provisions	236.82	386.54	197.04	239.45	379.55	757.51
	Total	706.57	1,158.89	1,314.10	1,527.35	1,590.07	2,469.43
E.	Net Worth (A+B+C-D)	210.03	403.34	649.27	875.92	1,183.32	1,708.80
F.	Represented by						
	Share Capital	80.30	98.30	393.19	393.19	478.19	799.20
	Reserves & Surplus	129.73	305.04	256.08	482.73	705.12	959.43
	Less: Miscellaneous Expenditure (To the extent not written off)	-	-	-	-	-	49.83
	Net Worth	210.03	403.34	649.27	875.92	1,183.32	1,708.80

Note: Sanghvi Middle East (FZE) became a subsidiary of the Company from the year ended 31st March 2009. Hence for the year ended 31st March 2006, 31st March, 2007 and 31st March, 2008 there was no requirement of consolidation.

CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT(AS RESTATED)

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31,					Period ended December 31, 2010
		2006	2007	2008	2009	2010	
A.	Income						
I	Sales :						
	a. Of products manufactured by the Company	1,087.81	1,669.08	1,952.41	2,583.30	2,529.22	2,257.09
	b. Scrap Sale Income	197.14	187.50	266.13	239.81	242.10	300.94
	c. Sale of Power Generation	-	-	2.19	17.19	26.97	17.25
II	Other Income	48.49	49.00	79.36	96.88	103.12	94.74
	Increase/(Decrease) in Stock						
III		65.37	60.36	87.09	15.65	(11.57)	262.69
	Total Income (I+II+III)	1,398.81	1,965.93	2,387.18	2,952.83	2,889.83	2,932.71
B.	Expenditure						
I	Raw Material Consumption	929.36	1,275.43	1,465.68	1,786.07	1,571.74	1,680.28
II	Manufacturing Expenses	132.34	148.43	170.34	365.04	359.41	308.69
III	Personal Expenses	30.17	36.54	53.26	70.25	113.54	121.04
	Administration and Other Expenses	92.39	127.03	163.55	191.67	262.33	210.95
IV	Total Expenditure (I+II+III+IV)	1,184.26	1,587.42	1,852.83	2,413.03	2,307.02	2,320.95
	Net Profit before Interest , Depreciation, Tax and Extraordinary Items (EBITDA)						
C.		214.55	378.51	534.34	539.80	582.81	611.76
	Financial Expenses	37.82	67.80	98.48	134.49	124.01	114.30
	Depreciation	14.93	18.95	39.00	55.24	65.01	48.35
	Profit Before Tax	161.80	291.76	396.87	350.07	393.79	449.11
	Provision for Taxation						
	- Current Tax	43.02	80.58	88.46	77.18	131.65	142.17
	- Deferred Tax	10.82	24.88	54.64	39.72	10.32	11.55
	- Fringe Benefit Tax	0.97	1.28	1.43	1.47	-	-
	Net Profit after Tax but before Extra Ordinary Items	107.00	185.01	252.35	231.70	251.82	295.39
D.	Items						
	Add/(Less) : Excess Income Tax						
	Provision Made in Previous Periods	-	(0.40)	(6.41)	(5.07)	(3.96)	0.22
	Profit as per Restated Statement of Profit and Loss Account	107.00	184.61	245.93	226.63	247.86	295.61

Note: Sanghvi Middle East (FZE) became a subsidiary of the Company from the year ended 31st March 2009. Hence for the year ended 31st March 2006, 31st March, 2007 and 31st March, 2008 there was no requirement of consolidation.

STANDALONE STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(₹ in Lakhs)

	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A.	Fixed Assets						
	Gross Block	364.17	702.68	1,068.02	1,241.43	1,322.32	1,374.12
	Less : Depreciation	77.08	96.03	126.45	181.69	225.15	273.31
	Net Block	287.10	606.65	941.57	1,059.74	1,097.17	1,100.81
	Capital Work In Progress	0.98	0.98	0.98	0.98	3.69	1,124.71
	Total	288.08	607.63	942.55	1,060.72	1,100.86	2,225.52
B.	Investments	-	-	-	0.66	7.65	7.65
C.	Current Assets, Loans & Advances						
	Inventories	246.90	335.24	493.92	472.97	527.45	875.32
	Sundry Debtors	262.04	456.17	430.79	689.99	1,053.48	918.02
	Cash and Bank Balance	18.27	17.96	23.83	34.01	25.11	56.03
	Loans & Advances	101.31	145.22	72.28	145.58	68.03	111.46
	Total	628.52	954.59	1,020.82	1,342.55	1,674.07	1,960.83
D.	Liabilities & Provisions						
	Secured Loans	330.32	582.44	853.68	987.05	965.85	1,187.02
	Unsecured Loans	104.46	130.06	148.89	146.63	71.27	339.99
	Deferred tax liability	34.97	59.86	114.50	154.22	164.54	176.09
	Current Liabilities & Provisions	236.82	386.54	197.04	239.45	377.08	754.86
	Total	706.57	1,158.89	1,314.10	1,527.35	1,578.74	2,457.97
	Net Worth (A+B+C-D)	210.03	403.34	649.27	876.58	1,203.83	1,736.03
F.	Represented by						
	Share Capital	80.30	98.30	393.19	393.19	478.19	799.20
	Reserves & Surplus	129.73	305.04	256.08	483.39	725.64	986.66
	Less : Miscellaneous Expenditure (To the extent not written off)	-	-	-	-	-	49.83
	Net Worth	210.03	403.34	649.27	876.58	1,203.83	1,736.03

STANDALONE STATEMENT OF PROFIT & LOSS ACCOUNT (AS RESTATED)

(₹ in Lakhs)

Particulars		For the Year Ended March 31,					Period ended
		2006	2007	2008	2009	2010	December 31,2010
A.	Income						
	s :						
	a. Of products manufactured by the Company	1,087.81	1,669.08	1,952.41	2,583.30	2,549.93	2,275.84
	b. Scrap Sale Income	197.14	187.50	266.13	239.81	242.10	300.94
	c. Sale of Power Generation	-	-	2.19	17.19	26.97	17.25
II	Other Income	48.49	49.00	79.36	96.88	103.12	94.74
	Increase/(Decrease) in						
III	Stock	65.37	60.36	87.09	15.65	(11.57)	262.69
	Total Income (I + II + III)	1,398.81	1,965.93	2,387.18	2,952.83	2,910.55	2,951.46
B	Expenditure						
I	Raw Material Consumption	929.36	1,275.43	1,465.68	1,786.07	1,586.00	1,688.49
II	Manufacturing Expenses	132.34	148.43	170.34	365.04	359.42	308.69
III	Personal Expenses	30.17	36.54	53.26	70.25	113.54	121.04
IV	Administration and Other Expenses	92.39	127.03	163.55	190.99	246.51	207.82
	Total Expenditure (I + II + III + IV)	1,184.26	1,587.42	1,852.83	2,412.35	2,305.47	2,326.04
	Net Profit before Interest ,Depreciation, Tax and Extraordinary Items (EBITDA)	214.55	378.51	534.34	540.48	605.08	625.42
	Financial Expenses	37.82	67.80	98.48	134.49	124.01	114.30
	Depreciation	14.93	18.95	39.00	55.24	65.01	48.35
	Profit Before Tax	161.80	291.76	396.87	350.75	416.06	462.77
	Provision for Taxation						
	- Current Tax	43.02	80.58	88.46	77.18	131.65	142.17
	- Deferred Tax	10.82	24.88	54.64	39.72	10.32	11.55
	- Fringe Benefit Tax	0.97	1.28	1.43	1.47	-	-
D	Net Profit after Tax but before Extra Ordinary Items	107.00	185.01	252.35	232.38	274.09	309.05
	Add/(Less) : Excess Income Tax						
	Provision Made in Previous Periods	-	(0.40)	(6.41)	(5.07)	(3.96)	0.22
	Profit as per Restated Statement of Profit and Loss Account	107.00	184.61	245.93	227.31	270.13	309.27

THE ISSUE

Issue by our Company	[●] Equity shares of Face Value of ₹10 each aggregating upto ₹ 3690.02 Lacs
Of which	
A) QIB Portion	Not more than [●] Equity Shares shall be available for allocation (being not more than 50% of the Issue)
Of which	
Available for allocation to Mutual funds only (5% of the QIB Portion)	Upto [●] Equity Shares
Balance of all QIBs including Mutual Funds	[●] Equity Shares
B) Non-institutional Portion	Not less than [●] Equity Shares shall be available for allocation (being not less than 15% of the Issue)
C) Retail Portion	Not less than [●] Equity Shares shall be available for allocation (being not less than 35% of the Issue)
Equity Shares outstanding prior to the Issue	83,51,072 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Use of Net Proceeds	See “Objects of the Issue” on page no.36

Note:

In the event of over-subscription, allocation shall be made on a proportionate basis, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any of the categories would be allowed to be met with spill over from the other categories, at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange.

Our Company has allotted 6,99,981 Equity Shares to Dango & Dienenthal Maschinenbau GMBH KG, Germany pursuant to a Pre-IPO Placement through resolutions of the Board dated December 29, 2010 and April 13, 2011.

GENERAL INFORMATION

Our Company was incorporated on March 16, 1989 under the provisions of the Companies Act, 1956 as private limited Company with its registered office at 102 Steel Chambers, Lakkadpitha, Vadodara. On July 29, 1992 our Company became a public limited company. The registered office of our Company was shifted to 244/6-7, GIDC Industrial Estate, Waghodia – 391 760, Vadodara, Gujarat with effect from January 19, 1995.

Registered Office:

Sanghvi Forging & Engineering Limited

244/6-7, GIDC Industrial Estate,

Waghodia – 391 760,

Vadodara.

Tel No: + 91 2668 263020/262201

Fax No: + 91 2668 263411

Contact Person & Compliance Officer: Mr. Kiran Mohanty

Email: cs@sanghiviforge.com

Website: www.sanghiviforge.com

Corporate Identification Number: U28910GJ1989PLC012015

Company Registration Number: 012015

Address of Registrar of Companies:

Office of Registrar of Companies,

Gujarat, Dadra And Nagar Haveli,

RoC Bhavan,

Opposite: Rupal Park Society,

Naranpura,

Ahmedabad-380 013

Our Board of Directors

Name, Designation and Occupation	Age	DIN	Category
Mr. Babulal Sanghvi Chairman and Whole time Director	59 years	00291745	Executive & Non Independent
Mr. Jayanti Sanghvi Managing Director	34 years	00291657	Executive & Non Independent
Mr. Naresh Sanghvi Director	32 years	00291869	Executive & Non Independent
Mr. Vikram Sanghvi Director	28 years	00291940	Executive & Non Independent
Mr. Shantaram Yarlagadda Director	70 years	03050982	Non-Executive & Independent
Mr. Ram Chandra Prasad Director	61 years	03144923	Non-Executive & Independent
Mr. Baba Pai Director	56 years	03160657	Non-Executive & Independent
Mr. Ram Swaroop Kaushal Director	62 years	03182544	Non-Executive & Independent

For detailed profile of our Directors, please refer to the Chapter titled “Our Management” and “Our Promoters, Promoter Group and Group Companies” on pages no.101 & 115 respectively of the Red Herring Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Kiran Mohanty
Sanghvi Forging & Engineering Limited
244/6-7, GIDC Industrial Estate,
Waghodia – 391 760,
Vadodara.
Tel No: + 91 2668-263020
Fax No: + 91 2668-263411
Email: cs@sanghviviforge.com
Website: www.sanghviviforge.com

Investors are advised to contact the Compliance Officer and / or the Registrar to the Issue 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, non-receipt of refund orders, non receipt of funds by electronic mode etc.

BANKERS TO OUR COMPANY

State Bank of India,
Mid-Corporate Group Industrial Finance Branch,
Marble Arch,
Race Course Circle,
Baroda – 390 007,
Gujarat
Tel. No.: +91 2668- 2312093/2313005
Fax No.: +91 2668- 2313210
E-mail: cmcr01946@sbi.co.in
Website: www.statebankofindia.com
Contact Person: Mr. C. K. Suresh

STATUTORY AUDITORS TO OUR COMPANY

M/s Shah & Bhandari, Chartered Accountants
38/101 Gautam Nagar,
Race Course, Vadodara-390007
Tel No: +91265 2359398/2339727
Fax: +91265 2359398/2339727
Email: shahbhandari@gmail.com

ISSUE MANAGEMENT TEAM

BOOK RUNNING LEAD MANAGER

Arihant Capital Markets Limited
67, Nehru Road,
3rd Floor, Krishna Bhavan,
Vile Parle (E),
Mumbai- 400 057.
Tel.: +91- 22- 4225 4800/847;
Fax. : +91- 22- 4225 4880
SEBI Registration No: INM000011070
Email: amol.kshirsagar@arihantcapital.com
Investor Grievance Email: mbd@arihantcapital.com
Website: www.arihantcapital.com
Contact Person: Mr. Amol Kshirsagar

REGISTRARS TO THE ISSUE**Bigshare Service Private Limited**

E/2, Ansa Industrial Estate,

Saki Vihar Road,

Andheri (E), Mumbai-400072

SEBI Registration No: INR000001383

Tel No: + 91 22 28470652/40430200

Fax No: ++91 22 28475207

Email: info@bigshareonline.com

Investor Grievance Email: sanghvi@bigshareonline.com

Website: www.bigshareonline.com

Contact Person: Mr. Ashok Shetty

LEGAL ADVISORS TO THE ISSUE**M/s. Kanga and Company**

Advocates & Solicitors

Readymoney Mansion

43, Veer Nariman Road

Mumbai – 400 001.

Tel No: +91 22 6633 0000 **Fax No:** +91 22 6633 9656/6633 9657

Email: dhaval.vussonji@kangacompany.com

Contact person: Mr. Dhaval Vussonji

LEGAL ADVISORS TO THE COMPANY**M/s P. H. Bathiya & Associates**

2, Tardeo AC Market,

4th Floor, Tardeo Road,

Mumbai – 400 034

Tel No: +91 22 4355 8000

Fax No: +91 22 4355 8080

Email: info@phbathiya.com

Contact person: Mr. Pankaj Bathiya

SYNDICATE MEMBERS**1. Arihant Capital Markets Limited**

67, Nehru Road,

3rd Floor, Krishna Bhavan,

Vile Parle (E),

Mumbai- 400 057

Tel.: +91- 22- 4225 4800/847;

Fax. : +91- 22- 4225 4880

SEBI Registration No: INB010705532 (BSE); INB230783938 (NSE)

Email: amol.kshirsagar@arihantcapital.com

Investor Grievance Email: mbd@arihantcapital.com

Website: www.arihantcapital.com

Contact Person: Mr. Amol Kshirsagar

2. Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House,

570, P.B Marg, Worli,

Mumbai – 400 018

Tel : +91 22 6632 2222

Fax: +91 22 6632 2229

Email: nileshshinde@plindia.com

Website: www.plindia.com

SEBI Registration No: NSE- INB230597738

SEBI Registration No: BSE- INB010502855

Contact Person: Mr. Nilesh Shinde

3. Khandwala Securities Limited

Ground Floor, White House Annexe,
White House,
91, Walkeshwar Road,
Walkeshwar,
Mumbai – 400 006
Tel : +91 22 4200 7366
Fax: +91 22 4200 7399
Email: ankit.kothari@kslindia.com
Website: www.kslindia.com
SEBI Registration No: NSE- INB230600030
SEBI Registration No: BSE- INB010600030
Contact Person: Mr. Ankit Kothari

BANKERS TO THE ISSUE & ESCROW COLLECTION BANK

HDFC BANK LIMITED,

FIG OPS Department,
Lodha, I Think Techno Campus,
O-3 Level, Next to Kanjurmarg Railway Station,
Kanjurmarg East,
Mumbai – 400 042
Phone : 022-30752928
Fax : 022-25799801
Email : chintan.mistry@hdfcbank.com, siddharth.jadhav@hdfcbank.com
Contact Person: Mr. Chintan Mistry
SEBI Regn. No. : INB100000063

AXIS BANK LIMITED

Vadoda Main Branch,
Vardhaman complex, Apposite GEB
Near Pizza hut, Race course Circle (north)
Vadodara- 390007
Tel: 91- 265 - 6690701
Fax: 91- 265- 2351185
Website: www.axisbank.com
Contact Person: Mr. Gitang Dave
Email : gitang.dave@axisbank.com
SEBI Regn. No. IBNI00000017

ICICI BANK LIMITED

Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
Tel: 91 - 22 – 66310325
Fax: 91- 22 - 66310350
Website: www.icicibank.com
Contact Person: Ms. Himabindu. K.
Email: kuchuri.himabindu@icicibank.com
SEBI Regn No. INBI00000004

REFUND BANKER TO THE ISSUE

[•]

The Refund Banker(s) shall be appointed prior to filing of the Prospectus with RoC.

SELF CERTIFIED SYNDICATE BANKS

The SCSBs are as per the updated list available on SEBI's website at www.sebi.gov.in/pmd/scsb.pdf. Investors are requested to refer the SEBI website for updated list of SCSBs and their designated branches.

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.

For all Issue related queries and for redressal of complaints, Bidders may also write to the Book Running Lead Manager. All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Manager, who will respond to the same.

STATEMENT OF RESPONSIBILITIES

Arihant Capital Markets Limited is the sole BRLM to the Issue and shall be responsible for the following activities:

Sr. No.	Activity
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments, etc.
2.	Conducting a Due diligence of our Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the SEBI (ICDR) Regulations, 2009 and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges (pre-issue), RoC and SEBI.
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.
4.	Appointment of the Registrar, Bankers to the issue and appointment of other intermediaries viz. printers and advertising agency
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.
7.	Retail & HNI segment Marketing, Which will cover inter alia: <ul style="list-style-type: none">➤ Preparation of road show presentation.➤ Finalising centres for holding Brokers' conference Finalising media, marketing and PR Strategy➤ Follow up on distribution of publicity and issue material including application form, brochure and deciding on quantum of issue material➤ Finalising collection centres as per schedule III of SEBI (ICDR) Regulations, 2009
8.	Institutional Marketing, which will cover inter alia: <ul style="list-style-type: none">➤ Finalisation of list of investors.➤ Finalisation of one to one meetings and allocation of institutions.➤ Finalisation of presentation material
9.	Managing Book & co-ordination with stock Exchanges for bidding terminals, mock trading etc
10.	Pricing and QIB allocation
11.	Follow – up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.
12.	The post-Issue activities for the Issue will involve essential follow up steps, which include

	finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates/demat credits or refunds and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue, Self Certified Syndicate Banks, the bank handling refund business. The Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.
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The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies etc. will be finalized by our Company in consultation with the BRLM.

Even if other intermediaries will handle any of these activities, the BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our Company.

CREDIT RATING

This being an issue of Equity Shares, there is no requirement of credit rating for the Issue.

IPO GRADING

The Issue has been graded by CARE, a SEBI registered credit rating agency, as CARE IPO Grade 3 indicating Average Fundamentals. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO grade 5/5 indicating strong fundamentals, and IPO Grade 1/5 indicating poor fundamentals. A copy of the press release provided by CARE, furnishing the rationale for its grading is attached as Annexure 1 to this Red Herring Prospectus and will be available for inspection at our Registered Office from 10.00 am to 2.00 p.m. on Business Days during the Bidding / Issue period.

IPO Grade Rationale

The grading draws strength from the experienced promoters and comfortable financial risk profile of SFEL marked by healthy (though fluctuating) profitability margin in the last three years, comfortable liquidity indicators and moderately levered capital structure. The grading also factors in SFEL's diversified revenue-mix and relatively stable outlook for the end-user industries.

The grading is constrained by its modest scale of operation, high working capital intensity and project risk marked by project size of almost six times of its networth as on December 31, 2010 and more than four times of its existing capacity. Exposure to raw material price fluctuation risk and foreign exchange fluctuation risk further constrain the grading.

TRUSTEES

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

APPRAISAL AGENCY

State Bank of India,
Mid-Corporate Group Industrial Finance Branch,
Marble Arch,
Race Course Circle,
Baroda – 390 007,
Gujarat
Tel. No.: +91 2668- 2312093/2313005
Fax No.: +91 2668- 2313210
E-mail: cmcr01946@sbi.co.in
Website: www.statebankofindia.com
Contact Person: Mr. C. K. Suresh

MONITORING AGENCY

As the net proceeds of the Issue will be less than ₹ 50,000 Lacs, under the SEBI (ICDR) Regulations, 2009 it is not required that a monitoring agency be appointed by our Company.

However, as per the Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges upon listing of the Equity Shares and in accordance with the Corporate Governance requirements, the Audit Committee of our Company would be monitoring the utilization of the Issue Proceeds.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

- The Company;
- BRLM;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLM;
- Registrar to the Issue; and
- Escrow Collection Banks; and
- SCSBs.

Regulation 43(2) of the SEBI (ICDR) Regulations, 2009 has permitted an issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Issue shall be available for allocation to QIBs on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Qualified Institutional Buyers' portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, not less than 15% of the Issue shall be available for allotment to Non Institutional Bidders and not less than 35% of the Issue shall be available for allotment to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price.

We will comply with the SEBI (ICDR) Regulations, 2009 for this Issue. In this regard, we have appointed Arihant Capital Markets Limited as the BRLM to manage the Issue and procure subscriptions to the Issue.

In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, please see the section titled “*Terms of the Issue*” on page 239 of this Red Herring Prospectus.

The process of Book Building under the SEBI Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid or application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

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

Bid Quantity	Bid Price (₹)	Cumulative Quantity	Subscription
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., ₹ 22 in the above example. The Issuer, in consultation with the BRLM, will finalise the issue price at or below such cut-off price, i.e., at or below ₹ 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.

Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (please see the section titled “Issue Procedure” on page no. 245 of this Red Herring Prospectus). Specific attention of ASBA Bidders is invited to the section titled “Issue Procedure”
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. Except for Bids on behalf of the Central or State Governments and the officials appointed by the courts, for all Bids, ensure that you have mentioned your PAN in your Bid cum Application Form or ASBA Form. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of the transaction (please see the section titled “*Issue Procedure*” on page no. 248 of this Red Herring Prospectus);
4. Ensure that the Bid cum Application Form or ASBA Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form or ASBA Bid cum Application Form;
5. Ensure the correctness of your Demographic Details (as defined in the section titled “Issue Procedure at page no. 256), given in the Bid cum Application Form or ASBA Form, with the details recorded with your Depository Participant;
6. 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 is not rejected; and
7. Bids by QIBs will only have to be submitted to BRLM and /or its affiliates or to the Syndicate Member(s) other than Bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs

WITHDRAWAL OF THE ISSUE

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the Issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges where the specified securities were proposed to be listed shall also be informed promptly.

If our Company withdraws the Issue after closure of bidding, we will be required to file a fresh draft offer document with the Securities and Exchange Board of India.

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the 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 withdrawal, then our Company, and every Director of our 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.

Bid/ Issue Programme

BID/ISSUE OPENS ON	MAY 4, 2011
BID/ISSUE CLOSES ON	FOR QIB BIDDERS - MAY 6, 2011
	FOR NON-QIB BIDDERS - MAY 9, 2011

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time—IST) during the Bid/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/ Issue Closing Date, the Bids (excluding the ASBA Bids) shall be accepted only between 10.00 p.m. and 3.00 p.m. (IST) and uploaded until (i) 4.00 p.m. (IST) in case of Bids by QIB Bidders and Non-Institutional Bidders, and (ii) until 5.00 p.m. (IST) or such extended time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the Bidders applying through ASBA process shall be uploaded by the SCSB in the electronic system to be provided by the Stock Exchanges. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per the physical Bid cum Application Form of the 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 Bidder applying through ASBA process, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holiday). On the Bid/ Issue Closing Date, extension of time will 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 time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure. Our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bid/ 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 Working Days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Bid/Issue Period will be extended for three additional Working Days after revision of Price Band subject to the Bid/ Issue Period not exceeding 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 Stock Exchanges, by issuing a press release and also by indicating the changes on the website of the BRLM and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of the Equity Shares, but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (₹ In Lacs)
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]

The above mentioned amount is indicative underwriting and this would be finalized after determination of the Issue Price and actual allocation.

The Board of Directors state that (based on the certificates given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI or registered as brokers with the Stock Exchanges.

The Board of Directors, 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 proportion to their underwriting commitments.

Notwithstanding the table above, the BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to the Equity Shares allocated to the investors procured by them. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment; and (ii) the final approval of the RoC after the Prospectus is filed with the RoC.

CAPITAL STRUCTURE

Our Equity Share capital, as at the date of filing of this Red Herring Prospectus with SEBI, immediately prior to and after the proposed Issue is set forth below:

(₹ in Lacs. except share data)

		Aggregate Value at Face value (₹ In Lacs)	Aggregate Value at Issue Price (₹ In Lacs)
A	AUTHORISED SHARE CAPITAL		
	2,00,00,000 Equity Shares of ₹ 10/- each	2000	
B	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE		
	83,51,072 Equity Shares of ₹ 10/- each	835.11	
C	PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS		
	[●] Equity Shares of ₹ 10/- each	[●]	3690.02
	Of which:		
	QIB portion of not more than [●] Equity Shares shall be available for allocation	[●]	[●]
	Non-Institutional portion of not less than [●] Equity Shares shall be available for allocation	[●]	[●]
	Retail portion of not less than [●] Equity Shares shall be available for allocation	[●]	[●]
D	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE		
	[●] Equity Shares of ₹ 10/- each	[●]	3690.02
E	SECURITIES PREMIUM ACCOUNT		
	Before the Issue		489.99
	After the Issue	[●]	

1. The Issue has been authorised by the Board at its meeting held on June 1, 2010 and by the shareholders of our Company at an AGM held on August 25, 2010.
2. The Company through the resolutions of its Board of Directors dated December 29, 2010 and April 13, 2011, has made Pre-IPO placement of 6,99,981 equity shares of ₹ 10/- each fully paid up at premium of ₹ 70/- aggregating to ₹ 559.98 lacs to Dango & Dienenthal Maschinenbau GMBH KG, Germany.

For further details, please refer to the section titled “Issue Procedure” on Page 244 of this Red Herring Prospectus.

Details of increase in Authorised Share Capital since incorporation

The Authorised Share Capital of the Company at the time of incorporation was ₹ 10,00,000 divided into 1,00,000 Equity Shares of ₹ 10 each. The following table gives the increase in the Authorised Capital post the Company Incorporation:

Sr. No.	Particulars of increase	Date of Shareholder's	AGM/ EGM
1.	Increase in authorised share capital from ₹ 10,00,000 divided into 1,00,000 Equity Shares of ₹ 10 each to ₹25,00,000/- divided into 2,50,000 equity shares of ₹10/- each.	February 7, 1992	EGM
2.	Increase in authorised share capital from ₹25,00,000/- divided in to 2,50,000 equity shares of ₹10/- each to ₹1,00,00,000/- divided in to 10,00,000 equity shares of ₹10/- each.	February 10, 2000	EGM
3.	Increase in authorised share capital from ₹1,00,00,000/- divided into 10,00,000 equity shares of ₹10/- each to ₹5,00,00,000/- divided into 50,00,000 equity shares of ₹10/- each.	December 12, 2007	EGM
4.	Increase in authorised share capital from ₹5,00,00,000/- divided in to 50,00,000 equity shares of ₹10/- each to ₹20,00,00,000/- divided in to 2,00,00,000 equity shares of ₹10/- each.	March 30, 2010	EGM

Notes to capital structure

1. Share capital history of our Company

A. The following is the history of the equity share capital of our Company:

Date of the allotment of Equity Shares	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Nature of consideration	Reasons for allotment	Cumulative no. of Equity Shares	Cumulative paid-up Equity Capital (₹)	Cumulative Securities Premium (₹)
March 16, 1989	15	10	10	Cash	Subscribers to the Memorandum of Association	15	150	Nil
July 9, 1989	12100	10	10	Cash	Further Allotment to Promoter/ Promoter Group	12115	12265	Nil
March 1, 1991	44400	10	10	Cash	Further Allotment to Promoter/ Promoter Group	56515	565150	Nil
June 27, 1991	36975	10	10	Cash	Further Allotment ^	93490	934900	Nil
March 27, 1992	49900	10	10	Cash	Further Allotment ^^	143390	1433900	Nil
March 31, 1999	74400	10	10	Cash	Further Allotment to Promoter/ Promoter Group	217790	2177900	Nil

February 24, 2000	145193	10	0	Bonus Issue*	Bonus Issue in the ratio 3:2	362983	3629830	Nil
March 15, 2000	190000	10	10	Cash	Further Allotment to Promoter/Promoter Group	552983	5529830	Nil
March 30, 2005	250000	10	10	Cash	Further Allotment ^^^	802983	8029830	Nil
March 5, 2007	180000	10	10	Cash	Further Allotment ^^^^	982983	9829830	Nil
December 27, 2007	2948949	10	0	Bonus Issue**	Bonus Issue in the ratio 1:3	3931932	39319320	Nil
September 20, 2009	850000	10	10	Cash	Further Allotment to Promoter/Promoter Group	4781932	47819320	Nil
June 23, 2010	2869159	10	0	Bonus Issue***	Bonus Issue in the ratio 3:5	7651091	76510910	Nil
December 29, 2010	340952	10	80	Cash	Further Allotment to Dango & Dinenthal Maschinenbau GMBH KG, Germany #	7992043	79920430	23866640
April 13, 2011	359029	10	80	Cash	Further Allotment to Dango & Dinenthal Maschinenbau GMBH KG, Germany #	8351072	83510720	52589015

*145193 bonus shares were issued to eligible shareholders in the ratio of 3:2 by way of capitalization of Profit & Loss A/c of ₹14,51,930 .

**2948949 bonus shares were issued to eligible shareholders in the ratio of 1:3 by way of capitalization of Profit & Loss A/c of ₹2,94,89,490.

***2869159 bonus shares were issued to eligible shareholders in the ratio of 3:5 by way of capitalization of Profit & Loss A/c of ₹2,86,91,590.

^1,000 Equity Shares were issued and allotted to Mrs. Pyariben M. Sanghvi (Public category) and 35,975 Equity Shares were issued and allotted to Promoter/Promoter Group entities at Rs. 10/- each

^^ 2,000 Equity Shares were issued and allotted to Mrs. Pyariben M. Sanghvi (Public category) and 47,900 Equity Shares were issued and allotted to Promoter/Promoter Group entities at Rs. 10/- each.

^^^40,000 Equity Shares were issued and allotted to Mrs. Pyariben M. Sanghvi (Public category) and 2,10,000 Equity Shares were issued and allotted to Promoter/Promoter Group entities at Rs. 10/- each

^^^^20,000 Equity Shares were issued and allotted to Mrs. Pyariben M. Sanghvi (Public category) and 1,60,000 Equity Shares were issued and allotted to Promoter/Promoter Group entities at Rs. 10/- each.

Allotment made by way of Pre-Ipo Placement of Equity Shares.

Equity Shares issued for consideration other than cash

Other than the issues made by us, details of which are set out in the table below, we have made no issues of shares for consideration other than cash:

Date of the allotment	No. of Equity Shares	Issue Price (₹)	Reasons for allotment	Benefits accruing to the Company	Persons to whom the allotment were made
February 24, 2000	145193	10	Bonus Issue of equity shares in the ratio 3:2 by way of capitalization of reserves and surplus profit & loss A/c of ₹ 14,51,930	Nil	Shareholders
December 27, 2007	2948949	10	Bonus Issue of equity shares in the ratio 1:3 by way of capitalization of Profit & Loss A/c of ₹ 2,94,89,490	Nil	Shareholders
June 23, 2010	2869159	10	Bonus Issue of equity shares in the ratio of 3:5 by way of capitalization of Profit & Loss A/c of ₹ 2,86,91,590	Nil	Shareholders

2. Till date no Equity Shares have been allotted pursuant to any scheme approved under section 391 - 394 of the Companies Act, 1956.

3. ***Build-up of Promoters' capital, Promoter's contribution and lock-in****

a) History of Equity Share capital held by the Promoters:

Date of Allotment/ Transfer	No. of Equity Shares Offered	Cumulative No. of Equity Shares	Face Value (₹)	Offer Acquisition Price (₹)	Consideration	Nature of Transaction
MR. BABULAL SANGHVI						
March 16, 1989	5	5	10	10	Cash	Subscriber to Memorandum of Association
July 9, 1989	2500	2505	10	10	Cash	Allotment
March 1, 1991	2500	5005	10	10	Cash	Allotment
June 27, 1991	4775	9780	10	10	Cash	Allotment
March 27, 1992	6000	15780	10	10	Cash	Allotment
March 31, 1999	24100	39880	10	10	Cash	Allotment
January 31, 2000	11,100	50980	10	10	Cash	Transfer
February 24, 2000	33986	84966	10	N/A	Other than Cash	Bonus Issue in the ratio 3:2
March 15, 2000	35000	119966	10	10	Cash	Allotment
March 30, 2005	30000	149966	10	10	Cash	Allotment
December 27, 2007	449898	599864	10	N/A	Other than Cash	Bonus Issue in the ratio 1:3
September 1, 2009	20000	619864	10	10	Cash	Transfer

September 20, 2009	70000	689864	10	10	Cash	Allotment
June 23, 2010	413919	1103783	10	N/A	Other than Cash	Bonus Issue in the ratio 3:5
MR. JAYANTI SANGHVI						
July 9, 1989	100	100	10	10	Cash	Allotment
March 1, 1991	1900		10	10	Cash	Allotment
June 27, 1991	500	2500	10	10	Cash	Allotment
March 27, 1992	3000	5500	10	10	Cash	Allotment
March 31, 1999	8600	14100	10	10	Cash	Allotment
February 24, 2000	9400	23500	10	N/A	Other than Cash	Bonus Issue in the ratio 3:2
March 15, 2000	30000	53500	10	10	Cash	Allotment
March 30, 2005	70000	123500	10	10	Cash	Allotment
March 31, 2006	10501	134001	10	10	Cash	Transfer
March 5, 2007	30000	164001	10	10	Cash	Allotment
December 27, 2007	492003	656004	10	N/A	Other than Cash	Bonus Issue in the ratio 1:3
September 20, 2009	130000	786004	10	10	Cash	Allotment
June 23, 2010	471602	1257606	10	N/A	Other than Cash	Bonus Issue in the ratio 3:5
MR.NARESH SANGHVI						
March 1, 1991	1500	1500	10	10	Cash	Allotment
March 27, 1992	7500	9000	10	10	Cash	Allotment
March 31, 1999	6900	15900	10	10	Cash	Allotment
February 24, 2000	10600	26500	10	N/A	Other than Cash	Bonus Issue in the ratio 3:2
March 15, 2000	30000	56500	10	10	Cash	Allotment
March 30, 2005	50000	106500	10	10	Cash	Allotment
March 31, 2006	13333	119833	10	10	Cash	Transfer
March 5, 2007	30000	149833	10	10	Cash	Allotment
December 27, 2007	449499	599332	10	N/A	Other than Cash	Bonus Issue in the ratio 1:3
September 20, 2009	130000	729332	10	10	Cash	Allotment
June 23, 2010	437599	1166931	10	N/A	Other than Cash	Bonus Issue in the ratio 3:5
MR. VIKRAM SANGHVI						
July 9, 1989	100	100	10	10	Cash	Allotment

March 1, 1991	1800	1900	10	10	Cash	Allotment
June 27, 1991	600	2500	10	10	Cash	Allotment
March 27, 1992	2500	5000	10	10	Cash	Allotment
March 31, 1999	5000	10000	10	10	Cash	Allotment
February 24, 2000	6667	16667	10	N/A	Other than Cash	Bonus Issue in the ratio 3:2
March 31, 2006	35002	51669	10	10	Cash	Transfer
March 5, 2007	50000	101669	10	10	Cash	Allotment
December 27, 2007	305007	406676	10	N/A	Other than Cash	Bonus Issue in the ratio 1:3
September 20, 2009	150000	556676	10	10	Cash	Allotment
June 23, 2010	334006	890682	10	N/A	Other than Cash	Bonus Issue in the ratio 3:5

*State Bank of India has vide its letter dated April 11, 2011, revoked the pledge on 1339140 Equity Shares created in their favour by the Promoters of the Company (“**the said Shares**”), on the condition that the said Shares would be re-pledged to them after listing of the Equity Shares of the Company on the Stock Exchanges but before the disbursement of the term loan as per the Sanction Letter dated September 20, 2010. Further, State Bank of India has given its no-objection to lock-in of the said Shares as per the requirement of the SEBI Regulations. Further, the release of pledge on the said Shares by the Bank is made for the purpose of facilitating the Company to comply with Regulation 36 of the SEBI Regulations. The details of the said Shares are as under:

Name of the Promoter	Total number of shares held	Percentage of pre-issue capital (%)	Total number of shares to be pledged	Percentage of Shares to be pledged of pre-issue of paid up capital (%)
Mr. Babulal Sanghvi	11,03,783	13.22	4,44,975	5.33
Mr. Jayanti Sanghvi	12,57,606	15.06	4,50,666	5.39
Mr. Naresh Sanghvi	11,66,931	13.97	4,43,499	5.32
Mr. Vikram Sanghvi	8,90,682	10.67	Nil	Nil
Total	44,19,002	52.92	13,39,140	16.04

b) Details of Promoters’ contribution locked in for three years:

Date of Allotment/ Transfer and date on which the Equity Shares made fully paid-up	No. of Equity Shares Offered	Face Value (₹)	Offer / Acquisition Price (₹)	Consideration/ Nature of Allotment	Nature of Transaction	% of Pre-Issue paid-up Share Capital	% of Post-Issue paid-up Share Capital ¹
MR. BABULAL SANGHVI							
March 16, 1989	5	10	10	Cash	Subscriber to Memorandum of Association	-	-
March 27, 1992	6000	10	10	Cash	Allotment	-	-
February 24, 2000	33986	10	N/A	Other than Cash	Bonus Issue	-	-
March 15, 2000	35000	10	10	Cash	Allotment	-	-
March 30, 2005	30000	10	10	Cash	Allotment	-	-
December 27, 2007	49898	10	NA	Other than Cash	Bonus Issue	-	-
September 1, 2009	20000	10	10	Cash	Transfer	-	-
September 20, 2009	70000	10	10	Cash	Allotment	-	-
June 23, 2010	413919	10	N/A	Other than Cash	Bonus Issue	-	-
Sub-Total (A)	658808	-	-	-		7.89	[•]
MR. JAYANTI SANGHVI							
July 9, 1989	1	10	10	Cash	Allotment	-	-
June 27, 1991	500	10	10	Cash	Allotment	-	-
March 27, 1992	3000	10	10	Cash	Allotment	-	-
March 30, 2005	70000	10	10	Cash	Allotment	-	-
March 31, 2006	9834	10	10	Cash	Transfer	-	-
March 5, 2007	30000	10	10	Cash	Allotment	-	-
December 27, 2007	92003	10	N/A	Other than Cash	Bonus Issue	-	-
September 20, 2009	130000	10	10	Cash	Allotment	-	-
June 23, 2010	471602	10	N/A	Other than Cash	Bonus Issue	-	-
Sub-Total (B)	806940		-	-	-	9.66	[•]
MR. NARESH SANGHVI							
March 1, 1991	1500	10	10	Cash	Allotment	-	-

March 31, 1999	6900	10	10	Cash	Allotment	-	-
February 24, 2000	10600	10	N/A	Other than Cash	Bonus Issue	-	-
March 30, 2005	50000	10	10	Cash	Allotment	-	-
March 31, 2006	7334	10	10	Cash	Transfer	-	-
March 5, 2007	30000	10	10	Cash	Allotment	-	-
December 27, 2007	49499	10	N/A	Other than cash	Bonus Issue	-	-
September 20, 2009	130000	10	10	Cash	Allotment	-	-
June 23, 2010	437599	10	N/A	Other than Cash	Bonus Issue	-	-
Sub-Total (C)	723432		-	-		8.66	[•]
MR. VIKRAM SANGHVI							
July 9, 1989	100	10	10	Cash	Allotment	-	-
March 1, 1991	1800	10	10	Cash	Allotment	-	-
June 27, 1991	600	10	10	Cash	Allotment	-	-
March 27, 1992	2500	10	10	Cash	Allotment	-	-
March 31, 1999	5000	10	10	Cash	Allotment	-	-
February 24, 2000	6667	10	N/A	Other than Cash	Bonus Issue	-	-
March 31, 2006	35002	10	10	Cash	Transfer	-	-
March 5, 2007	50000	10	10	Cash	Allotment	-	-
December 27, 2007	305007	10	N/A	Other than Cash	Bonus Issue	-	-
September 20, 2009	150000	10	10	Cash	Allotment	-	-
June 23, 2010	334006	10	N/A	Other than Cash	Bonus Issue	-	-
Sub-Total (D)	890682	-	-	-		10.67	[•]
Grand Total (A+B+C+D)	3079862	10	-	-	-	36.88	[•]

¹The same would be updated in the Prospectus to be filed with RoC upon determination of the Issue Price and the number of Equity Shares issued in the Issue, consequent to the Book Building Process.

(Note: The aggregate shareholding of the Promoters as specified in the table above are unencumbered and free from any pledge and the same are not proposed to be pledged to any bank or financial institution after listing of our Equity Shares. The aforesaid Equity Shares held by the Promoters are sufficient to meet the Promoters Contribution requirements in terms of Regulation 36(a) of the SEBI Regulations. Further, the exact details of the equity shares to be locked-in shall be updated in the Prospectus to be filed with RoC upon determination of the Issue Price and the number of Equity Shares to be issued in the Issue, consequent to the Book Building Process)

The Equity shares that are being locked-in are not ineligible for computation of Promoter's Contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, as per Regulation 33 of the SEBI ICDR Regulations, our Company confirms that the Equity Shares locked-in do not consist of:

- i. Equity Shares acquired during the preceding three years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluations reserves or unrealised profits or bonus shares which are otherwise ineligible for computation of Promoters' Contribution;
- ii. Equity Shares acquired during the preceding one year, at a price lower than the price at which the Equity Shares are being offered to the public in the Issue;
- iii. Equity Shares issued to the Promoters upon conversion of a partnership firm;
- iv. Equity Shares held by the Promoters that are subject to any pledge; and
- v. Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the Promoters' Contribution subject to lock-in.

The Promoters' Contribution shall be brought in to the extent, not less than the specified minimum lot and from the persons defined as "Promoters" under Regulation 2 (za) of the SEBI ICDR Regulations.

Our Promoters have by a written undertaking dated September 29, 2010, given consent for Equity Shares held by it to be considered as Promoters' contribution to be locked in for a period of three years from the date of Allotment, consisting of 20% of the post-Issue equity share capital of our Company ("Promoters' Contribution").

The Promoters have pursuant to their undertaking dated September 29, 2010, agreed not to sell or transfer or pledge their shares or otherwise dispose off in any manner, the Equity Shares forming part of the Promoters' Contribution from the date of filing of this Red Herring Prospectus until the commencement of the lock-in period specified above.

The SEBI ICDR Regulations require that an aggregate of 20% of the post-Issue shareholding of the Promoters be considered as promoters' contribution and locked-in for a period of three years. Such lock-in shall commence from the date of Allotment.

Details of share capital locked in for one year

In addition to the lock-in of the Promoter's Contribution specified above, the entire pre-Issue share capital of the Company will be locked in for a period of one year from the date of Allotment of the Equity Shares in this Issue.

Other requirements in respect of lock-in

Pursuant to Regulation 39 of the SEBI ICDR Regulations, the locked-in Equity Shares held by the Promoters, as specified above, can be pledged only with scheduled commercial banks or public financial institutions as collateral security for loans granted by such scheduled commercial banks or public financial institution, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

Provided that securities locked in as Promoters' contribution for three years under Regulation 36(a) of the SEBI ICDR Regulations may be pledged only if, in addition to fulfilling the above requirement, the loan has been granted by such scheduled commercial bank or public financial institution for the purpose of financing one or more of the objects of the Issue.

Pursuant to Regulation 40 of the SEBI ICDR Regulations, Equity Shares held by the Promoters may be transferred to and amongst the Promoters, the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code.

Further, pursuant to Regulation 40 of the SEBI ICDR Regulations, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity

Shares which are locked-in as per Regulation 37 of the SEBI ICDR Regulations, provided that lock-in on such Equity Shares will continue for the remaining period with the transferee and such transferee shall not be eligible to transfer such Equity Shares till the lock-in period stipulated under the SEBI ICDR Regulations has ended, subject to compliance with the Takeover Code, as applicable.

4. Details of transactions in Equity Shares by the Directors, Promoters and Promoter Group entities during six months preceding the filing of this Draft Red Herring Prospectus with SEBI:

Sr. No.	Date	Name of the Transferor	Name of the Transferee	No of Equity Shares	Consideration per share (In ₹)
1.	29 July, 2010	Pyariben Sanghvi	Sheetal Sanghvi	84664	10

- a) Our top ten shareholders and the number of Equity Shares held by them as of the date of filing this Red Herring Prospectus with ROC, is as follows

Sr. No.	Name	No. of Equity Shares (Face Value of ₹ 10 each)	% of pre-Issue Equity Share capital
1.	Mr. Jayanti Sanghvi	1257606	15.06%
2.	Mr. Naresh Sanghvi	1166931	13.97%
3.	Mr. Babulal Sanghvi	1103783	13.22%
4.	Mr. Vikram Sanghi	890682	10.67%
5.	M/s Dango & Dienenthal Maschinenbau GMBH KG	699981	8.38%
6.	Mrs. Meena Sanghvi	620800	7.43%
7.	Mrs. Bhamriben Sanghvi	582451	6.97%
8.	Mrs. Kiran Sanghvi	576000	6.90%
9.	Mr. Mahesh Sanghvi	253894	3.04%
10.	Babulal Sagarmal Sanghvi – HUF	213357	2.55%
Total		7365485	88.20%

- b) Our top ten shareholders and the number of Equity Shares held by them ten days prior to filing the Red Herring Prospectus with ROC, is as follows:

Sr. No.	Name	No. of Equity Shares (Face Value of ₹ 10 each)	% of pre-Issue Equity Share capital
1	Mr. Jayanti Sanghvi	1257606	15.74%
2	Mr. Naresh Sanghvi	1166931	14.60%
3	Mr. Babulal Sanghvi	1103783	13.81%
4	Mr. Vikram Sanghi	890682	11.14%
5	Mrs. Meena Sanghvi	620800	7.77%
6	Mrs. Bhamriben Sanghvi	582451	7.29%
7	Mrs. Kiran Sanghvi	576000	7.21%

Sr. No.	Name	No. of Equity Shares (Face Value of ₹ 10 each)	% of pre-Issue Equity Share capital
8	Dango & Dienenthal Maschinenbau GMBH KG, Germany	340952	4.27%
9	Mr. Mahesh Sanghvi	253894	3.18%
10	Babulal Sagarmal Sanghvi – HUF	213357	2.67%
Total		7006456	87.6%

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

Sr. No.	Name	No. of Equity Shares (Face Value of ₹ 10 each)	% of pre-Issue Equity Share capital
1.	Mr. Jayanti Sanghvi	656004	16.68%
2.	Mr. Babulal Sanghvi	599864	15.26%
3.	Mr. Naresh Sanghvi	599332	15.24%
4.	Mr. Vikram Sanghvi	406676	10.34%
5.	Mrs. Meena J.Sanghvi	308000	7.83%
6.	Mrs. Pyariben Sanghvi	284664	7.24%
7.	Mrs. Kiran Sanghvi	240000	6.10%
8.	Mrs. Bhamriben B.Sanghvi	200700	5.10%
9.	Mr. Mahesh B.Sanghvi	158684	4.04%
10.	Babulal Sagarmal Sanghvi – HUF	133348	3.39%
Total		3587272	91.22%

Details of the shareholding of our Company as on the date of filing of this Red Herring Prospectus:

	Pre- Issue		Post- Issue	
	No. of Equity Shares	Percentage of Equity Share capital	No. of Equity Shares	Percentage of Equity Share capital
Promoters (A)				
Babual Sanghvi	1103783	13.22	1103783	[●]
Jayanti Sanghvi	1257606	15.06	1257606	[●]
Naresh Sanghvi	1166931	13.97	1166931	[●]
Vikram Sanghvi	890682	10.67	890682	[●]
Sub Total (A)	44,19,002	52.92	44,19,002	[●]
				[●]
Promoter Group (B)				[●]
Bhamriben B Sanghvi	582451	6.97	582451	[●]
Mahesh B Sanghvi	253894	3.04	253894	[●]
Babulal Sagarmal Sanghvi-HUF	213357	2.55	213357	[●]
Meena Jayantilal Sanghvi	620800	7.43	620800	[●]
Kiran Naresh Sanghvi	576000	6.90	576000	[●]

	Pre- Issue		Post- Issue	
	No. of Equity Shares	Percentage of Equity Share capital	No. of Equity Shares	Percentage of Equity Share capital
Sheetal Vikram Sanghvi	277726	3.33	277726	[●]
Jayanti B. Sanghvi-HUF	112000	1.34	112000	[●]
Naresh B. Sanghvi-HUF	112000	1.34	112000	[●]
Vikram B. Sanghvi-HUF	38394	0.46	38394	[●]
Sub Total (B)	27,86,622	33.36	27,86,622	[●]
Total Holding of Promoters and Promoter Group (C=A + B)	7205624	86.28	7205624	[●]
Others (D)				
Individuals (E)	4,45,467	5.33	4,45,467	[●]
Body Corporate (F)	6,99,981	8.38	6,99,981	[●]
Total holding of Others (D=E+F)	11,45,448	13.72	[●]	[●]
Total	83,51,072	100.00	[●]	100.00

Details of Shareholding pattern as per Clause 35 of the Listing Agreement:

Category Code	Category of shareholder	No. of shareholders	Total numbers of shares	Number of Share held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered ¹	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a Percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) =(VIII)/(I V)*100
(A)	Shareholding of Promoter and Promoter Group							
1)	Indian							
(a)	Individuals/Hindu Undivided Family	13	7205624	7205624	86.28	86.28		
(b)	Bodies Corporate	-	-	-	-	--	-	
	SUB TOTAL(A)(1)	13	7205624	7205624	86.28	86.28		
2)	Foreign							
	Total Shareholding of Promoter and Promoter Group (A)	13	7205624	7205624	86.28	86.28		
(B)	Public shareholding	-	-	-	-	-	-	-
1)	Institutions	-	-	-	-	-	--	-
(a)	Mutual Funds/UTI	-	-	-	-	-	-	-
(b)	Financial Institutions/Banks	-	-	-	-	-	-	-
(c)	Central Government/	-	-	-	-	-	-	-

	State Government							
	Venture Capital Funds	-	-	-	-	-	-	-
	Insurance Companies	-	-	-	-	-	-	-
(d)	Foreign Institutional Investors	-	-	-	-	-	-	-
	SUB TOTAL (B) (1)	-	-	-	-	-	-	-
2)	Non-Institutions	-	-	-	-	-	-	-
(a)	Bodies Corporate	-	-	-	-	-	-	-
(b)	Individuals -							
	i) Individual shareholders holding nominal share Capital up to ₹1 lakh	-	-	-	-	-	-	-
	ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	3	445467	445467	5.34	5.34	Nil	Nil
(c)	Others	-	-	-	-	-	-	-
	Non-Resident individuals	-	-	-	-	-	-	-
	Foreign Companies	1	699981	-	8.38	8.38	Nil	Nil
	SUB TOTAL B(2):	-	-	-	-	-	-	-
	Total Public Shareholding(B)	4	1145448	445467	13.72	13.72	Nil	Nil
	Total (A)+B	17	8351072	7651091	100	100		
(C)	Shares held by Custodians and against which Depository Receipts have been issued.	-	-	-	-	-	-	-
	GRAND TOTAL (A)+(B)+(C)	17	8351072	7651091	100	100		

¹State Bank of India has vide its letter dated April 11, 2011, revoked the pledge on 1339140 equity shares created in their favour by the Promoters of the Company ("the said Shares"), on the condition that the said Shares would be re-pledged to them after listing of the Equity Shares of the Company on the Stock Exchanges but before the disbursement of the term loan as per the Sanction Letter dated September 20, 2010. Further, State Bank of India has given its no-objection to lock-in of the said Shares as per the requirement of the SEBI Regulations. Further, the release of pledge on the said Shares by the Bank is made for the purpose of facilitating the Company to comply with Regulation 36 of the SEBI Regulations.

- None of our Directors (other than Promoters) or Key Management Personnel holds Equity Shares in the Company.
- Our Company, Directors and the BRLMs have not entered into any buy-back or standby / safety net arrangements for the purchase of the Equity Shares of our Company from any person.
- There are no financing arrangements wherein the Promoter Group, the Directors of our Company and relatives of the Directors of our Company have financed the purchase by any other person of securities of the Company, during the period of six months immediately preceding the date of filing this DRHP.
- As on the date of filing this Red Herring Prospectus, no shares of the Company have been pledged by the Promoter or the Promoter Group. SBI has vide its letter dated April 11, 2011 revoked the pledge on 13,39,140 shares held by the Promoters. However, the said equity shares would be re-pledged after listing of the Equity Shares of our Company on the Stock Exchanges but before disbursement of the term loan as per Sanction Letter dated September 20, 2010.

9. Our Company has not issued any bonus shares out of revaluation of reserves.
10. As on the date of this DRHP, BRLM does not hold any Equity Shares in our Company.
11. Our Promoters and members of the Promoter Group and BRLM will not participate in this Issue.
12. Our Company has not issued Equity Shares out of revaluation reserves. Further, other than as set out in this section titled 'Capital Structure', our Company has not issued Equity Shares for consideration other than cash.
13. Except as stated in this chapter, there has been no purchase or sale of Equity Shares by the Promoters, the Promoter Group, our Directors and their immediate relatives during the six months immediately prior to the filing of this Draft Red Herring Prospectus with SEBI.
14. Our Company shall ensure that transactions in the Equity Shares by the Promoters and the relatives of the Promoters between the date of filing the RHP with the Registrar of Companies and the Bid/Issue Closing Date are reported to the Stock Exchange within 24 hours of such transaction.
15. Our Company has not made any public issue since its incorporation.
16. We do not have any intention or proposal to alter our capital structure during the period starting from filing of this DRHP with SEBI till six months from the date of opening of the 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 bonus, rights, further Public issue or Qualified Institutional Placement otherwise. Further, if we enter into acquisition(s) or joint venture(s), we may consider additional capital to fund such activities or to use Equity Shares as a currency for acquisition or participation in such joint ventures, subject to approvals as may be required.
17. As on the date of this RHP, our Company has not raised any bridge loan against the proceeds of the Issue.
18. The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allotment 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.
19. Under subscription, in any category, shall be allowed to be met with spillover from the other categories or combination of categories by our Company and the BRLM in consultation with the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid bids being received at or above the Issue Price.
20. Investors may note that in case of over subscription, not more than 50% of the Issue shall be available for allocation to QIBs on a proportionate basis. Further, 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. 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 to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price.
21. An over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to [●] Equity Shares, which is the minimum bid lot in this Issue.

22. The Equity Shares are fully paid up and there are no partly paid up Equity Shares as on date of the Company. 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 shares.
23. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares issued through the Prospectus are listed or application moneys refunded on account of failure of Issue.
24. As per the extant policy, OCBs are not permitted to participate in the Issue.
25. As on the date of this Draft Red Herring Prospectus, there are no outstanding warrants, options or debentures or other financial instruments issued by our Company, which would entitle our Promoter or shareholders of our Company or any other person an option to receive Equity Shares of our Company.
26. There shall be only one denomination of Equity Shares of our Company unless otherwise permitted by law. Our Company shall comply with disclosure and accounting norms as may be prescribed by SEBI from time to time.
27. We have availed financial facilities from State Bank of India. In respect of various agreements entered into by our Company with our lenders and sanction letters issued by our lenders to us, we are bound by certain restrictive covenants, including those in relation to our capital structure. For further details on the restrictive covenants contained in the financing documents, please refer to chapter titled "Financial Indebtedness" on page no. 216 of this Red Herring Prospectus.
28. No payment, direct or indirect, in the nature of discount, allowance, commission or otherwise, shall be made either by us or our Promoters to the persons who receives Allotments, if any, in this Issue.
29. As on the date of this DRHP, the total number of shareholders is 17.

SECTION V - OBJECTS OF THE ISSUE

OBJECTS OF THE ISSUE

The Issue comprises of fresh issue of equity shares only and there is no offer for sale by any of the existing shareholders.

The Objects of the Issue

The objects of this issue are to part finance our New Project and achieve the benefits of listing on the stock exchanges. We believe that listing on stock exchanges will increase our corporate image and brand value. We intend to deploy the proceeds of the Issue as under:

To Part finance the cost of setting up 15,000 MTPA open die forging unit (with single piece forging up to 40 MT) to manufacture proof machined products viz. stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, forging items etc at G.I.D.C. Industrial. Estate (at plot no. 1401, 1402 & 1403), Waghodia District Vadodara.

To meet the requirement of margin money for working capital for the New Project.

To meet the pre-operative expenses including Issue expenses.

The main objects clause of our Memorandum of Association permits us to undertake the activities proposed to be financed out of proceeds of the Issue.

The Proceeds of the Issue

Particulars	Estimated Amount (in ₹ Lacs)
Proceeds from pre-IPO placement (a)	559.98
Present issue to Public (b)	3690.02
Gross Proceeds of the Issue (a + b)	4,250.00
Issue related expenses	300.00
Net Proceeds of the Issue	3,950.00

The estimated fund requirements for the New Project:

State Bank of India has appraised the project. The details of cost of the project and means of finance given in this section are drawn from the Appraisal Report of State Bank of India.

The break- up of project cost is as follows:

Particulars	Amount (₹ in Lacs)
Setting up of New Project	10,514
Margin money requirement for working capital	825
Pre-operative expenses including Issue expenses	700
Total project cost	12,039
Portion to be financed from gross proceeds of the Issue	4,250

The issue related expenses of ₹ 300 Lacs have been considered as part of the project cost.

The proposed means of finance is as follows:

Particulars	Amount (in ₹ Lacs)
Gross Proceeds of the Issue	4,250
Term loans	7,200
Unsecured loans	64
Internal accruals	525
Total	12,039

Term Loans:

State Bank of India which has appraised the New Project has sanctioned a term loan of ₹ 5,000 Lacs vide its sanction letter no IFB/CPC/VK/10-11/1241 dated September 29, 2010.

Bank of Baroda has sanctioned a term loan of ₹ 2,200 Lacs vide its sanction letter no. GO/BR/SME/06/529 dated 16.11.2010.

Internal Accrual:

The New Project is partly funded by internal cash accruals of our Company. The internal accruals of ₹ 525 lacs envisaged as part of means of finance have already been deployed in the New Project. ₹

Unsecured Loan:

The New Project is partly funded by unsecured loans of ₹ 64 Lacs from Promoters. The unsecured loans of ₹ 64 lacs envisaged as part of means of finance have already been brought in by the Promoters and deployed in the New Project.

It has been stipulated by the State Bank of India, that, such unsecured loans shall be non-withdrawable and non-interest bearing till the currency of their Term loan.

We confirm that firm arrangements have been made through verifiable means towards seventy-five percent of the stated means of finance, excluding Issue Proceeds and internal accruals both at the time of filing of DRHP with SEBI and as at the date of this RHP in compliance of Regulation 4(2)(g) of SEBI (ICDR) Regulations, 2009.

Details of Term Loans:

1. State Bank of India

Name of the Lender	State Bank of India
Amount of Loan	₹ 5000 lacs
Purpose	Setting up of open die forging plant having capacity of 15000 MTPA at GIDC Industrial Estate, Waghodia
Rate of interest	4.25% above base rate i.e 11.75% P.A
Period	8 Years
Repayment	78 months after 18 months of moratorium period
Primary Security	FBWC/SLC/EPC/FBD, LC, BG
Collateral Security	Working Capital LC/BG/FBD/EPC
Personal Guarantee	Shri Babulal S Sanghvi
	Shri Jayanti B Sanghvi
	Shri Naresh B Sanghvi
	Shri Vikram B Sanghvi
	Shri Babubhai Sanghvi HUF
	Shri Jayanti Sanghvi HUF
	Shri Naresh Sanghvi HUF
	Shri Vikram Sanghvi HUF

Terms and Conditions of Term Loans:

Security:

I. Primary Security:

Nature of Facility	Security Details
Term Loan (New)	1st Pari-Passu charge over proposed fixed assets of the company acquired / to be acquired out of Bank's finance with other consortium lenders including equitable mortgage over land situated at plot no. 1401, 1402 & 1403 admeasuring total area of 49770 square meters GIDC Industrial estate, Waghodia, Baroda, Gujarat.

II. Collateral Security:

Working Capital/ LC/BG/FBD/EPC	Extension of charge on existing fixed assets of the company and 2nd Pari-Passu charge on proposed Fixed assets (acquired under consortium arrangement)
Term Loans	Extension of charge on current assets of the existing unit.

Details of the collateral securities:

1st Pari-Passu charge with other consortium lenders over land situated at plot no. 1401, 1402 & 1403 admeasuring total area of 49770 square meters at GIDC Industrial estate, Waghodia, Baroda, Gujarat.

1st Pari-Passu charge with other consortium lenders over land admeasuring 4000 sq. mtrs & building belonging to the company situated at Plot No. 244/17,18,19,20, GIDC estate, Waghodia, District Vadodara.

Pledge of Promoters' Shares

Name	No. of Shares
Babulal S. Sanghvi	4,44,975
Jayanti B Sanghvi	4,50,666
Naresh B Sanghvi	4,43,499
Total	13,39,140

Residual Value of existing fixed assets of the company

Residual Value of proposed fixed assets of the company:

III. Personal Guarantee:

	Name of the Guarantor	Relationship with the Unit
1	Shri Babulal S Sanghvi	Director
2	Shri Jayanti B Sanghvi	Director
3	Shri Naresh B Sanghvi	Director
4	Shri Vikram B Sanghvi	Director
5	Shri Babubhai Sanghvi HUF	N.A.
6	Shri Jayanti Sanghvi HUF	N.A.
7	Shri Naresh Sanghvi HUF	N.A.
8	Shri Vikram Sanghvi HUF	N.A.
	Total	

Margin for Project LC	35%
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Repayment Schedule:

Total Term Loan: ₹ 5000 lacs	Tenor of TL: 8 years
Moratorium:	18 month from the date of 1st disbursement.
Repayment	Repayment Start date: August 2012 Repayment end date: November 2018
Mode of Repayment:	Quarterly

Repayment Schedule:	Repayable in 26 progressive quarterly installments, details are as under: 1st four equal quarterly installment of: ₹ 140 lacs each Next four equal quarterly installment of ₹ 174 lacs each Next 18 equal quarterly installments of ₹ 208 lacs each
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Validity of sanction: Six month from the date of sanction

Other Critical covenants / special conditions:

Pre disbursement conditions:	
1	Approved plan of the factory building to be submitted by the company before release of term loan.
2	Disbursement of the proposed Term loan will subject to successful subscription of proposed IPO of the company & financial closure.
3	Title Report on proposed factory land to be obtained.
4	Creation of charge over the proposed project site.
5	Vetting of the cost of the proposed building/civil expenditure from our empanelled chartered engineer/ architect.
Specific Covenants for Compliance during Disbursement of Term Loan	
1	Estimates of stage-wise civil construction as per approved plan to be obtained and vetted by Bank's empanelled civil engineer.
2	Project LC will be opened on fully hedged basis.
3	Chartered Engineers certificate along with relative invoices to be obtained in respect of installation of machineries, electrical fittings & fixtures, utilities etc at monthly intervals.
4	No interest should be paid on the unsecured loan during the repayment period of the Bank's term loan.
5	The Company has to take prior approval of Bank before declaring dividend.
6	Our rate of interest should not be lesser than that of other bank and financial institutions having exposure to the company.
7	Any shortfall in the cash accruals should be replenished by the promoters.
8	Debt Service Reserve Account (DSRA) to hold in the form of fixed deposits amount equal to one installment and monthly interest payable.
Others:	
1	Unpaid stocks purchased under LC to be excluded while according drawing power.
2	The company to maintain the current ratio and TOL/TNW level as estimated/projected, failing which the promoters to infuse funds.
3	The Company should not induct a person who is a director on the Board of a Company, which has been identified as a willful defaulter and in case such a person is found to be on the Board of the Company, it would take expeditious steps for removal of the person from the Board.
4	Commitment charges shall be levied @ 0.25% p.a. on unutilized portion of all fund-based working capital limits if average utilization is 60% or less.
5	Default of the term loan covenants would attract penal interest @2% on the outstandings as under: In case of any adverse deviation by more than 20% from the stipulated level in respect of any two of the three items, namely, current ratio, TOL/TNW and interest coverage ratio, for a period of non-adherence subject to such non-adherence occurring for a minimum period of on year. In case of default in payment of interest/installments to the Bank, or to FIs/banks, penal interest would be levied for the period of such defaults.

2. Bank of Baroda

Name of the Lender	Bank of Baroda
Amount of Loan	₹ 2200 lacs
Purpose	To part finance construction of Factory Building & purchase of machineries, Electrification & other utilities as per project report under consortium arrangements with SBI (Leader)
Rate of interest	3.25% above Base Rate i.e. 11.75% p. a. at present.
Period	8 Years
Repayment	-96- months including moratorium period of —18—months subject to

	<i>annual review</i>
<i>Personal Guarantee</i>	<i>Shri Babulal S Sanghvi</i>
	<i>Shri Jayanti B Sanghvi</i>
	<i>Shri Naresh B Sanghvi</i>
	<i>Shri Vikram B Sanghvi</i>

Terms and conditions of term loan

<i>Securities/ Documents</i>	<ol style="list-style-type: none"> 1) <i>D. P. Note signed by the Company, under Common Seal supported by requisite Board Resolution. (LDOC 4)</i> 2) <i>1st charge over proposed fixed assets of the Company acquired out of Banks' finance including assets created at plot no. 1401, 1402 & 1403 situated at GIDC Industrial estate, Waghodia, Baroda, Gujarat ranking pari passu with SBI.</i> 3) <i>Hypothecation of entire Machineries, Electrical installations, Furniture & fixtures, Office equipments and other Movable fixed assets of the Company, present & future ranking pari passu with SBI.</i> 4) <i>Authority to make direct payment (LDOC-72)</i> 5) <i>Letter of instalment with acceleration clause. (LDOC-57)</i> 6) <i>Composite undertaking. (LDOC 134, 136 & 136A)</i> <p><i>Common Securities as listed hereinafter.</i></p>
<i>Other Conditions</i>	<ol style="list-style-type: none"> 1) <i>The Branch is to obtain Title Clearance Report from Bank's approved advocate and to ensure that the title of the above mentioned property is clear, marketable & unencumbered and N.A. permission is obtained from competent authority. The report should list the title deeds required to be deposited for creation of mortgage.</i> 2) <i>The disbursement towards factory building to be constructed on the new plot will be allowed only after receipt of approved plans from the civic authority and detailed cost of construction from engineer supported by Certificate from Bank's approved Architect as to reasonableness of the cost.</i> 3) <i>The disbursement towards factory building will be allowed in a phased manner based on progress of the construction. The disbursement will be allowed as far as possible directly in favour of the material suppliers or the contractors (civil, plumbing, electrical, etc), based on progress of the construction certified by architect / engineer and at the request of the Company.</i> 4) <i>The disbursement by way of reimbursement towards capital expenditure already incurred may be to be allowed, after maintaining stipulated margin, based on detailed statement in respect of capex incurred & payments made there against, signed by the Company, project Chartered Engineer /Architect in case of construction of building and duly supported by certificate of practicing C.A. in having incurred the capex.</i> 5) <i>The lower utilization of the sanctioned T/L limit towards factory building is not to be allowed towards additional machineries.</i> 6) <i>The disbursement towards the machineries is to be allowed directly to the machinery suppliers, after recovering stipulated margin.</i> 7) <i>The final disbursement towards new factory building is to be allowed only after receipt of 'Completion Certificate' or 'Building Use Permission' from the civic authority which has approved the plans and final Valuation Certificate from Bank's approved valuer. The Branch is to ensure that the valuation of the construction is not less than the cost of construction financed by the Bank.</i> 8) <u><i>At each stage of disbursement, end-use of the Bank's funds Is to be ensured by following disbursement modalities decided by the consortium, including inspection of creation of assets by the member banks.</i></u> 9) <i>The Branch is to obtain all bills, Invoices & receipts and keep on records.</i> 10) <i>The Branch is to ensure that the entire project is implemented in time as</i>

	<i>scheduled. In case of time over run or cost over run, the matter is to be appraised to the sanctioning authority in time with remedial measures.</i>				
	7) Disbursement of TL will be subject to successful subscription of proposed IPO of the Company and financial closure.				
A)	Other Common Securities: <i>Term Loan facility is further secured by:</i>				
1	<i>Second charge by way of Hypothecation of Stocks, Book debts, of the Company, present & future. (First charge with SBI as WC lender)</i>				
2	<i>Second charge on existing fixed assets of the Company situated at (i) Plot No.244/6 & 7, R.S.No.1490/p, 1491/p, GIDC Waghodia, Dist. Baroda and (ii) Village Gandhvi forming part of R.S.192/lp of Mouje Gandhvi, Taluka Kalyanpur Dist, Jamnagar. At present both the factory premises including Plant & Machineries are charged to SBI for their TL & WC limits.</i>				
3	<i>First pari passu charge with SBI by way of Equitable Mortgage of following properties / securities:</i>				
	<i>a) 1st Pari-Passu charge with SBI, other consortium lender over Land situated at plot no 1401, 1402 & 1403 admeasuring total area of 49770 square meters at GIDC Industrial Estate, Waghodia, Baroda, Gujarat.</i> <i>1st Pari-Passu charge with SBI, other consortium lender over Land admeasuring 4000 sq. mtrs. & Building belonging to the Company situated at Plot No. 244/17,18,19,20, GIDC estate, Waghodia, District Baroda,</i>				
4	<i>All the credit facilities are to be further secured by Personal Guarantee of following promoter directors of the Company. If any shareholder (other than directors) is holding more than 10% shareholding in the Company, additional guarantee of such share holders to be obtained.</i> <table border="1"> <tr> <td><i>(i) Mr. Babulal S. Sanghvi</i></td><td><i>(ii) Mr. Jayanti B. Sanghvi</i></td></tr> <tr> <td><i>(iii) Mr. Naresh B. Sanghvi</i></td><td><i>(iv) Mr. Vikram B. Sanghvi</i></td></tr> </table>	<i>(i) Mr. Babulal S. Sanghvi</i>	<i>(ii) Mr. Jayanti B. Sanghvi</i>	<i>(iii) Mr. Naresh B. Sanghvi</i>	<i>(iv) Mr. Vikram B. Sanghvi</i>
<i>(i) Mr. Babulal S. Sanghvi</i>	<i>(ii) Mr. Jayanti B. Sanghvi</i>				
<i>(iii) Mr. Naresh B. Sanghvi</i>	<i>(iv) Mr. Vikram B. Sanghvi</i>				
5	<i>Board Resolution for availing credit facilities & for execution of documents for securing credit facilities (LDOC-75)</i>				

Schedule of Deployment of Funds for New Project is as under:

Particulars	Funds already deployed till March 31, 2011(₹ in Lacs)	Funds deployment in 2011-2012 (₹ in Lacs)	Total (₹ in Lacs)
Setting Up New Project	1162.08	9351.92	10,514.00
Margin money requirement for working capital	0	825.00	825.00
Pre-operative expenses including Issue expenses	72.27	627.73	700.00
Total	1234.35	10804.65	12,039.00

Sources of financing of funds already deployed

Particulars	Amount (in ₹ Lacs)
Internal accruals	686.59
Proceeds Pre-IPO placement of 340952 Equity Shares	272.76
Unsecured Loans from Promoters and Others	275.00
Total	1234.35

M/s. Shah and Bhandari, Chartered Accountants (Firm Registration No. 118852W) have certified vide their certificate dated April 15, 2011, the amount deployed by the company as on March 31, 2011 towards the objects of the issue and its sources, as appearing hereinabove.

Details of the cost of New Project

Project description

The project is to set-up a manufacturing unit to produce and sell forging products based on Open-die forging facility mainly for non-automotive sectors. The project will be situated at GIDC Industrial Estate (at plot no. 1401, 1402 & 1403), Waghodia, district Vadodara. With setting up the manufacturing unit, we want to capitalize on the growth opportunities in forged items for non-automotive sectors. The new facility will have a total capacity of 15000 MTPA with a maximum size of a single-piece forging unit upto 40 MT. We planned our expansion based on the experience of running an existing forging plant, observing demand trends for forging items, both in the local market as well as in exports market.

The cost of the New Project has been appraised to be ₹ 12,039 Lacs, comprising ₹10,013 lacs towards Fixed Assets and utilities, ₹ 825 lacs towards margin for working capital, ₹ 501 for contingencies and ₹ 700 lacs towards preliminary & pre-operative expenses.

The summary of cost of the project is as under:

(₹ in Lacs)	
Particulars	Total Cost
Land	--
Site Development	198
Building and Civil Works	1462
Plant and Machinery (Imported and Indigenous)	7461
Utilities & Electrification	763
Miscellaneous Fixed Assets	129
Contingency	501
Pre-operative Expenses	700
Total Capital Cost	11214
Margin for Working Capital	825
Total Project Cost	12039

Land

The company has entered into a Lease Deed dated March 01, 2011 with Gujarat Industrial Development Corporation (GIDC) in respect of the land for the New Project for a period of 99 years w.e.f November 30, 2006 with an option to renew the same for a further period of 99 years. The land bearing plot no. 1401, 1402 and 1403 is situated at GIDC Industrial Estate, Village Waghodia, District Vadodara. The company has made the full payment for the premium price of the plot no. 1401, 1402 and 1403 at Vaghodia Industrial Estate, Vadodara.

The cost of the land is not part of the current project cost.

Site development

The estimated cost of site development includes cost towards earth filling, compound wall, bituminous road, water recharge system, parking sewage treatment etc. The total amount estimated to be spent is ₹ 198 lacs.

Particulars	Amount (in ₹ Lacs)
Earth Filing	50
Compound Wall	27
Bituminous Road	40
Road Side Drainage/Path	12
Entrance Gate	6
Land Scaping	10
Parking	11
Security Cabin	8
Water Recharge System	5
Water Supply Pipe Network	2
Sanitary Disposal Piping	5
Miscellaneous expenditure	22
Total	198

Building and Civil Works

Estimated cost of building and civil works includes foundation for building, equipment masonry, common facilities and reinforced concrete for building, trenches, structural steelworks required to construct the shed, cost of civil and structural engineering, designing and consultancy. The total amount estimated to be spent is ₹ 1462 lacs.

The details of cost of civil & structural works are as under:

Particulars	Amount (in ₹ Lacs)
Details- Office Building	
Office 400 sq. meter.	48
Office Area Interior	32
Grand Total (A)	80
Details- Factory Building	
Main Factory 4800 Mt. Sq.	768
Lean to Shed 4800 Mt. Sq.	288
Machine Shop 1200 Mt. Sq.	180
Security Cabin	8
Foundation of Office	100
Consulting Fee	38
Total (B)	1382
Grand Total (A+B)	1462

Plant & Machinery

It is proposed to install a) one Hydraulic Press having capacity of 4000T, b) one rail bound manipulator having capacity of 60T, c) 6 Furnaces of various capacities, d) Material Handling Machine, e) 4 CNC machine, f) one horizontal boring machine etc. for the New Project.

Details of Machinery: Imported

Name of the Machinery	Qty	Purpose for which required	Name of supplier	Foreign Currency	₹ in lacs
Open die forging press with accessories *	1 set	Open Die Forging	M/s Danieli Breda, Italy	53 Lacs Euro	3180
DDS rail bound forging manipulator, Type SSM 1000 & accessories *	1 set	Manipulator	Dango & Dienenthal , Germany	22 lacs Euro	1320
100 Ton- Reheating Furnace	2	Reheating, Heat treatment & quenching	Daekyo Engineering Co. Ltd. Korea or Vancar Thermals P. Ltd. Mumbai.	26.48 lacs USD	1271
100 Ton- Normalizing Furnace	1				
100 Ton- Hardening Furnace	1				
100 Ton Tempering Furnace	2				
Material Handling Equipment	3	One each of 5 ton, 20 ton, 60 ton)	Koriendo Techsore Pvt. Ltd. Doosung Machinery Co. Ltd.	USD 85780	41
	1	Turning Chain/Gear	Koriendo Techsore Pvt. Ltd. Doosung Machinery Co. Ltd.	USD 50000	24
Cutting band saw machine	1	Cutting	M/s. Nirani Tools & machinery MAKE : EVERISING China	USD 245200	118

Machining Shop equipment	1	CNC Lathe	M/s. Electronic High-tech Engg. Pvt. Ltd., Pune (Tiwan & Korein make) or any other reputed supplier	5.20 lacs USD	250
	1	Horizontal Boring & Milling	M/s. Electronic High-tech Engg. Pvt. Ltd., Pune (Tiwan & Korein make) or any other reputed supplier	5.50 lacs USD	264
	1	Vertical Machine Centre	M/s. Electronic High-tech Engg. Pvt. Ltd., Pune (Tiwan & Korein make) or any other reputed supplier	2.15 lacs USD	103
	1	Verticle Lathes Double Column	M/s. Storkova Fermat machinery , Gebrila	72000 EURO	43
	2	Lathe	Jensen Machinehandel BV	123500 EURO	74
	1	Misc. Machining shop equipment	Various reputed suppliers	--	10
Laboratory Equipments	1	CCD Optical Emission meter	Spectro Analytical Inst. GmbH Germany or Ametek Instrument Ind. P. Ltd. Mumbai.	USD 49450	24
	1	Other lab equipments	Various reputed suppliers	--	34
		Total		--	6756
		Insurance ,Fright & Clearing & erection charges		--	123
		Total			6879

* Hydraulic Press & Rail bound manipulator are the most critical machineries in the New Project. We are procuring press & manipulator from Danieli & Company, Italy and Dango & Dinenthal Maschinenbau GMBH, Germany respectively. The machinery suppliers are one of the leading suppliers in their respective line of products, when measured in terms of quality of output & productivity. We have already entered into agreement for supply of these equipments with respective suppliers and have obtained performance bank guarantee from Danieli & company to execute the contract within the timeframe. Orders have been placed for the above two critical components having lead time of about 14 months and which amounts to ₹ 4500 lacs or about 60% of the cost of plant & machinery required for the New Project.

The other machinery details and their costs are based on the quotations received from the respective suppliers. The orders for these machines are yet to be placed.

Details of Machinery: Indigenous

Name of the machine	Name of supplier	Amt. (₹ in. Lacs)
Material Handling Equipment (75 T-3 nos)	M/s. Anupam Industries Limited, Ahmedabad	503
Misc. Material handling equipment	Various reputed suppliers	33
Machining Shop Equipment	M/s. Premier Machine Tools Vadodara	38
Misc. Machining Shop Equipment	Various reputed suppliers	8
Total		582

Above machinery details and their costs are based on the quotations received from the respective suppliers. The orders for above machines are yet to be placed.

Total Estimates of Plant & machinery

Particulars	Amt. (₹ in. Lacs)
Imported	6879
Indigenous	582
Total	7461

Utilities and Electrification

The New Project would require sufficient power distribution and automation. The cost for the same based on the quotations obtained by us is ₹ 763 Lacs

Particulars	Amt. (₹ in. Lacs)
66 KV Switchyard	200
1500 KVA DG Set	113
LT Panel, Sub Panel	150
Workshop & Cabling for machines	100
GEB Deposit	200
Total	763

Miscellaneous Assets

This includes the Furniture & Fixtures, computers and office equipments, fire fighting & safety equipments, Effluent Treatment Plant, SAP Software, Vehicle etc.

The approximate cost for the same is based on the quotations obtained by our Company is ₹ 129 lacs

Particulars	Imported/Indigenous	Amount (in ₹ Lacs)
Computers and Printers	Indigenous	12
Fire Extinguishers	Indigenous	1
Effluent treatment Plant	Indigenous	43
Furniture	Indigenous	30
Vehicles (2 nos.)	Indigenous	23
SAP software	Indigenous	20
Total		129

Contingencies

Contingencies have been estimated @ 5.00% of the hard cost including land development, civil construction and plant and machinery costs to cover the upward increase in cost, if any, or any additional machineries, tools, etc, which may be required. Accordingly, an amount of ₹ 501 lacs have been estimated for contingencies.

Preliminary & Pre-operative Expenses

Preliminary and Pre-operative expenses mainly includes the expenses related to proposed IPO, Legal and professional charges, Lead manager fees, printing & stationery, advertisement expenses, stock exchange fees, establishment expenses, travelling & conveyance, upfront fee on loans and other miscellaneous expenses.

S. No.	Particulars	₹ (In Lacs)
1	Establishment Expenses	50
2	Processing/Stamping etc.	50
3	IPO expenses	300
4	Interest on loans during Construction period	300
5	Total	700

Margin for working Capital

Commercial operation of the New Project is scheduled to commence from May 2012 and FY 2012-13 will be the first year of the commercial operation. The working capital margin requirement of the project is estimated at ₹ 825 lacs based on the calculations for the first year of operations of the project.

The issue proceeds are to be used to meet margin money requirements of working capital for the New Project and not to meet long term working capital requirements.

Schedule of implementation

The proposed schedule of implementation of project is as follows:

Activities	Commencement	Completion
Acquisition of Land	Already Allotted and possession received from GIDC	
Site Development	January 2011	June 2011
Civil construction & Building	April 2011	October 2011
Plant & Machinery		
Placement of firm order		
Imported	July 2010	June 2011
Indigenous	March 2011	October 2011
Delivery at Site		
Imported	March 2011	October 2011
Indigenous	July 2011	October 2011
Erection & Installation	November 2011	January 2012
Trial Runs	April 2012	
Commercial Operations	May 2012	

Appraisal

The New Project of our Company has been appraised by State Bank of India (SBI), Industrial Finance Branch, Baroda vide their appraisal note dated September 14, 2010.

The scope of Appraisal was to assess the cost of project and means of finance and confirm the technical and economic viability of the project and the purpose was for sanctioning Term Loan to the extent of ₹ 5000 Lacs for the New Project.

The cost of project and means of finance of the project is as per the appraisal note dated September 14, 2010 issued by SEBI, Industrial Finance Branch, Baroda.

State Bank of India in its appraisal note has pointed out its perceived risks and classified the corresponding risks as under:

Management Risk	
Experience & Capability	Risk Level: Low
Pre-completion Risk	
Cost Overrun	Risk Level: Medium
Time overrun	Risk Level: Medium
Delay in IPO	Risk Level: Medium
Post-completion Risk	
Plant Operating Risk	Risk Level: Low
Environmental/ Safety risk	Risk Level: Low
Raw material availability	Risk Level: Low
Market Risk	

Off take risk (for proposed product)	Risk: Medium
Technology Risk	
Plant Performance	Risk: Medium
Financial Risk	
Foreign Exchange Fluctuations	Risk: Low

Meeting the issue expenses

The expenses for this Issue includes lead management fees, underwriting and selling commission, printing, stationery and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges. The total expenses for this Issue are estimated to be approximately ₹ 300 Lacs, which is 7.05% of the Issue size.

All the Issue related expenses are proposed to be met out of the proceeds of the Issue and the break-up of the same is as follows:

Activity	Expense (In ₹ Lacs)	Expense (% of total expenses)	Expense (% of issue size)
Lead Management fee and underwriting and selling commissions	[●]	[●]	[●]
SCSB's commission	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Registrar's fee, legal counsel, IPO grading	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total estimated expenses	300	100%	7.05%

Interim use of proceeds

The management, in accordance with the policies set up by the SEBI, will have flexibility in deploying the net proceeds received by our Company from the Issue. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, inter-corporate deposits, and deposit with banks for necessary duration or reducing the existing working capital from banks.

Monitoring of utilization of funds

As the issue size is less than ₹ 500 Crores, appointment of monitoring agency is not mandatory as per the provisions of clause 16 of SEBI (ICDR) Regulations. The Board of Directors of our Company will monitor the utilization of the Issue proceeds through its Audit Committee comprising of non executive and independent directors who have been entrusted with the responsibility of monitoring the use of Issue proceeds. The Company will disclose the utilization of the proceeds of the issue under a separate head in the Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. It shall also, in its Balance Sheet, provide details, if any, in relation to all such proceeds have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

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

There are no material existing or anticipated transactions in relation to utilisation of the issue proceeds or project cost with promoters, directors, key management personnel, associates and group companies.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares by the Book Building Process. The face value of the Equity Shares is ₹ 10 and the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band. Investors should also refer to the section “Risk Factors” on page no.XIII and “Financial Information” on page no. 124 to get more informed view before making an investment decision.

Qualitative factors

1. We are established manufacturers of forgings since last 20 years focusing on non-automotive forging with client base in India, Canada, Europe, Australia, Middle-East and Far-East.
2. Our promoters have been in this business since last two decades. They have gained sound understanding of this line of business and are well conversant with the technological and commercial aspects of this business.
3. Apart from the promoters, we have dedicated management team comprising of qualified and experienced professionals.
4. Our products find applications in various industries and our focus is on non- automotive sectors, like oil and gas, power, infrastructure and defense.
5. We have obtained accreditations certifying the quality of our various products and have also obtained vendor approvals from a large number of domestic and overseas customers. These accreditations and approvals enable us to bid for various forging tenders where these or similar accreditations/vendor approvals are pre-requisites. These certifications / vendor approvals are the outcome of our long-standing efforts to produce quality products consistently, and we believe the long gestation for receipt of these accreditations and approvals are significant entry barriers for new players.
6. The demand for non-automotive forging components / open die forging components is expected to be high keeping in mind the capex cycle of the user industries like Power, Oil & Gas, Ship building etc. Also, we can leverage our relationship with our existing clientele to market the proposed products from the New Project.
7. We have acquired leasehold land for the New Project at Waghodia, GIDC and also placed firm orders for key machinery amounting to ₹4500.00 Lacs from leading international suppliers. These machineries have a high lead delivery time and the initial down payment has been funded by internal accruals and proceeds from Pre-IPO placement.
8. Our proposed project is appraised by State Bank of India, Industrial Finance branch, Baroda and it is proposed to be part - financed by term loans of ` 7200 Lacs from banks. State Bank of India has sanctioned term loan of ` 5000 Lacs and Bank of Baroda has sanction term loan of ₹ 2200 lacs.
9. We have made a Pre-IPO placement of 6,99,981 equity shares of ₹ 10 each for cash at a premium of ₹ 70 per equity share aggregating to ₹ 559.98 lacs to M/s. Dango & Dinenthal Maschinenbau GMBH KG, Germany.
10. Our Issue has been graded by CARE and we have received CARE IPO Grade 3 indicating Average Fundamentals. For details of competitive strengths, please refer to chapter titled “Business Overview” on page no. 75 of this Red Herring Prospectus.

Quantitative Factors

Information presented in this section is derived from our audited restated standalone financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for deciding the price, are as follows:

1. Earning per share (Basic & diluted EPS) - standalone

Year	Basic EPS(₹)	Weights	*Diluted EPS (₹)	Weights
March 31, 2010	3.73	3	3.73	3
March 31, 2009	3.34	2	3.34	2
March 31, 2008	3.62	1	3.62	1
Weighted Average	3.58		3.58	
December 31, 2010 (not annualised)	4.04	NA	4.04	NA

2. Earning per share (Basic & diluted EPS) - Consolidated

Year	Basic EPS(₹)	Weights	*Diluted EPS (₹)	Weights
March 31, 2010	3.42	3	3.42	3
March 31, 2009	3.33	2	3.33	2
March 31, 2008	3.62	1	3.62	1
Weighted Average	3.42		3.42	
December 31, 2010 (not annualised)	3.86	NA	3.86	NA

*As there are no outstanding convertible instruments, the basic EPS and diluted EPS are same.

3. Price/ Earning ratio (P/E) in relation to issue price of ₹ [●]

Particulars	E at the Floor Price of ₹ [●]	E at the Cap Price of ₹ [●]
Based on restated EPS for FY ended March 31, 2010 - Standalone	[●]	[●]
Based on restated EPS for FY ended March 31, 2010 – Consolidated	[●]	[●]

4. Industry P/E*

Particulars	Industry P/E
Highest	30.5
Lowest	3.7
Average	17.8

*Industry P/E specified herein above is based on TTM (Trailing Twelve Months) EPS for the period ended December 31, 2010.

Source; Capital Market Volume XXVI/03 dated April 04 – April 17, 2011, Page No.33 in the category 'Castings & Forgings'

5. Return on Net Worth (RoNW) - Standalone

Year	RoNW (%)	Weights
March 31, 2010	22.44	3
March 31, 2009	25.93	2
March 31, 2008	37.88	1
Weighted Average	26.18	
December 31, 2010	17.81	

Minimum return on total Net worth after Issue needed to maintain pre-issue EPS at ₹ [●] is [●] %.

6. Return on Net Worth (RoNW) - Consolidated

Year	RoNW (%)	Weights
March 31, 2010	20.95	3
March 31, 2009	25.87	2
March 31, 2008	37.88	1
Weighted Average	25.41	
December 31, 2010	17.30	

Minimum return on total Net worth after Issue needed to maintain pre-issue EPS at ₹ [●] is [●] %.

7. Net Asset Value (NAV) per share - Standalone

Particulars	NAV (₹)
As at March 31 st , 2010	16.61
After Issue at issue price (floor Price)	[●]
After Issue at issue price (Cap Price)	[●]
Issue Price per Equity Share	[●]

8. Net Asset Value (NAV) per share - Consolidated

Particulars	NAV (₹)
As at March 31 st , 2010	16.33
After Issue at issue price (floor Price)	[●]
After Issue at issue price (Cap Price)	[●]
Issue Price per Equity Share	[●]

Comparison of accounting ratios with peer group

Our Company is primarily engaged in the business of non-automotive forging. There is no strictly comparable listed company having a similar business model. However, we have chosen the companies which we believe are our peers in the segment in which we operate:

Name of the Company	Diluted EPS (₹)	P/E Ratio	RoNW % #	NAV per share (₹) #
Sanghvi Forging and Engineering Ltd.*	3.42	[●] **	20.95	16.33
Bharat Forge Limited	5.71	63.05	8.40	77.60
M M Forgings Limited	8.63	15.18	10.50	86.00
Ramkrishna Forgings Limited	7.01	15.13	9.80	77.10

*Earning Per Share, Return on Networth and Net Asset Value of our Company are based on the last audited restated consolidated financial statements for the Financial Year ended March 31, 2010.

** Based on the Issue Price to be determined on conclusion of book building process and the basic/diluted EPS of our Company.

For Peer group companies the EPS figures are based on the consolidated audited results for the year ended March 31, 2010 and P/E ratio is based on the consolidated Diluted EPS for the financial year ended March 31, 2010 and Market Price (BSE) as on April 13, 2011.

Source: Capital Market Volume XXVI/03 dated April 04 – April 17, 2011, Page No.33 in the category 'Castings & Forgings'

Issue Price of ₹ [•] is [•] times of the face value at the lower end of the price band and [•] times of the face value at the higher end of the price band.

The Issue Price of ₹ [●] is determined by our company in consultation with the BRLM on the basis of demand from investors for the equity shares through the Book Building process and is justified in view of the above qualitative and quantitative parameters. Prospective investors should also review the entire DRHP, including, in particular the sections titled “Risk Factors”, “Business Overview” and “Financial Information” appearing on page nos. XIII, 74 and 124 respectively to have a more informed view.

STATEMENT OF TAX BENEFITS

To,
The Board of Directors,
Sanghvi Forgings & Engineering Limited,
Parvati Chambers,
Pratapnagar,
Vadodara 390001

Dear Sirs,

Sub: Statement of Possible Tax Benefits available to the company and its shareholders

We refer to the proposed Initial Public Offer of Sanghvi Forgings & Engineering Limited (the “Company”) and hereby report that the enclosed annexure, states the possible tax benefits that may be available to the Company and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and Wealth Tax Act, 1957 presently in force in India as of date.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil. The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. The preparation of the contents stated is the responsibility of the Company’s management. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Further, we have also incorporated the amendments brought out by the Finance Act, 2011, where applicable.

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

The Company or its shareholders will continue to obtain these benefits in future; or
The conditions prescribed for availing the benefits have been/ would be met with;
The revenue authorities/ courts will concur with the views expressed herein.

Our views are based on the existing provisions of law and its interpretations, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes. The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in the preparation of this statement, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it. This report is intended solely for information and for the inclusion in the offer document in connection with the proposed initial public offer of the equity shares of the Company to the public and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For and on behalf of
Shah & Bhandari
Chartered Accountants
Firm Registration No: 118852W

Yogesh Bhandari
Partner
Membership No. 46255
Vadodara, dated 13th April, 2011

Annexure

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

Under the Income-tax Act, 1961 (“the IT Act”):

A) SPECIAL TAX BENEFITS:

As per the existing provisions of the IT Act and other laws as applicable for the time being in force, the Company and its share holders will not be entitled to any special Tax Benefit under any law.

B) GENERAL TAX BENEFITS:

To the Company:

1. Tax Rates:
The corporate tax rate shall be 30% (plus applicable surcharge, education cess and secondary and higher education cess).
2. Tax under Section 115JB:
The Company is liable to pay income tax at the rate of 18.5% (plus applicable surcharge, education cess and secondary and higher education cess) on the Book Profit as per the provisions of Section 115JB if the total tax payable as computed under the IT Act is less than 18.5% of its Book Profit as computed under the said Section.
3. Credit of Minimum Alternate Tax (‘MAT’) under Section 115JAA (1A):
Under Section 115JAA (1A) credit shall be allowed of any MAT paid under Section 115JB of the I.T. Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the I.T. Act. However, no interest shall be payable on the tax credit under this subsection. Such MAT credit shall be available for set-off up to 10 years succeeding the year in which the MAT credit initially arose.
4. Dividend Income:

Dividend income (interim or final) received from a domestic company is exempt from tax in the hands of the resident shareholders. Thus the dividend income received by SFEL from investments made in any domestic company will be exempt in its hands [section 10(34) of the Act read with section 115O].
5. Income from Units:
Income received in respect of the units of mutual fund specified under clause 10(23D) or income received in respect of units from administrator of the specified undertakings or income received in respect of units from the specified company is exempt from tax in the hands of the Company, under Section 10(35) of IT Act. However, this exemption does not apply to any income arising from transfer of units to the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.
6. Amortisation of Preliminary Expenses under Section 35D:
The Company may be entitled to amortise, over a period of five years, all expenditures in connection with the proposed public issue subject to overall limit specified in the Section.
7. Depreciation:
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.
8. Capital Gains:

8.1 Exemption under Section 10(38):

If the Company invests in the equity shares of another company, as per the provisions of Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income if the transaction is chargeable to securities transaction tax.

8.2 Exemption under Section 54EC:

As per the provisions of section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the IT Act) would not be chargeable to tax to the extent such capital gains are invested up to ₹ 50 lakhs during any financial year in certain notified bonds within 6 months from the date of transfer. The investment in such bonds would need to be retained for a period of 3 years from the date of acquisition.

8.3. Tax Rate under Section 111A:

Short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge, education cess and secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

8.4. Tax Rate under Section 112:

In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:

a) 20 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed after indexation of the cost.

Or

b) 10 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed without indexation.

9. Carry forward of unabsorbed business loss and unabsorbed depreciation:

Any unabsorbed business loss is allowed to be carried forward for a period of eight assessment years; and under Section 32(2) any unabsorbed depreciation is allowed to be carried forward indefinitely.

10. Income from Power Generation & Distribution:

Under Sec 80 IA (4), 100% tax deduction is available to an undertaking engaged in generation or generation and distribution of power; if it begins to generate power at any time beginning on the 1st day of April 1993 and ending on 31st day of March 2012 for a period of consecutive 10 years out of 15 years on the profit derived from generating electricity activity by the company.

11. Relief from Double Taxation

In terms of section 90 / 91 of the IT Act and depending upon the Double Taxation Avoidance Agreement signed between India and the country with which the company does business with, India allows as a credit from the tax on the income of the company.

To Resident Shareholders:

1. Dividend Income:

Any income by way of dividends (whether interim or final) referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.

2. Capital Gains:

2.1 Computation of Capital Gains under Section 48:

Section 48 prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to Section 48 of the IT Act, in respect of long term capital gains (i.e. shares held for a period exceeding 12 months) from transfer of shares of Indian Company, it permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement,

which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

2.2. Exemption under Section 54EC:

As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested up to Rs 50 lakhs during any financial year in certain notified bonds within 6 months from the date of transfer. The investment in such bonds would need to be retained for a period of 3 years from the date of acquisition.

2.3 Exemption under Section 10(38):

Any income arising from transfer of a long term capital asset being an equity share in a Company is not includible in the total income, if the transaction is chargeable to securities transaction tax.

2.4. Exemption under Section 54F:

Subject to the conditions specified in Section 54F, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares is used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer. If only part of the net consideration is so reinvested, the exemption available shall be in the same proportion as the cost of the new asset bears to the net consideration. If new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

2.5. Tax Rate under Section 111A:

Short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge, education cess and secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

2.6. Tax Rate under Section 112:

In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:

a) 20 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed after indexation of the cost.

Or

b) 10 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed without indexation.

3. Under Section 56(2) (vii):

Where an individual or a Hindu undivided family receives from any person on or after the 1st day of October, 2009, any property, other than immovable property (which includes shares & securities [being capital asset of the assessee]),

(i) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property shall be chargeable to income-tax under the head Income from other sources;

(ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration shall be chargeable to income-tax under the head Income from other sources. Provided that this clause shall not apply to any property received:

(a) from any relative; or

(b) on the occasion of the marriage of the individual; or

(c) under a will or by way of inheritance; or

(d) in contemplation of death of the payer or donor, as the case may be; or

- (e) from any local authority as defined in the Explanation to clause (20) of Section 10 of the IT Act; or
 - (f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of Section 10 of the IT Act; or
 - (g) from any trust or institution registered under Section 12AA of the IT Act.
- For this purpose, 'relative' means
- (i) spouse of the individual;
 - (ii) brother or sister of the individual;
 - (iii) brother or sister of the spouse of the individual;
 - (iv) brother or sister of either of the parents of the individual;
 - (v) any lineal ascendant or descendant of the individual;
 - (vi) any lineal ascendant or descendant of the spouse of the individual;
 - (vii) spouse of the person referred to in clauses (ii) to (vi);

4. Set off of losses under Section 74:

Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

5. Securities Transaction Tax (STT) allowed as deductible expenditure:

In computing the business income, an amount equal to STT paid in respect of taxable securities transactions entered into in the course of business will be allowed as a deductible expense, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and Gains of Business or Profession' (section 36 (xv) of the Act).

To Non Resident Indian Shareholders:

1. Dividend Income:

Any income by way of dividends (whether interim or final) referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.

2. Capital Gains:

2.1 Under Section 48:

Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.

2.2. Exemption under Section 54EC:

As per the provisions of section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the IT Act) would not be chargeable to tax to the extent such capital gains are invested up to Rs 50 lakhs during any financial year in certain notified bonds within 6 months from the date of transfer. The investment in such bonds would need to be retained for a period of 3 years from the date of acquisition.

2.3. Exemption under Section 54F:

Subject to the conditions specified in Section 54F, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares is used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer. If only part of the net consideration is so reinvested, the exemption available shall be in the same proportion as the cost of the new asset bears to the net consideration. If new residential house is transferred within a period of three years from the date of purchase or construction, the amount of

capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

2.4. Exemption under Section 10(38):

Any income arising from transfer of a long term capital asset being an equity share in a Company is not includible in the total income, if the transaction is chargeable to securities transaction tax.

2.5. Tax Rate under Section 111A:

Short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge, education cess and secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

2.6. Tax Rate under Section 112:

In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:

a) 20 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed after indexation of the cost.

Or

b) 10 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed without indexation.

However, as per second proviso of Section 48, benefit of indexation is not available to Non Residents.

3. Under Section 56(2) (vii):

Where an individual or a Hindu undivided family receives from any person on or after the 1st day of October, 2009, any property, other than immovable property (which includes shares & securities [being capital asset of the assessee]),

(i) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property shall be chargeable to income-tax under the head Income from other sources;

(ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration shall be chargeable to income-tax under the head Income from other sources. Provided that this clause shall not apply to any property received

(a) from any relative; or

(b) on the occasion of the marriage of the individual; or

(c) under a will or by way of inheritance; or

(d) in contemplation of death of the payer or donor, as the case may be; or

(e) from any local authority as defined in the Explanation to clause (20) of Section 10 of the IT Act; or

(f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of Section 10 of the IT Act; or

(g) from any trust or institution registered under Section 12AA of the IT Act. For this purpose, ‘relative’ means

(i) spouse of the individual;

(ii) brother or sister of the individual;

(iii) brother or sister of the spouse of the individual;

(iv) brother or sister of either of the parents of the individual;

(v) any lineal ascendant or descendant of the individual;

(vi) any lineal ascendant or descendant of the spouse of the individual;

(vii) spouse of the person referred to in clauses (ii) to (vi);

4. Set off of losses under Section 74:

Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' Long term capital gains.

5. Benefit under Section 90(2):

The Non Resident Indian shareholder has an option to be governed by the provisions of the tax treaty, if they were beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country.

6. STT as deductible expenditure:

In computing the business income, an amount equal to STT paid in respect of taxable securities transactions entered into in the course of business will be allowed as a deductible expense, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and Gains of Business or Profession' (section 36 (xv) of the IT Act).

7. A Non Resident Indian has the option to be governed by the provisions of Chapter XII – A of the IT Act, according to which:

A. Under Section 115E:

Where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge, education cess and secondary and higher education cess). Also, where shares in the Company are subscribed for in convertible foreign exchange by a Non-Resident India, long term capital gains arising to the non-resident Indian shall be taxed at a concessional rate of 10 percent (plus applicable surcharge, education cess and secondary and higher education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.

B. Under provisions of Section 115F:

Long term capital gains (in cases not covered under Section 10(38) of the IT Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under Section 115E of the IT Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in Section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

C. Under provisions of Section 115G:

It shall not be necessary for a Non-Resident Indian to furnish his return of income under Section 139(1) if his income chargeable under the IT Act consists of only investment income or long term capital gains or both; arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from as per the provisions of Chapter XVII-B of the IT Act.

D. Under Section 115 H:

Where Non Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII – A shall continue to apply to him in relation to such investment income derived from the specified assets for the year and subsequent assessment years until such assets are converted into money.

E. Under Section 115-I:

A non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income under Section 139 of the IT Act declaring therein that the provisions of this 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, instead the other provisions of the IT Act shall apply.

To Other Non Resident Shareholders:

1. Dividend Income:

Any income by way of dividends (whether interim or final) referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.

2. Capital Gains:

2.1 Under Section 48:

Capital Gains arising out of transfer of capital asset being shares in the company, and such transaction is not chargeable to securities transaction tax, shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilized in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gain shall be applicable in respect of capital gains accruing / arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Company.

2.2. Exemption under Section 54EC:

As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested up to Rs 50 lakhs during any financial year in certain notified bonds within 6 months from the date of transfer. The investment in such bonds would need to be retained for a period of 3 years from the date of acquisition.

2.3. Exemption under Section 54F:

Subject to the conditions specified under Section 54F, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of the new asset bears to the net consideration. However, in case the new asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted (earlier) shall be chargeable to tax during the year such transfer or conversion.

2.4. Exemption under Section 10(38):

Any income arising from the transfer of a long term capital asset being an equity share in a Company is not includible in the total income, if the transaction is chargeable to securities transaction tax.

2.5. Tax Rate under Section 111A:

Short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge, education cess and secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

2.6. Tax Rate under Section 112:

In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:

a) 20 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed after indexation of the cost.

Or

b) 10 percent (plus applicable surcharge, education cess and secondary and higher education cess) of the capital gains as computed without indexation. However, as per second proviso of Section 48, benefit of indexation is not available to Non Residents.

3. Benefit under Section 90(2):

Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the Non Resident would prevail over the provisions of the IT Act to the extent they are more beneficial to the Non Resident.

4. STT as deductible expenditure:

In computing the business income, an amount equal to STT paid in respect of taxable securities transactions entered into in the course of business will be allowed as a deductible expense, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and Gains of Business or Profession' (section 36 (xv) of the Act).

To Mutual funds

Benefit under Section 10(23D):

Mutual Funds registered under the Securities and Exchange Board of India or regulations made there under or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

To Foreign institutional investors ('FIIs')

1. Dividend Income:

Any income by way of dividends (whether interim or final) referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.

2. Capital Gains:

2.1 Exemption under Section 54EC:

As per the provisions of section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested up to Rs 50 lakhs during any financial year in certain notified bonds within 6 months from the date of transfer. The investment in such bonds would need to be retained for a period of 3 years from the date of acquisition.

2.2 Short-term capital gains from transfer of equity shares are taxed at the rate 15% (plus applicable surcharge and education cess) provided the transaction for sale of such equity shares is subject to STT [section 111A of the Act].

2.3 Long term Capital gains arising from transfer of shares [other than those covered by section 10(38)], are taxed at the rate of 10% (plus applicable surcharge and education cess). The benefits of indexation and foreign currency fluctuation protection as provided under section 48 of the Act are not available to FIIs. [section 115AD of the Act]

2.4. Exemption under Section 10(38):

Any income arising from the transfer of a long term capital asset being an equity share in a Company is not includible in the total income, if the transaction is chargeable to securities transaction tax.

3. Benefit under Section 90(2):

Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act to the extent they are more beneficial to the FII.

4. STT as deductible expenditure:

In computing the business income, an amount equal to STT paid in respect of taxable securities transactions entered into in the course of business will be allowed as a deductible expense, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and Gains of Business or Profession' (section 36 (xv) of the Act).

To venture capital companies/ funds

Exemption under Section 10(23FB):

Any income of Venture Capital companies/ Funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per Section 115U of the IT Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

Under The Wealth Tax Act, 1957:

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

Notes:

- *The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;*
- *The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws, including as laid down by the circular 4/2007 dated 15th June 2007 issued by CBDT concerning capital gain, for availing concessions in relation to capital gains tax;*
- *This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;*
- *In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and*
- *The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.*

SECTION VI - ABOUT US

INDUSTRY OVERVIEW

The information in this section has been extracted from various government publications and industry sources. Neither we nor any other person connected with the Issue have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. The source of information in this section is mentioned at relevant places.

Global Economy

The multi-speed recovery in the global economy that was observed in the first half of 2010 became more entrenched in the second half, as the advanced economies faced greater uncertainty while the emerging market economies (EMEs) experienced consolidation of growth around trend. The advanced economies which faced the prospect of double dip recession have in fact outperformed GDP growth forecasts made a year ago.

Growth in world industrial production exhibited signs of deceleration after attaining a peak in May 2010, partly reflecting the base effect (Figure 1). Trade activities, however, have sustained the momentum of a strong recovery, prompting the WTO in December 2010 to retain its September 2010 estimates for growth in merchandise trade volume at 13.5 per cent for 2010 (Figure 2). This high growth, however, needs to be seen against the low base that resulted from the sharp 12.2 per cent contraction experienced in 2009. In value terms, even after expanding by 23 per cent during the first three quarters of 2010, world merchandise trade remained below the peak level attained before the financial crisis. At 30 per cent, Asian exports increased at a significantly faster rate during the third quarter of 2010 on a year-on-year basis than the 18 per cent growth for world merchandise trade. With deficient domestic demand and high unemployment rate in advanced economies, protectionism remains a possible response, which could hinder overall global recovery.

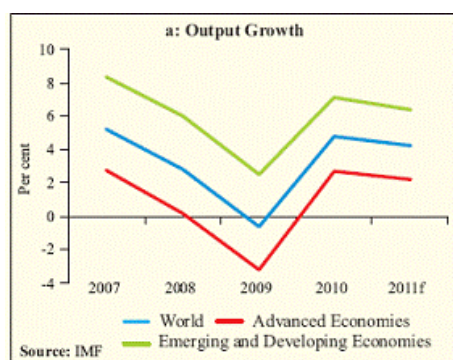


Figure 1



Figure 2

In December 2010, the ADB revised upward its assessment of growth of developing Asia to 8.5 per cent for 2010 from 8.2 per cent made in September, to reflect the robust expansion of the third quarter, mainly in Eastern and Central Asian countries. Recent data, however, point to some deceleration in economic activity and accordingly, real GDP growth for the region is projected at 7.3 per cent for 2011. IMF projections made in January 2011 also suggest real GDP growth of 7 per cent for 2011 for Asia, down from 8 per cent in 2010. Going forward, emerging inflationary pressures reflecting the shrinking output gap and firming global commodity prices could prompt monetary tightening. Sensitivity of capital inflows to such actions and policy options to deal with larger inflows that, at times, could be distortive, will complicate policy decisions.

(Source: RBI publication on External Economy dated January 24, 2011 from a RBI website publication from www.rbi.gov.in extracted as on April 13, 2011)

Global growth prospects have improved in recent weeks. The recovery in major advanced economies, which had weakened during Q2 of 2010, regained strength in Q3 of 2010. Real GDP growth in the US, which had moderated from 3.7 per cent in Q1 of 2010 to 1.7 per cent in Q2 of 2010, improved to 2.6 per cent in Q3. Corporate capital spending and retail sales in the US have improved. While uncertainty persists in the Euro

area and Japan, the baseline outlook for both is improving. Growth in EMEs has remained strong, supported largely by domestic demand. The 10-year benchmark US government securities yield increased from 2.4 per cent in early October 2010 to 3.4 per cent in mid-January 2011, indicating, among other things, rising inflationary expectations.

(Source: Third Quarter Review of Monetary Policy 2010-11: Reserve Bank of India from www.rbi.org.in extracted as on April 08, 2011)

Indian Economy

India is the world's largest democracy by the population size, and one of the fastest growing economies in the world.

For the fiscal 2009-10 India's economy grew by 7.4 percent which is an upward revision from earlier estimates of 7.2 percent due to higher-than-anticipated growth in agriculture, mining and manufacturing sectors. Despite global downturn, it has grown at an average rate of 7.10% per annum during the last three years. According to CIA World Factbook, India's estimated population was 1.16 billion people in July 2009. India had an estimated GDP of approximately US\$ 3,548.0 billion in 2009, which makes it the fourth largest economy in the world after the United States of America, China and Japan, in purchasing power parity terms.

Real GDP in India increased by 8.9 per cent during the first half of 2010-11, reflecting strong domestic demand, especially private consumption and investment, and improving external demand. Although on a cumulative basis, the IIP grew by 9.5 per cent during April-November 2010, it has been volatile in the current financial year with growth rates ranging between 2.7 per cent and 16.6 per cent. Overall, robust corporate sales, large indirect tax collections, advance tax payments and leading indicators of service sector activity suggest persistence of the growth momentum

On the other hand, the latest quarterly Industrial Outlook Survey conducted by the Reserve Bank during October-December 2010 indicates a marginal moderation in overall business expectations during January-March 2011 from their high level in the previous quarter. The Reserve Bank's order book, inventories and capacity utilisation survey for July-September 2010 showed a marginal improvement in capacity utilisation in Q2 of 2010-11, while the HSBC Purchasing Managers' Index (PMI) showed some moderation in the pace of manufacturing sector expansion in December 2010.

(Source: Third Quarter Review of Monetary Policy 2010-11: Reserve Bank of India from www.rbi.org.in extracted as on April 08, 2011)

The Government of India's Eleventh Five Year Plan, which covers the period from 2007 to 2012, aims to achieve a sustainable growth rate of 9.0% with emphasis on a broad-based and inclusive approach that would improve the quality of life and reduce disparities across regions and communities.

(Source: Government of India, Eleventh Five Year Plan 2007-2012, Volume I, extracted as on September 29, 2010)

Indian Forging Industry

The Indian Forging industry has now emerged as a major contributor to the manufacturing sector of the Indian economy. Forging industry is a basic industry and such industries tend to grow in a country in relation to the rate of growth of its GDP. As far as India is concerned, we expect our GDP to continue to grow at a higher pace and therefore, the basic industries will grow and so will the forging industry. Along with automotive sector, non-automotive sectors also have shown positive growth rate during past 2 years. Opportunities for exports are huge in forging industry. An increasing number of companies from all over the world are coming to India to procure components and products. Hence the optimism that the forging industry will continue to grow and do well in the immediate future.

The composition of the Indian forging industry can be categorized into four sectors- large, medium, small and tiny. By and large, the Indian forging industry (an important segment of the Indian auto component industry) still remains highly fragmented, with around 400 units (out of which only 9 -10 are large units scattered all over India). These SMEs form the backbone of the industry. The organized sector accounts for about 65-70% of the total forging production in the country, while unorganized players (who are mainly small and tiny units)

cater mainly to job work and the replacement market or tier 3 or tier 4 component manufacturers. The trend has been to cater to or set up base in global markets. Indian forging companies like Amtek Auto, Bharat Forge, Sundram Fasteners and some others have setup bases through M&A s in other emerging economies to establish themselves as low cost suppliers.

The industry was previously more labour intensive. It is closely estimated that the industry provides employment (direct and indirect) to about 200,000 people. More than around 65% of the companies in the forging employ less than 200 people. Now with increasing globalization, the industry is becoming more capital intensive. However, the high cost of capital (technology) still remains a major constraint facing the forging industry (especially the SMEs). The total investment in the large and medium sectors is estimated to be around US \$ 700 million. The small scale units too are increasing their capital investment to keep pace with increasing demand in the global markets as also to broaden the areas of demand for forgings.

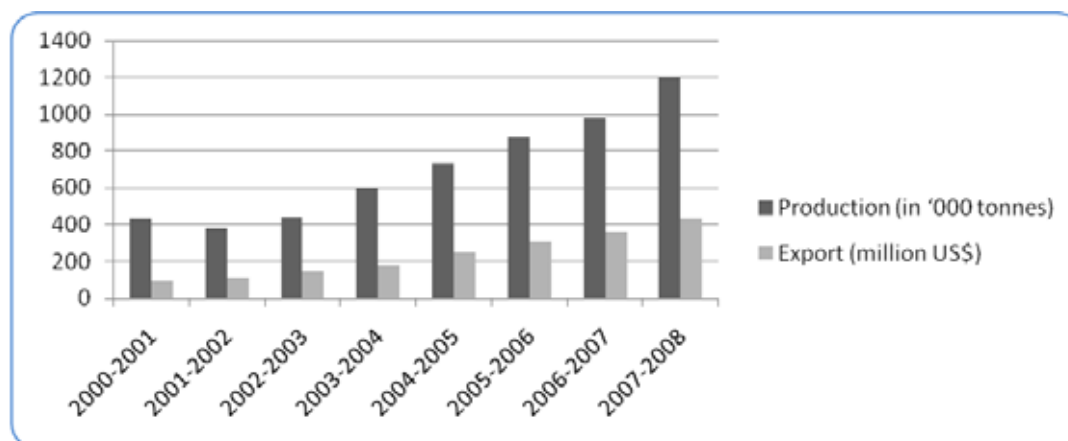
(Sources: *The Indian Forging Industry–A Profile*, AIFI, website www.indianforging.com extracted as on September 29, 2010)

Performance of Forging Industry

The Indian Forging industry has been growing at a CAGR of 29% from 2003 onwards, and on an average exports contribute around 10-15% of the industry's production. The capacity of the industry is estimated to be around 1.5 million tonnes and the industry currently operates around 70% capacity utilization producing around 1.0 -1.2 million tonnes of forgings. During the year 2007-2008, the overall production of forgings increased to about 1.2 million tonnes, the capacity utilization did not improve as much as in the previous year. In the previous year the industry could utilize about 65 per cent of the additional capacity created. In the year 2007-08, the average capacity utilization in the industry stood at about 70%.

India exported forgings whose value is estimated at around US\$ 472 million in 2007-08. Technological developments have also contributed to export growth. The industry's major markets are USA, Europe and China. However, only about 30-35 manufacturing units are currently contributing to exports directly. On the domestic front many Indian forging companies have posted moderately good results in 2007-08.

Forging industry tends to grow in a country in relation to the growth rate of its GDP and its automotive industry. The Indian forging industry showed a robust growth in the period between the year ended March 31, 2001 and the year ended March 31, 2008, with a CAGR of 15.6%. During the same period, export sales grew at a CAGR of 25.1%. Details of the forging production and export in India in the stated period are shown in the table below:



(Sources: *The Indian Forging Industry–A Profile*, AIFI, website www.indianforging.com extracted as on September 29, 2010)

Key challenges/Issues

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

Domestic:

- Volatile international and domestic prices of forging quality steel
- Compliance with stringent environment norms.
- Inadequate backward/forward linkages.

- Difficulties associated with consolidation of capacities.
- High attrition rate, especially at the senior management level.
- High interest rates.

Exports:

- Impact of the volatile foreign exchange rates.
- Reluctance of the overseas buyers to compensate for the increased input cost in India
- Inadequate investment in technology upgradation.
- Cost competitiveness adversely affected due to constant cost escalation.

(Sources: *The Indian Forging Industry—A Profile*, AIFI, website www.indianforging.com extracted as on September 29, 2010)

Forging Industry for Non-Automotive Sectors

Our company has made a conscious decision to focus on non-automotive sector as our major business strategy. We are manufacturing products for non-automotive sectors and we believe that, positive outlook of different user sectors, will drive the growth of forging industry for non-automotive sectors and also the growth of our company. Our new project will have the capacity to manufacture products for various sectors which includes, Oil & Gas, Power sector – thermal, hydro and nuclear power, wind power, chemical & petro-chemical, heavy fabrication (OEMs), ship building, defence, general engineering and aerospace.

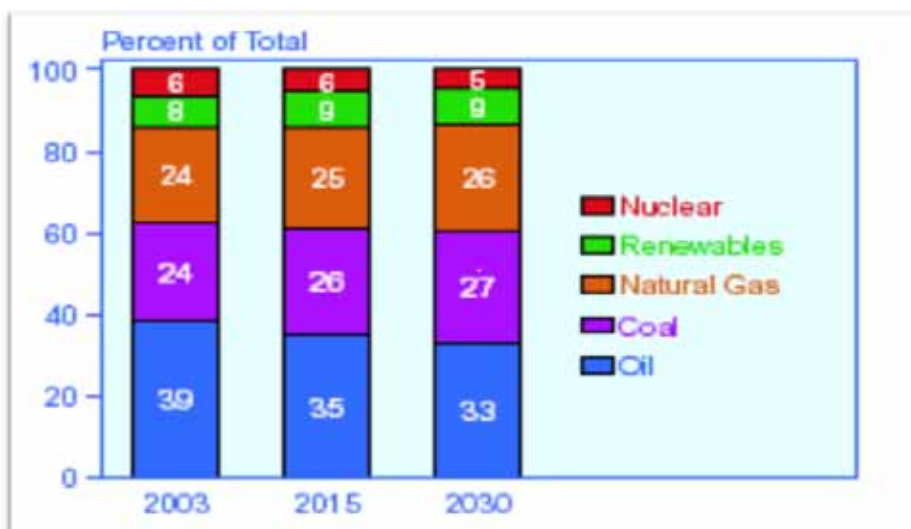
The major opportunities for non-automotive forgings are in the following Industries

- ❖ Oil and Gas
- ❖ Power – Thermal, Hydro and Nuclear
- ❖ Ship Building
- ❖ Aerospace & Defence

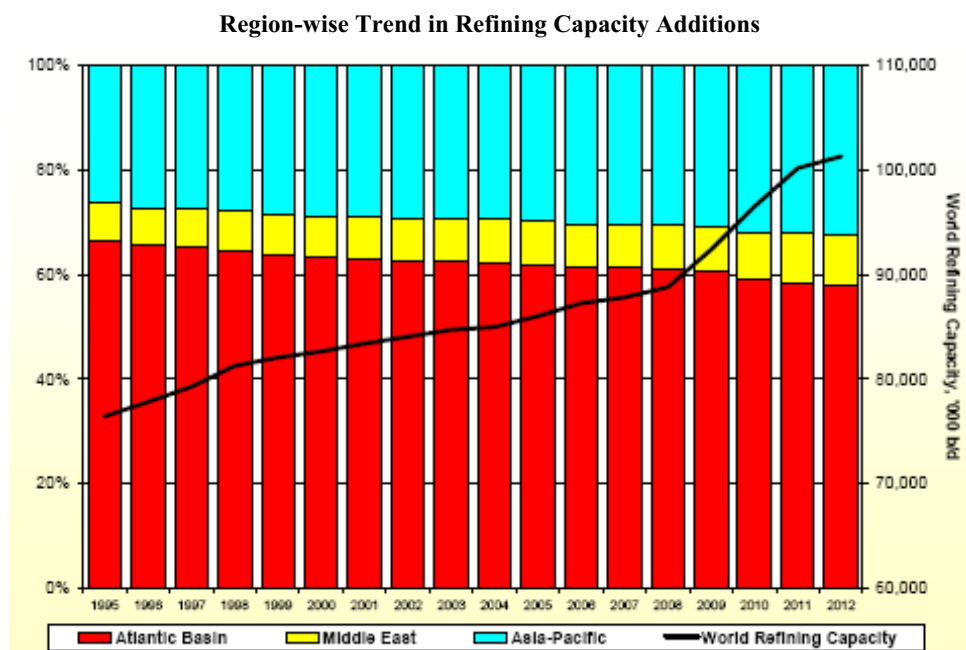
Oil and Gas

Efficient, reliable and competitively priced energy supplies are prerequisites for accelerating economic growth. For any developing country, the strategy for energy development is an integral part of the overall economic strategy. Realisation of high economic growth aspirations by the country in the coming decades, calls for rapid development of the energy market.

India meets nearly 30 percent of its total energy requirements through imports. With the increase in share of hydrocarbons in the energy supply/use, this share of imported energy is expected to increase. Projected global oil consumption is expected to register a substantial growth over the present levels. High oil and gas prices have prompted increased investments in the exploration and production (E&P) sector posing new challenges for the sector in the form of increased cost of operations due to high service costs, exposure to logistically difficult terrain and shortage of technical manpower. World oil use is expected to grow from about 80 million barrels per day (mbpd) in 2003 to 98 mbpd in 2015 and 118 mbpd in 2030 as per Energy Information Administration (EIA), International Energy Outlook (IEO) 2006.



Global refinery scenario particularly that of Asia is turning attractive. In Europe, there has been no substantive addition in the refining capacities. At a number of places refineries are being closed down because of environmental concerns and uneconomic size. In the US, refining capacity has increased marginally. In Central Asia, the refineries are old and require a huge dose of investment. The only area, which has seen a spurt in refining capacity, is the Middle East, India and China. The average annual growth rate of refining capacity in the last one decade in the world is 1.2 percent. Most of this capacity addition has been in Asia-Pacific region, which contributed about 56 percent of the capacity addition.



Natural gas, accounting for 24 percent of the total global primary energy supply, is the third largest contributor to the global energy basket. Natural gas consumption is expected to increase at an average of 2.4 percent per year from 2003 to 2030 as per EIA, IEO 2006.

Integration of Global Gas Markets has by far been the most significant development during the period 2002-07. LNG has been one of the key drivers of this integration. With an almost 75 percent increase in liquefaction capacities from 87 MMTPA to more than 150 MMTPA over the past 10 years, the share of LNG in global gas trade has grown from 14 percent to 26 percent.

Asia today accounts for 70 percent of the total LNG trade; Japan and Korea are meeting their entire gas requirement through imports. Natural gas accounts for 3 percent of China's primary energy consumption and 9 percent of that of India. These two countries today account for less than 3 percent of the global gas consumption. But, with greater integration of the natural gas markets at a global level, the share of natural gas consumption in China and India together is expected to account for more than 17 percent of the total global natural gas consumption by the year 2020 as has been reported in the Energy Intelligence Agency Global Energy Forecast 2004. The structure of primary energy consumption in India shows that coal (51 percent) dominates as the major energy source. Hydrocarbons (45 percent) is the next available energy provider of the nation. Natural gas is fast emerging as an alternative; it meets around 9 percent of the primary energy needs. Considering the global trend of shift in energy mix from oil to gas, the share of gas in consumption pattern, in the Indian context, is also likely to increase gradually in the days to come. Cross-country pipeline networks, preferred as a cost-effective, energy-efficient, safe and environment friendly mode for transportation of crude oil and petroleum products, have been playing a vital role in meeting India's energy demand. They are now a key constituent of the country's infrastructure, transporting crude oil from import terminals as well as domestic sources to inland refineries, and finished products from refineries to major consumption centres.

Creating sustainable transportation system through cross-country pipeline in the next few decades with the objective of preserving environment and protecting human health and safety would be the great challenge for the petroleum industry. As on 1.4.2006 India has around 7,696 km of product pipeline in the country with total

capacity of around 55.58 MMTPA. In addition there are 1850 km of LPG pipelines with a capacity of 3.83 MMTPA. During 2005-06, capacity utilization of product pipeline in the country was around 60 percent only. The share of product movement through pipeline was only 32 percent of total POL (Petroleum Oil and Lubricants) consumption as compared to more than 62 percent in developed countries.

Projected high domestic demand for petroleum products is expected to push investments into the refining sector. India, with 18 refineries, currently has a surplus refining capacity which has placed India amongst net petroleum product exporter countries. The Government is seriously considering promoting India as a competitive refining destination to service export market for petroleum products as also integrating it with the petrochemical and chemicals businesses to produce and export higher revenue generating value added products.

Major Thrust Areas for the Petroleum and Natural Gas Sector

Exploration & Production

- Increasing domestic production by attracting investments, both private and public, in the upstream sector. This needs to be attempted by involving industry participants in formulating an investor friendly E&P investment regime.
- Taking all steps to increase the production from ONGC's (Oil and Natural Gas Corporation) assets including their maturing field.

Refining

- Equipping domestic refining industry both existing and planned to successfully meet the challenge of producing fuels complying with prescribed environment friendly specifications which are increasingly becoming stringent.
- Promoting India as a competitive and economically viable refining destination to service both the domestic as well as the export market.

Pipelines

- Increasing the coverage of pipelines throughout the country.
- Leveraging the inherent advantages of using pipelines to transport products and enhancing the pipeline infrastructure in product pipelines.
- Building a sound gas transportation infrastructure to support the projected growth of the gas market. Setting up of a regulator under the Petroleum and Natural Gas Regulatory Board Act, 2006 (PNGRB Act 2006) to regulate the downstream oil and gas sector, including gas infrastructure, is expected to provide clarity and comfort to investors interested in India's gas transportation sector.

(Source: Report of GoI's Working Group on Petroleum & Natural Gas Sector for the XI Plan-2007-2012 extracted as on September 29, 2010)

The global scenario and planned and proposed actions of Government is expected to attract large scale investment in exploration, refining and distribution of Oil and Gas (through pipe lines). This would lead to increase in demand for various engineering and capital goods requirements for setting up the necessary infrastructure. The demand capital goods production will entail demand for its components including various forging products.

Forging components for Oil & Gas Industry includes the followings:

1. Flanges
2. Forged Shells
3. Nozzles
4. Tube Sheets/Disks

5. Valve Bodies
6. Wellhead forging
7. Customised OEM components.

Power

The 10th Five Year Plan had a total capacity addition target of 41,110 MW comprising 14,393 MW hydro, 25,417 MW thermal and 1,300 MW. However, capacity addition of 17,995 MW has been achieved during 10th Plan till 31/12/06.

As per the Integrated Energy Policy (IEP), issued by the Planning Commission, GDP growth rates of 8%-9% have been projected during the 11th Plan. During eleventh plan of planning commission, Assuming a higher growth rate of 9% and assuming the higher elasticity projected by the IEP of around 1.0, electrical energy generation would be required to grow at 9% p.a. during the 11th plan period. Also generation has to be collectively met by utilities, captive plants and Non-conventional energy sources. The following points should be noted about power sector:

1. For hydro projects, a capacity addition of 15, 585 MW is envisaged for 11th Plan.
2. Capacity addition of 3,160 MW nuclear plants has been programmed during the 11th Plan by the Nuclear Power Corporation of India Limited. In view of the recent developments in the Nuclear Sector, capacity addition in nuclear plants during 12th Plan is expected to be much higher.
3. The working group of planning commission for Power sector has recommended generation planning based on growth of energy generation requirement of 9.5%.
4. Based on the preparedness of the projects, it was envisaged that a capacity of about 68,869 MW is feasible for addition during 11th plan period.
5. Out of feasible capacity addition of 68,869 MW, projects totaling to 31,345 MW are already under construction and the balance projects totaling to 37,524 MW have been committed for implementation by the concerned generating companies during the 11th Plan.

The sector wise break-up of feasible capacity addition during 11th plan is given in Table below:

SECTOR	HYDRO	TOTAL THERMAL	THERMAL BREAKUP			NUCLEAR	TOTAL (%)
			COAL	LIGNITE	GAS/LNG		
CENTRAL	9685	23810	22060	1000	750	3160	36655 (53.2%)
STATE	2637	20352	19365	375	612	-	22989 (33.4%)
PRIVATE	3263	5962	5210	0	752	-	9225 (13.4%)
ALL-INDIA	15585	50124	46635	1375	2114	3160	68869 (100%)

During the 12th Plan period, assuming a GDP growth rate of 9% per annum and elasticity 0.8 as compared to 1.0 during 11th plan mainly due to adoption of energy efficient technologies & other Energy conservation and Demand Side Management measures being taken up during 11th Plan, electricity demand is likely to grow @ 7.2% p.a. Keeping this in view, the energy generation should increase to a level of 1470 BU by 2016-17 from a level of 1038 BU in 2011-12.

Sectoral Features

Hydro

India is duly concerned about climate change and efforts are on to promote benign sources of energy. Hydro Power is one such source and is to be accorded priority also from the consideration of energy security. Irrespective of size and nature of hydro projects, whether ROR or Storage projects, these are all renewable technologies. However, execution of hydro projects requires thorough Survey and Investigation, preparation of

DPR, development of infrastructure, EIA and other preparatory works, which are time consuming and require two to three years for their preparation. It would take about 5 years to execute a hydro project after the work is awarded for construction. Thus in order to achieve completion of a hydro project during 11th plan, the project should either be already under construction or execution should start at the beginning of the plan. Keeping in view the preparedness of various hydro projects, a capacity addition of 15, 585 MW is envisaged for 11th Plan.

Nuclear

Nuclear is environmentally benign source of energy and over a period of time, its proportion in total capacity should increase. Keeping in view the availability of fuel, a moderate capacity addition of 3,160 MW nuclear plants has been programmed during the 11th Plan by the Nuclear Power Corporation. All projects are presently under construction. However, in view of the recent developments in the Nuclear Sector, capacity addition in nuclear plants during 12th Plan is expected to be much higher. Recently, agreement has been signed with USA in respect of nuclear co-operation which is expected to improve the supply of nuclear fuel for nuclear power plants. It is also expected that execution of nuclear projects will also be opened up to enable participation by other PSUs and private sector. The effect of this is likely to be visible in 12th Plan period. Nuclear Power Corporation of India has indicated a capacity addition of about 11,000 MW during 12th plan. In addition, NTPC have also expressed their intention to enter into the nuclear power arena and have proposed an addition of 2,000 MW during 12th plan period.

Status of NPCIL's projects under construction

Project	Capacity (MWe)	Expected Commercial Operation
KUDANKULAM ATOMIC POWER PROJECT	2 x 1000	Unit 1 – Mar-2011 Unit 2 – Dec-2011
RAJASTHAN ATOMIC POWER PROJECT	2 x 700	Unit 7 – Jun-2016 Unit 8 – Dec-2016
KAIGA ATOMIC POWER PROJECT	1 x 220	Unit 4 – Dec-2010
KAKRAPAR ATOMIC POWER PROJECT	2 x 700	Unit 3 – Jun-2015 Unit 4 – Dec-2015

Gas

Although gas is relatively a clean fuel, at present there is uncertainty about the availability, period of availability and price of gas. Only 2,114 MW gas based capacity has been planned for 11th Plan where gas supply has already been tied up. This does not include NTPC's gas based projects at Kawas and Gandhar, totalling to 2,600 MW, for which NTPC says that it has the gas supply contract but the matter is sub-judice. However more gas based projects could be taken up for construction as and when there is more clarity about availability and price of gas.

Coal & Lignite based Thermal plants

Coal is expected to be main stay of power generation in the years to come. The following criteria have been adopted for identifying the coal and lignite based projects for inclusion in the 11th plan.

(Source: Report of GoI's Working Group on Power Sector for the XI Plan-2007-2012 and <http://www.npcil.nic.in> extracted as on September 29, 2010)

It is expected that the market for components involving a long manufacturing cycle, such as heavy forgings and those using special raw materials, is likely to open up first, followed by that for construction and engineering services, and lastly by that for turbine plant equipment, electrical plant, and other balance of plant equipment.

Forged component for power sector includes the followings:

1. Wind Mill Shafts.
2. Rotor Discs

3. Shafts for Electrical Motors
4. Rotors for Generators
5. Steam turbines shells
6. End fittings for Nuclear Reactor

Ship building

Shipping plays an important role in the transport sector of India's economy. Approximately, 95% of the country's Exim merchandise trade by volume (70% in terms of value) is moved by sea. India has one of the largest merchant shipping fleet among the developing countries and is ranked 20th in the world. Indian maritime sector facilitates not only transportation of national and international cargoes but also provides a variety of other services such as cargo handling services, shipbuilding and ship repairing, freight forwarding, light house facilities, training of marine personnel, etc

The draft policy for the Maritime Sector specifies increase in tonnage as the main objective in Shipping. Increase in tonnage for the growing economy is important for the following reasons:

- a) Freight Revenue remains within the Country
- b) National tonnage gives the negotiating power to control freight costs
- c) National tonnage spawns shore based services
- d) National Security Concerns

TARGET FOR 11TH FIVE YEAR PLAN

The Shipping Industry have presented three scenarios of 5-year tonnage growth targets as hereunder:

1st Target (10 million GT)

To achieve a target of 10 million GT (approx. 830 vessels based on existing tonnage per ship) at the end of next 5 years would involve further addition of 279 ships of 4.16 million GT to the Indian fleet over and above the new acquisitions/replacements of 560 ships of 4.67 million GT.

2nd Target (12 million GT)

To achieve a target of 12 million GT (approx. 955 vessels) at the end of next 5 years would involve further addition of 404 ships of 6.16 million GT to the Indian fleet over and above the new acquisitions/replacements of 560 ships of 4.67 million GT

3rd Target (15 million GT)

To achieve a target of 15 million GT (approx. 1160 vessels) at the end of next 5 years would involve further addition of 609 ships of 9.16 million GT to the Indian fleet over and above the new acquisitions/replacements of 560 ships of 4.67 million GT

INVESTMENT REQUIREMENTS

The investment required for this under the three scenarios referred to above is estimated to be as under:

- Target – 1: ₹ 35000 crores
- target – 2: ₹55000 crores
- target – 3: ₹80000 crores

The Shipping Corporation of India Ltd. has proposed to acquire 62 vessels of various categories during 11th Plan period. The SCI has proposed an outlay of ₹13,135 crores (₹3705 from IR and ₹9430 crore from EBR/ECB) for the ongoing and new schemes including the requirement for joint ventures. (Source: Report of GoI's Working Group on Shipping Sector for the XI Plan-2007-2012)

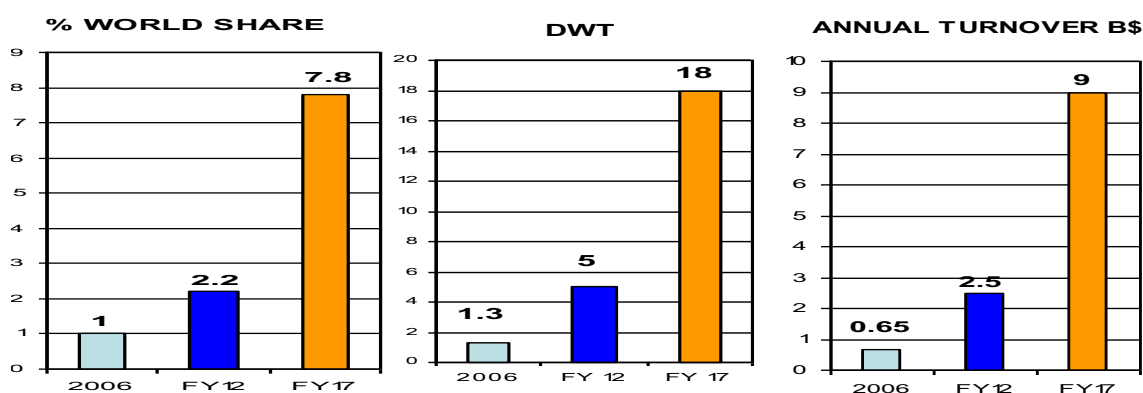
The Indian Shipbuilders Association (ISBA) has carried out an assessment of the **present and future growth trend of the industry** and are of the view that this industry can grow at a rate of more than 30% and this momentum can be maintained for the next 10 years to reach a level of XI Plan of 5 million DWT order book as against 1.3 million the X Plan. With this shipbuilding industry would also be able to achieve a world share of 2.2% and an annual turnover of ₹ 18,000 crores (2.5 Billion \$) in the last year of 11th Plan. It is expected

that by the time the shipbuilding industry matures by 2017 it would have attained more than 7.5% of global order book and will have a turnover of Rs 40,500 crs (9 billion \$).

Projected order book turnover

	2006-07	2007-12	2012-17
Order Book (Mn DWT)	1.3	5.00	18.00
Global Order Book (Mn DWT)	231.2	231.2*	231.2*
India's Share of Global Order book	0.4%	2.2%	7.8%
Delivery (Mn DWT)	0.65	2.50	9.00
Turnover (US\$ Billion)	0.65	2.50	9.00
Shipbuilding Industry % of GDP	0.04%	0.16%	0.27%
Total Employment	12,000	78,000	2,52,000

* The global order book is likely to decline after about 2010 onwards and in that event the global share will increase.



(Source: Report of working group for shipbuilding and ship-repair industry for eleventh year plan 2007-2012 published by GoI, Ministry of shipping, Road Transport & Highways date March 2007)

With the thrust of the government for increasing the indigenous tonnage capacity we believe that the market size of the forging components required in this sector will grow which will be beneficial for the non-automotive forging manufacturers.

The Following is the list of forging components used in shipping products:

1. Crank Shaft
2. Motor Shaft
3. Connecting Rod
4. Propeller Shaft
5. Pintle
6. Rudder Stock
7. Piston Crown

Aerospace and Defence

The Civil Aviation sector has undergone dramatic expansion during the Tenth Five Year Plan period. The rapid growth of the economy especially during the last four years has been accompanied by a sharp increase in the volume of air traffic. The Ministry of Civil Aviation has given “in-principle” approval for import of 496 aircraft and, in the next five years, more than 250 aircraft are likely to be acquired by the scheduled operators.

With a growth rate of 18 per cent per annum, the Indian aviation industry is one of the fastest growing aviation industries in the world. The government's open sky policy has led to many overseas players entering the market and the industry has been growing both in terms of players and number of aircrafts. Today, private airlines account for around 75 per cent share of the domestic aviation market. India has jumped to 9th position

in world's aviation market from 12th in 2006. The scheduled domestic air services are now available from 82 airports as against 75 in 2006. The Indian aviation sector is likely to see clear skies ahead in the years to come. Passenger traffic is projected to grow at a CAGR of over 15 per cent in the next 5 years. The Vision 2020 statement announced by the Ministry of Civil Aviation, envisages creating infrastructure to handle 280 million passengers by 2020. Investment opportunities of US\$ 110 billion envisaged up to 2020.

With a combined fleet strength of more than 110 aircraft, NACIL is the largest airline in India and compares favourably with other airlines in the Asian region such as Emirates (93), Singapore (118), and Malaysia (110). The company is in the process of a major fleet expansion and is acquiring 111 state-of-the-art aircraft for its fleet. Out of these, 3 Boeing 777-200LRs, 3 Boeing 777-300ER, 10 Boeing 737-800, 6 A319 and 5 A321 aircrafts have already been received. The remaining aircraft from Boeing and Airbus would be received between 2008 and 2011. The main objectives of the aviation sector as set out in the Eleventh Five Year Plan would be to provide world class infrastructure facilities, safe, reliable and affordable air services so as to encourage growth in passenger and cargo traffic, and air connectivity to remote and inaccessible parts of the country. Apart from developing major and green field airports, the modernization of Air Traffic Management is also envisaged.

(Source : Website on budget of Ministry of Finance, Government of India - <http://indiabudget.nic.in/> and website of Confederation of Indian Industries website- <http://www.cii.in> extracted as on September 29, 2010)

India is poised to become a large commercial and defence aircraft market. With rising passenger traffic and increasing military and defence expenditures, the demand for aircrafts is expected to increase. Boeing expects a demand of between 900 to 1,000 commercial aircraft worth USD100 billion approximately in the next 20 years. This also suggests that a significant portion of business opportunity could accrue to India, due to the associated offsets. The defence offset policy has been under implementation and a formal civil offset policy is also expected to follow shortly. The total spending in the next 5 years is expected to be between USD25 billion (assuming uniform demand) for commercial aircrafts and USD100 billion as defence expenditure. Out of the defence expenditure, approximately 15-20 percent (USD15-20 billion) is expected to be spent on military aircrafts. Assuming an offset of 30 percent for the civil sector too, the total offset opportunity for the aerospace sector is valued to be at least USD10-15 billion. As Indian manufacturing capabilities mature over the years, it is expected to capture a large share of this opportunity. The Indian aerospace industry is one of the fastest-growing aerospace markets in the world with an expanding consumer base comprising airlines, businesses and High Net Worth Individuals. The rapid growth of this industry has attracted major global aerospace companies to India. All segments in the aerospace industry, including civil and military aviation and space, are showing a significant level of growth. There are several factors driving growth in manufacturing in India's aerospace industry. These include both macro and micro factors - strong economic growth that has resulted in rapidly growing domestic aircraft demand, the liberalization of civil aviation policies, offset requirements, a strong domestic manufacturing base, cost advantages, a well-educated talent pool, the ability to leverage IT competitiveness and a liberal Special Economic Zones law that provides attractive fiscal benefits for developers and manufacturers. The challenges include access to technology, funding, poor availability and high cost of raw material and certification processes. As a support service to the aviation industry, the sector will grow with the industry. Additionally, the globalization of MRO services, manpower cost competitiveness, the availability of talent, locational advantages and the presence of specialist capabilities combine to make India a potential global/regional MRO hub. India's MRO segment is estimated to grow at 10 percent and reach USD1.17 billion by 2010 and USD2.6 billion by 2020.

(Source: website of Confederation of Indian Industries website- <http://www.cii.in> extracted as on September 29, 2010)

Defence

With a view to achieving self-reliance in the vital sector of Defence, the Department of Defence Production has been endeavouring to indigenise defence equipment wherever technologically feasible and economically viable. It has been a part of indigenisation effort to locate and develop broad-based indigenous supply sources both in the public sector as well as in the civil trade for many sophisticated and complex equipment. There has been a significant change in the role of private sector/civil trade in the field of indigenisation i.e., from the role of supplier of raw-materials, components, sub-systems, they have now become partners in the manufacture of complete defence equipment/ systems. The defence industry sector, which was so far reserved for the public sector, has now been opened up for participation by the Indian Private sector. The Indian companies are now eligible to apply for license to set up defence industry for manufacture of all types of defence equipment. Such companies can also have foreign direct investment, upto 26percent; of their equity. This is a watershed in the

history of Defence Production. Detailed guidelines have already been issued by the Department of Industrial Policy & Promotion (DIPP) in consultation with the Ministry of Defence setting out the modalities for consideration of applications for grant of license.

(Source: Website of Ministry of Defence Government of India -<http://www.mod.nic.in/> extracted as on September 29, 2010)

Defence Offset Clause:

- ❖ Procedure for implementing the Offset provisions was promulgated vide MoD ID No. 81/Director (Acq)/06 dated 10 May 06 and has been duly included as Appendix D to Defence Procurement Procedure (DPP) 2006. The offset clause would be applicable for all procurement proposals where indicative cost is above Rs 300 Crores and the schemes are categorized as 'Buy (Global)' involving outright purchase from foreign/Indian vendors and 'Buy and Make with Transfer of Technology' i.e. Purchase from foreign vendor followed by Licensed Production.
- ❖ For the purpose of defence purchases made under the DPP 2006, offset obligations shall be discharged directly by any combination of the following methods:
 - a) Direct purchase of, or executing export orders for, defence products and components manufactured by, or services provided by, Indian defence industries, i.e., Defence Public Sector Undertakings, the Ordnance Factory Board, and any private defence industry manufacturing these products or components under an industrial licence granted for such manufacture. For the purpose of defence offset, "services" will mean maintenance, overhaul, upgradation, life extension, engineering, design, testing, defence related software or quality assurance services.
 - b) Direct foreign investment in Indian defence industries for industrial infrastructure for services, co-development, joint ventures and co-production of defence products.
 - c) Direct foreign investment in Indian organisations engaged in research in defence R & D as certified by Defence Offset Facilitation Agency (DOFA).
- ❖ The offset obligations are to be fulfilled coterminous within the period of the main contract.
- ❖ All offset offers which satisfy the minimum eligibility conditions will be placed on par and no preference will be given for any extra amount offered.

(Source: Ministry of Defence- <http://mod.nic.in/DOFA.htm> extracted as on September 29, 2010)

It is expected that with growing GDP the aerospace and defence sector will provide huge investment opportunities over coming years which include fleet augmentation, replacement in aerospace sector and promoting indigenous procurement in defense supplies and benefits due to defense offset clause.

The Following is the list of forging components used in Aerospace and Defence products:

1. Gun Barrels
2. Valve Bodies
3. Missile and Torpedo components
4. Impeller Hubs

BUSINESS OVERVIEW

Our Business

We are manufacturer and exporter of forging products for the non-automotive sector. We have an installed capacity of 3600 MTPA for manufacturing of forged flanges and precision machined components (with single piece forging up to 4 MT) in the area of open and closed die forgings. We manufacture these products from carbon steel, alloy steel and stainless steel conforming to international standards. We operate from our existing plant based in Vadodara, Gujarat. Our registered office is located at Plot No. 244 /6-7 GIDC Industrial Estate, Waghodia-391760, District Vadodara which also houses our existing manufacturing unit. We also have an office located at A-8, Parvati Chamber, opposite Apsara Cinema, Pratapnagar Road., Vadodara – 390 004. We have been in this present business of manufacturing of forgings and machined components.

Mr. Babulal Sanghvi, our founder promoter alongwith his three sons, Mr. Jayanti B. Sanghvi, Mr. Naresh B. Sanghvi and Mr. Vikram B. Sanghvi are our present Promoters. They have between themselves, in-depth knowledge and good experience in the forging industry. Our Promoters share various functional responsibilities amongst themselves for effective management and are well supported by qualified and experienced professionals at different levels with appropriate functional responsibilities. Our current overall staff strength is 103.

We manufacture forged flanges, forgings and machined components for various industries like oil & gas, fertilizers, power, desalination & water treatment, ship building, defence, fabrication of process equipments, instrumentation etc. We are capable of manufacturing both standardized as well as customized products. We have also established market for our products overseas. We regularly export various countries mainly to Europe, Middle East and Canada.

Our existing manufacturing plant consists of forging shop, die shop, heat treatment shop, conventional and CNC machining shop backed by related quality assurance equipments. Presently, we are using steam hammer technology for the open die forging and can produce single forged piece upto 4 MT.

The key factor in our forging business is the vendor/consultant approval, given the critical end use of the product. We have, in the last few years, been successful in obtaining various such approvals in both the domestic and international markets. We share a good client relationship worldwide where we receive majority of our business from repeat clients.

Our products have been inspected and accepted by third party inspection agencies like Lloyds (LRIS), BVIS, SGS, TOYO, PDIL, DNV, ABS, TICB, UHDE India, DAE, NPCIL, etc. The quality of our products have been certified to be satisfactory in third party inspections.

In the journey of our growth during the last 20 years, some important milestones are as under:

Year	Milestone
1992	Set-up our existing factory at 244/6-7 GIDC Industrial Estate, Waghodia District, Vadodara with an installed capacity of 300 MTPA for close die forgings
1996	Obtained our first major approval from the Technical Development Committee of India
2002	Obtained Canadian Registration Number (CRN) for 13 provinces of Canada enabling us to market our products in Canada
2003	Selected by Center for Promotion of Imports from Developing Countries, Netherlands, to promote our products in European Union
2005	Approved by SHELL to supply materials for various projects in India
2005	Enhancement of closed die forging installed capacity upto 1200 MTPA
2006	Establishment of new open die forging plant with an installed capacity of an installed capacity of 2400 MTPA
2006	Allotted land at Waghodia Industrial Estate, near existing factory land for New Project

2008	Implementation of SAP-Enterprise resource planning
2009	Obtained approval from GE , PDIL and EIL
2009	Obtained approval from Kuwait National Petroleum Corporation (KNPC), Mazgaon Dock and IBR
2010	Placed firm order for import of forging press and manipulator for New Project
2010	Received ISO 14001:2004 Certification from TUV NORD CERT GmbH
2011	Received BS :OHSAS 18001:2007 Certification from TUV NORD CERT GmbH
2011	MOU with Maharaja Sayajirao University of Baroda with regard to Exchange of Information and Experience; Co-operative Research Projects.
2011	MoU with Govt. of Gujarat under their “Vibrant Gujarat” meet in respect of the New Project.

Competitive Strengths

Diverse product portfolio catering to various industries

Our product profile includes forged flanges, closed die forgings, open die forgings and machined components.

Sr. No.	Product Category	End-Use Industries
1.	Forged Flanges	Oil and gas, petrochemicals, fertilizers and process plants
2.	Closed Die Forgings	Valve manufacturers and OEMs
3.	Open Die Forgings	OEM fabricators and power sector
4.	Machined Components	OEMs for instrumentation and valves



Forged Flanges



Ball Forgings



	
Instrumentation Forgings	Open and Closed Die Forgings
	
CNC Machined components	

Approvals from clients / other industry bodies

We have approvals for our current products from various clients and other industry bodies. These industry bodies include organisations like technical development committee for indigenous materials; various customers are members of these industry bodies and getting empanelled with such industry bodies help us to procure order from the members of such industry bodies. We have also obtained international accreditations certifying the quality of our various products. These accreditations and approvals enable us to bid for various forging tenders where these or similar accreditations/vendor approvals are pre-requisites. These certifications / vendor approvals are the outcome of our long-standing efforts to produce quality products consistently, and we believe the long gestation for receipt of these accreditations and approvals are significant entry barriers for new players.

Some of the approvals are listed below:

SR. NO.	NAME OF COMPANY	LOCATION
1.	Engineers India Ltd	New Delhi, India
2.	Mecon Limited	Ranchi, India
3.	Uhde India Limited	Mumbai , India
4.	Toyo Engineering India Ltd	Mumbai , India
5.	Indian Boiler Regulation	Ahmedabad, India

6.	Project & Development India Ltd	Noida, India
7.	Technimont Icb Ltd	Mumbai, India
8.	Office Of Director Of Boiler, Gujrat State	Ahemdabad, India
9.	Indian Oil Corporation Ltd	Delhi
10.	Director General Of Qualtiy Assurance (Dgqa)	New Delhi, India
11.	Bhabha Atomic Research Centre	Mumbai, India
12.	Nuclear Power Corporation Of India	Mumbai, India
13.	Bharat Heavy Electrials Ltd	Bhopal , India
14.	Kuwait National Petroleum Corporation	Kuwait
15.	Mazagon Dock Limited	Mumbai, India
16.	Larsen And Toubro Limited	Baroda, India
17.	General Electric [GE]	USA & Europe
18.	Indian Space Research Organization	Sri Harikota, , India
19.	Petroleum Development Oman LLC	Sultanate of Oman
20	CTCI Corporation	Taiwan
21	The National Small Industries Corporation Ltd	Ahmedabad
22	Bharat Petroleum Corporation Ltd	Mumbai
23	Hindustan Petroleum Corporation Limited	Mumbai
24	Bharat Pumps & Compressors Limited	Allahabad
25	Bharat Heavy Plate & Vessels Ltd	Viskhapatnam
26	Gujarat Narmada Valley Fertilizers Co. Ltd	Bharuch
27	Gujarat Gas Company Limited	Ahmedabad
28	Technical Development Committee	Bharuch

Accreditations from international agencies

We have received the following accreditations from International Quality approval agencies:

Certified by TUV, Germany for Pressure Equipment

Certified by URS, UK for ISO 9001:2008

Certified by TUV NORD CERT GmbH for ISO 14001:2004

Certified by TUV NORD CERT GmbH for BS;OHSAS 18001:2007

In-depth understanding of the client requirements

Our strength lies in understanding the requirement of the customer and our execution capabilities to manufacture the product as per the client requirements. This involves understanding of the technical requirements like tensile strength, permitted levels of corrosion, pressure and heat levels, intended life of the product etc. We analyse these requirements to decide on the type of material required or if required, add any special materials to compose a special alloy suitable for a particular type of product etc. Then discussions with

various suppliers are undertaken to get the best possible rates and time commitment. This process demands good knowledge of technical aspects including metallurgy besides commercial acumen to get the desired material at competitive rates.

This in-depth understanding of the client requirements coupled with our manufacturing capabilities has helped us to deliver the products as per the client requirements which have stringent specifications. This has enabled us to get repeat orders from our existing customers and attract new customers. Some of our main domestic customers include Mazagon Dock Limited, IOCL, HPCL and GAIL.

Good international exposure

Our exports have been to countries like Canada, UK, Germany, Italy France, Netherlands, Switzerland, Oman, Kuwait, Qatar, UAE, Egypt, Saudi Arabia, Argentina, Singapore, etc

The following table provides a break up of our turnover between domestic and exports sales for the last three years:

	For the Year Ended March 31 (In ₹Lacs)						For the period Ended	
Year	2008		2009		2010		December 2010	
Export sales	694.33	31%	739.18	26%	456.60	16%	379.21	15%
Domestic Sales	1,524.21	69%	2,083.93	74%	2,335.43	84%	2197.57	85%
Total Sales of the Year	2,218.54	100%	2,823.11	100%	2,792.03	100%	2,576.78	100%

Our exports have registered a decline in 2008-09 and 2009-10 on account of the severe recession witnessed in most of the overseas markets since 2008.

Our region-wise export turnover for the last three years was as under:

(₹ in lacs)

Region	2007-08	2008-09	2009-10	Period ended December 31, 2010
U.S / Canada	429.35	150.99	24.14	68.99
Europe	140.87	260.42	181.42	161.47
Middle East	91.61	154.28	137.71	142.31
Others	32.5	173.49	113.33	6.44
Total	694.33	739.18	456.60	379.21

We have installed Enterprise Resource Planning to integrate our processes and systems within the organisation

We implemented SAP ECC 6.0 in 2008 for bringing better control over various business and processes. Key processes of our business including production, planning and accounting are done routinely through SAP. This has served our business operations well in terms of quick responses, accurate information and lesser cost. The benefits from SAP will increase, as the scale and complexity of business operations increases.

The major benefits resulting from implementation of SAP can be summarised as follows:

- Our different departments are working on single platform and the entire management of planning, purchase, raw materials, sales, production, stores, financial activities are now fully integrated by which the duplication of work is reduced.
- Better analysis of data is done to achieve maximum customer satisfaction and to improve profitability.
- Better controls and security.
- Expandable as per the requirement of business.

Skilled and dedicated manpower

We take pride in relating our success to our employees for their consistent efforts and dedication they have shown towards the company. Our senior management team comprises of experienced and qualified professionals. We require application of high levels of technology at key stages of design, engineering and manufacturing processes. We have, therefore, been focused on recruiting, training and retaining a highly skilled employee base.

We have a strong track record which will help us achieve success in the New Project

We have been carrying on forging activity for about twenty years. During this period, we have grown in all aspects of our operations. We believe we have acquired sound knowledge of forged products, the technology & engineering applied in manufacture of these products, the selection and maintenance of plant and machinery that is best suited for ensuring high quality and productivity and about the market for these products. We believe that these strengths will stand us in good stead while implementing our new project..

Business Strategy

The key elements of our business strategy are as follows:

Focus on open die forging segment

Our Company has distinct focus on non-automotive sector. Keeping this focus in mind, our New Project is planned to set up capacities in higher tonnage open die forging segment. The New Project will help us in expanding our product range in this segment. The proposed open die forging will reduce the lead time for major customers in India who are currently importing majority of their forging requirements. We propose to leverage our own client base to sell the new products proposed to be manufactured from our New Project.

Distinct focus on low volume high margin segment of the market

Earlier we were making standard products like forged flanges for different sectors. Our major customers belonged to oil & gas sector. The products supplied were low value products which were fetching low margin to us. Now, we are shifting our focus to low volume high margin segment of the market. We are developing capacity to manufacture forging products according to international standards. We are focusing on delivering high value customized products to customers across various sectors. We are striving to make products which can directly be delivered to OEM suppliers. We believe it will fetch us higher margins.

To evolve as one-stop solution provider of forging products for non-automotive sectors

We intend to position ourselves as a “one-stop shop”, where we can be a preferred product development partner with our customers. The key element of this strategy is to focus on increasing our business from our customers, through the following steps

- (a) Expand our machining facilities to offer a wider range of value added products;
- (b) Increase exports by targeting global OEMs; and
- (c) Reducing lead time for delivery of products.

Strengthening relationship with customers

We are emphasising a lot on strengthening our relationship with customers. We are also trying to develop new relationship with prospective customers in sectors like Oil & Gas and Ship-building. We believe that Oil & Gas and Ship-building sectors provide a huge opportunity for forged products. Some of the new customers in our list are GE, Samsung, Mazagon Dock Limited and Endress-Hosur. We are also looking to develop relationship with government owned companies as well as private sector.

Increase the sub-vendor base

At present, we have few sub-vendors from where we source low-margin products. As it is our business strategy to focus on high margin product segment, we plan to increase our sub-vendor base. This strategy will

help us to sharpen our focus on our existing product line while simultaneously enlarging our product portfolio. This also helps us in diverting our capacity load facilitating us to meet our delivery commitments.

Sales and Marketing

The function of Sales and Marketing is divided into domestic and international marketing. Mr. Jayanti Sanghvi, Managing Director, himself looks after domestic marketing while Mr. Naresh Sanghvi, Director focuses on international marketing. They are ably supported by appropriate team of marketing personnel who interact with customers on day to day basis and ensure prompt customer service. As marketing of our products is also dependent on obtaining pre-qualification certification/approval from prospective customers/their consultants, Our marketing team functions in close co-ordination with our technical team to facilitate such approvals.

We target to obtain approvals from at least five new vendors/consultants every year. It enables us to broaden our customer base and also helps reduce our dependence on few customers. We make continuous efforts in promoting our brand both domestically and internationally. From a domestic perspective, we have an in-house team of sales/marketing personnel to promote our brand. Internationally, our company participates at various trade fairs from time to time. We participate in various trade fairs to interact with OEM customers to understand their requirements and receive enquiries.

Some of the trade fairs where we participated in past are as under:

- (a) AICHEMA held at Frankfurt, Germany in 2009
- (b) The International Trade Fair of Wire and Tube held at Dusseldorf, Germany in 2006 and 2008 , 2010;
- (c) ADIPEC held at Hannover Germany, 2004 Abu Dhabi, UAE in 2006 and 2008;
- (d) The International Trade Fair held at GASTECH, Bilbao, Spain in 2005

We also focus on developing OEM customers with customized product requirements to achieve repetitive business, long term association and better profit margins.

Competitors

Some of our competitors are as follows:

- (i) Ramkrishna Forging Limited;
- (j) Pradeep Metals Limited;
- (k) Hilton Metal Forgings Limited;
- (l) Rajkumar Forge Limited;
- (m) Shri Ganesh Forging Limited;
- (n) Aditya Forge Limited;
- (o) Techno forge Limited ; and
- (p) Bharat Forge Limited

Past production figures of the forging industry is as under:

Year	Production (in '000 tonnes)	Export (million US\$)
2000-2001	435	90
2001-2002	382	110
2002-2003	440	145
2003-2004	600	178
2004-2005	732	250
2005-2006	878	310
2006-2007	983	360
2007-2008	1200	432

(Source: http://www.indianforging.org/current_trend.aspx)

Trends of exports in forging industry for last few years are as under:

Year	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
₹ Lakhs	92,839.64	92,281.25	80,428.56	59,021.04	43,219.46	14,780.67
% growth over previous year	0.61	14.74	36.27	36.56	192.41	N.A.

(Source: http://www.indianforging.org/current_trend.aspx)

The installed capacity of the forging industry is around 1.50 Million tons and industry currently operates at around 70% capacity utilization producing around 1.00-1.20 million tons of forgings. The total investment in the large and medium sectors is around USD 700 million approx.

(Source: http://www.indianforging.org/current_trend.aspx)

Raw materials

We are using various types of raw materials like steel bars, billets, ingots etc. We procure these materials in various grades of steel like carbon steel, alloy steel, stainless steel, duplex steel and nickel alloys. Majority of our raw materials are purchased locally and few specific grades we are importing. Our major raw materials suppliers are as follows:

List of Major Raw Materials Suppliers:

Raw Material	Local Suppliers	Overseas Suppliers
Carbon Steel	Bhushan Steel & Power Ltd., Orissa, Rashtriya Ispat Nigam Limited, Vishakapatnam Tayo Rolls Limited, Jamshedpur Vipras Casting Limited, Mumbai Chaudhry Steel Pvt. Limited, Ghaziabad	EMSS, Ukraine. ABS Steel, Italy
Alloy Steel	Remi Metals Pvt Ltd, Jhagadia, Laxcon Steel Pvt. Ltd, Ahmedabad, Mahindra Ugine Steel Ltd, Mumbai	
Stainless Steel	Ambica Steel Limited, Delhi, Mukund Limited, Mumbai, Rajputana Stainless Limited, Kalol	

The quality of our products primarily depends on the quality of raw materials. For the year ended December 31, 2010, expenditure on raw materials was 57.21% of our Company's total income on an unconsolidated basis.

Manufacturing Process:

Our manufacture of forging products is based on steam hammer technology for open die forgings and drop hammer for close die forgings.

After receiving steel from manufacturer, visual and dimensional check of raw material is done. The stocks of SS and CS material are kept separately for fast access and easy distinction. The colour codes are applied as per the colour coding scheme to every unit of raw material. The colour coding scheme helps to track the material during the manufacturing process. The test certificate from suppliers for raw material is reviewed. Thereafter, chemical and physical testing of each material is done. The different types of raw material are given lot number and details such as source of supply heat number, supplier's certificate number, company's lot number are decided. Internal Granule Corrosion testing and ultra-sonic testing is done.

Marking and cutting

The materials are stamped with lot number for identification. The manufacturing division raises requisition slip for material they want to use in their process. The material is issued indicating the lot number. The required material's length and weight are verified. The raw materials, which are in shape of long rods of various diameter, are cut with the use of bandsaw cutting machines.

Heating

Before forging, we have to do the pre-heating of all pieces. Currently, we have various capacity furnaces for heating purpose. Furnaces are operated by oil and electricity. Heating is done based on type of steel used in the process, which requires specific temperature heating. We have heating facilities like batch furnace and electric furnace for special treatment. After heating, the pieces are ready to forge.

Forging

We have facility for open and close die forging. Open die forging is used for big pieces whereas close die pieces are used for smaller pieces. Currently we are doing close die forging up to 35 kgs and open die forging up to 4000 kgs.

The dies are checked for correct configuration of forged articles before close die forging is started. Lot wise first piece inspection approval is made to avoid any error in main production. The forged materials are stacked lot wise. Then, each piece is checked for dimensional accuracies. Visual and dimensional checks of pieces are also done. Finally, each forged piece is permanently marked for identification.

Heat Treatment

Heat treatment is very critical process to achieve all the required properties of the forged piece. Our heat treatment facilities are equipped with calibrated oil fired and electrical furnaces. We are carrying out various types of heat treatments like normalizing, solution annealing and tempering.

All heat treatment cycles are properly recorded with time temperature charts. After completion of heat treatments we carry out various testings like hardness, physical testings to ensure all the required properties are met.

Machining

Machining is the process of removing excess material and achieving exact dimensions as per the requirements. The process of machining converts the forged part into a fully finished and ready-to-assemble component. In machining we undertake various operations like turning, threading, grooving, drilling, milling etc.

Machining is done as per relevant code/Standard or customer drawing. We are doing machining on various CNC machines to achieve repeatability of dimensions and faster production. During machining process, recording and checking of dimensions is done for each piece in process. The material surface is checked for finish & micro defects and gasket surface. After machining, all the parts are marked for size, rating, schedule, material lot number and company's logo.

Final Inspection

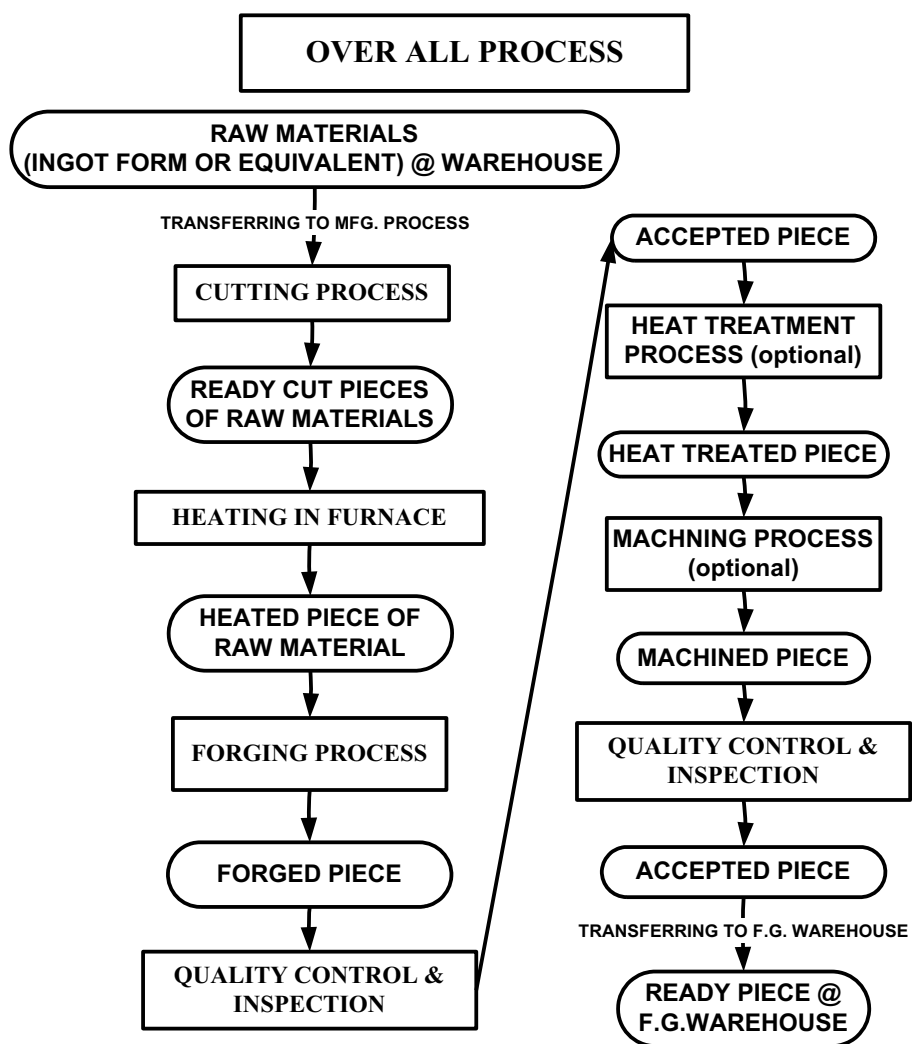
The following inspection is done on each finished part:

- Dimensional inspection of components including surface finish
- Surface finish for gaskets is checked by comparators
- Verification of lot number and standard of material
- Ultra-sonic testing-if required
- Dye penetrant testing
- Magnetic particle testing
- Packing and Forwarding

In the last stage of our production process, the rust preventive oil is applied and storing of finished items is done. The size, lot number and quantity are verified for final dispatch. The finished product is properly packed to prevent damage.

Process flow diagram

The above manufacturing process is described in the following flow chart:



Capacity Utilization

Our current installed capacity is 3600 MTPA. Following are the details of our utilised capacity:

Forgings (IN MT) – Current Facility

Particular	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Installed Capacity	1650	3600	3600	3600	3600	3600
Capacity Utilization	72.88%	53.31%	57.51%	62.5%	65%	65%

Forgings (IN MT) – Proposed Facility

Particular	FY 2012	FY 2013	FY 2014	FY 2015
Installed Capacity	15,000	15,000	15,000	15,000
Capacity Utilization	-	55.00%	65.00%	70.00%

The future capacity utilisation levels are based on the Appraisal report and are assumed on the basis of exiting capacity utilisation and expected demand for the products.

Strategic and financial partners

At present, we are not into any strategic and financial partnership with any other entity. We have not entered into any collaboration with any party for assistance in marketing as of the date of filing the Red Herring prospectus.

Intellectual Property Rights

We have applied for registering our Company name and logo as our trademark on June 7, 2010 and the registration is yet to be received. We do not own any intellectual property rights which is required for our use and owned by any third party.

Immovable Property

The details of lands and immovable property are as follow:

Sr. No.	Particulars of the Property, Description & Area	Date of Lease/ Period of Lease/ License	Existing Usage	Name of the Entity	Owned /Leased	Cost of acquisition	Relation with any promoter /Director	Whether registered in the name of issuer
1.	Plot No. 244/17 situated at Waghodia Industrial Area, survey no. 1492/P & 1493/1/P, Taluka Waghodia, Dist Vadodara admeasuring 1,000 sq. mtrs.	June 29, 2007 (99 years w.e.f 29th June, 2007 with an option to renew the same for a further period of 99 years)	Existing Factory & Admin building.	GIDC	Leased	Premium Rs 2.30 lacs, Rent of ₹ 2/- payable every year before 30 th April	No	Yes
2	Plot No. 244/18 situated at Waghodia Industrial Area, survey no. 1492/P & 1493/1/P, Taluka Waghodia, Dist Vadodara admeasuring 1,000 sq. mtrs.	Date of Lease June 29, 2007 w.e.f Feb 16, 2006 for a period of 99 years with an option to renew for further period of 99 years.	Existing Factory & Admin building.	GIDC	Leased	Premium Rs 2.30 lacs, Rent of ₹ 2/- payable every year before 30 th April	No	Yes
3	Plot No. 244/19 situated at Waghodia Industrial Area, survey no. 1492/P & 1493/1/P, Taluka Waghodia, Dist Vadodara admeasuring 1,000 sq. mtrs.	Date of Lease June 29, 2007 w.e.f Feb 16, 2006 for a period of 99 years with an option to renew for further period of 99 years.	Existing Factory & Admin building.	GIDC	Leased	Premium Rs 2.30 lacs, Rent of ₹ 2/- payable every year before 30 th April	No	Yes

4	Plot No. 244/20 situated at Waghodia Industrial Area, survey no. 1483/P, 1484/P & 1485/P, Taluka Waghodia, Dist Vadodara admeasuring 1,000 sq. mtrs.	Date of Lease June 29, 2007 w.e.f Feb 16,2006 for a period of 99 years with an option to renew for further period of 99 years.	Existing Factory & Admin building.	GIDC	Leased	Premium ₹ 2.30 lacs , Rent of ₹ 2/- payable every year before 30 th April	No	Yes
5	Plot No. 244/6-7 consisting of survey no 1490/1491 in Village Limits of Waghodia, Taluka District Vadodara	Date of Lease: 29 th August, 1995 (99 years w.e.f March 20, 1989 with an option to renew the same for a further period of 99 years	Registered Office and Existing Factory	GIDC	Leased	₹ 3.7 lacs	No	Yes
6	Survey no 1368B, Type “A” plot, Plot no. 1 to 37, total area of 5529 sq. metres.	May 21, 2010	Residence for factory workers	Mr. Ashwin Kumar Amrutlal Jaiswal Resi. Address : C/o Jayntibha i Patel : Chelli Polna Nake, : Wadi – Vadodara.	Owned	₹ 1.33 lacs	No	Yes
7	Survey no. 192/1, village lamba, tal. kalyanpur, dist. Jamnagar	20 years from February 15, 2007	Wind mill power plant	Sarjan Realities Ltd.	Leased	Lease Rent of ₹ 10000 per year	No	Yes
8	A-7/A-8 Parvati Chamber Pratapnagar, Baraoda	April 1, 2009 for 3 years	Administrative Office	Mr. Jayanti B Sanghvi	Licensed	₹ 3000 p.m.	Yes	Yes

In addition to the land details mentioned above, we are in possession of the land given below for existing and proposed facilities:

Sr. No.	Particulars of the Property, Description & Area	Date of Lease	Existing Usage	Name of the Entity	Owned/ Leased	Cost of acquisition	Relation with any promoter /Director	Whether registered in the name of issuer
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9	Plot no. 1401, 1402, 1403 situated at Waghodia Industrial Area, Taluka Waghodia, Dist Vadodara admeasuring 49,770 sq. mtrs.	March 1, 2011 w.e.f November 30, 2006 for a peiod of 99 years with an option to renew the same for a further period of 99 years	For setting up manufact uring unit for Proposed Project	GIDC	Leased	₹ 55.9 lacs	No	yes
10	Plot No. 782 G.I.D.C. Waghodia Dist- Vadodara	The company had paid the entire cost of land to the owner and the land will be transferred in the name of company as per GIDC norms	For setting up machine shop for existing facility	Ms Tara Gupta, B-5, Vaibhav Apartment , Natubhai Centre, Race Course Road, Vadodara	*	₹ 0.98 lacs	No	*

* The transfer of ownership of the mentioned land is under process.

We confirm that the all the land mentioned above are free from all encumbrances (save and except mortgages created in favour of State Bank of India) and has a clear title.

The entity, who owns land which is acquired or taken on lease by our Company, does not have any relationship with any promoters or directors of the company. We have received all the approvals pertaining to land.

Utilities

We have 300 KVA HT connection from Madhya Gujarat Vij Company Limited for our existing plant located at 244/6 & 7, GIDC Industrial Estate, Waghodia, Vadodara. We also have 350 KVA windmill installed at Village Lamba for our captive consumption. We obtain regular supply of water from GIDC.

We have a 350 KVA windmill installed at village Lamba, Gandhi, Porbandar, in Gujarat. The power generated at the windmill is sold to Gujarat Energy Transmission Corporation Limited (GETCO) through the electricity grid. Our Company gets payment / credit in its power bill equivalent to units generated and transmitted to GETCO. Thus, in effect the power generated is indirectly used for captive consumption only but due to different locations and the fact that electricity can't be stored, this arrangement of sale of power and getting set off has been resorted to in this case.

Human Resources

We believe that our company's success depends to a great extent on our ability to recruit, train and retain high quality managerial and technical professionals. At the entry level, we recruit professionals with managerial and engineering background. We source our employees through referrals from employees and others, through placement consultants etc. We give induction training to all employees to give them a holistic understanding of the company. Our Company seeks to retain professional talent through career management and through providing competitive levels of compensation and a positive working environment. The table below provides details of our company's employees as on date of filing this Red Herring Prospectus is:

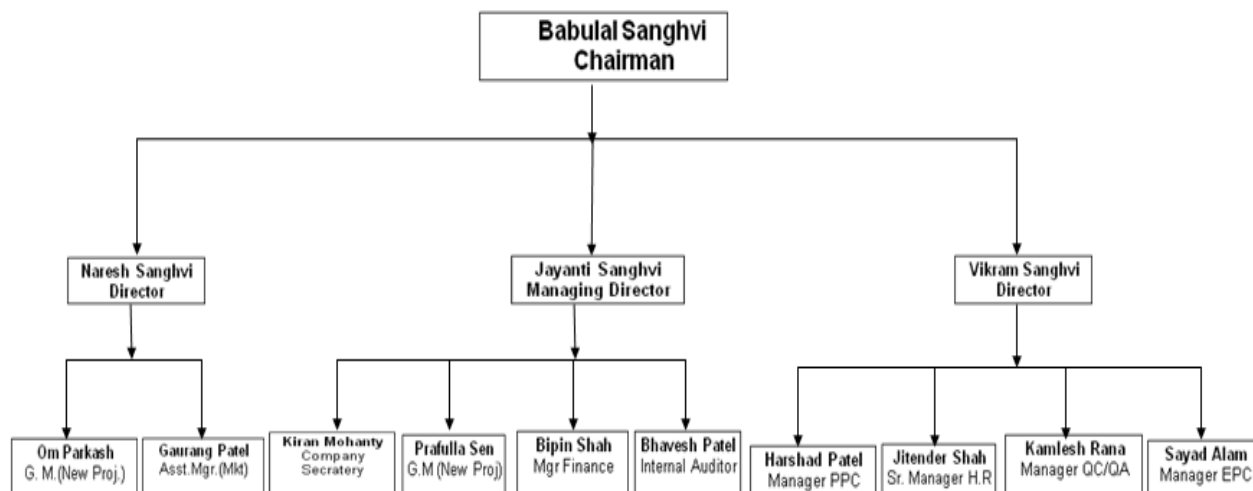
Employee qualification	Number of employees
Professionals: engineers, managers etc.	41
Operators, administrator and support staff	62
Total employees	103

In addition to above employee strength, we have 17 contract employees are categorized in semi-skilled labour.

Our Company's human resource policies concentrate on creating a management pool through enhanced training and development activities and conceptualizing key responsibilities for them. We provide insurance facility and medi-claim schemes to our employees. We provide free transport facilities to our employees.

Organisation chart

Our Company's organisational chart is as follows:



Our New Project:

We now propose to set up a 15,000 MTPA open die forging unit (with single piece forging up to 40 MT) to manufacture products open die forging products like stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, shells, disks etc which are generally imported. We will primarily cater to the wind energy, oil & gas, Steel, Power, Pressure Vessel, Petrochemical & Sugar Industry, Nuclear Plant etc. The New Project has been appraised and part-financed by State Bank of India, Industrial Finance Branch, Vadodara and is estimated to cost ₹ 12039 Lacs.

Rationale for the New Project:

We have been in the business of manufacturing of forged products for application in various industrial sectors since over 15 years. We have successfully obtained patronage of some of the top industrial companies both in India and abroad for their critical forging requirements. We have obtained certification / approval from a number of international agencies, domestic and international customers, engineering and project consultants etc. We have consistently exhibited our ability to meet quality requirements of our clients for whom these forging products find end-usage in critical components. These achievements in the last many years have now encouraged us to take a big step forward by putting up an expansion project in the same line of business, but catering to more sophisticated and larger segment of industry - in terms of size of single-piece forging, in terms of range and volume of products and in terms of criticality of end-use of the product. This segment is presently met to limited extent by local supplies from large forging manufacturers but largely by imports. By setting up this project, we believe we can partake of a reasonable share of this market and thereby our future growth will be derived from the growth in our user industries which are witnessing huge capital expenditure and expansion programmes.

Location and Land details:

The New Project is proposed to be set up at GIDC Industrial Estate, on plots bearing no. 1401, 1402 & 1403 admeasuring 49770 Sq. Meters in, Waghodia, District Vadodara in the State of Gujarat. We have been granted lease in respect of the said land admeasuring about 49,770 square meters by GIDC vide an agreement dated March 1, 2011. This site is in proximity to our existing manufacturing unit. The proposed site is well

connected to Vadodara by road, which is just 18 K.M. from Vadodara and 10 kms from National Highway No. 8 connecting Mumbai and Delhi. It is connected to ports like Kandla (344 kms), Mundra (298 Kms), JNPT (310 Kms) from where the products could be exported. Further Vadodara is well connected by rail to all the major cities.

The site being an industrial estate of GIDC has all basic industrial infrastructure facilities such as approach roads, electricity and water supply. Availability of skilled and unskilled manpower too is facilitated by its close proximity to Vadodara.

Building and Civil Works:

The project envisages construction of main factory building comprising main factory on built up area of 4800 Sq. Meters, Lean to Shed on 4800 Sq. Meters, Machine Shop on 1200 Sq. Meters, besides construction of foundation of machines, office, security cabin etc. The estimated cost of the civil works and structure amounts to ₹ 1462 lacs.

Plant & Machinery:

For the new project, we propose to install a) one Hydraulic Press having capacity of 4000T, b) one rail bound manipulator having capacity of 60T, c) 6 Furnace of various capacities, d) Material Handling cranes, e) 4 CNC machine, f) one horizontal boring machine etc.

Selection of make and specifications of critical machineries for the project viz. press and manipulator require high degree of awareness on prevailing technologies, their relative advantages and their relevance for our business model. Hence this is considered to be critical decision requiring adequate technological expertise. Since our promoters have hands on experience of two decades in forging industry with extensive inter-action with players in forging business nationally and internationally, we have been able to shortlist and finalise suppliers of critical machinery in good time. The technology that we intend to adopt for the New Project is a proven technology. All major plant and machinery are being procured from leading manufacturers in the respective fields. We propose to procure press and manipulator from Danieli & Company, Italy and Dango & Dinenthal Maschinenbau GMBH, Germany respectively. They are considered to be among the best in the respective lines of product when measured in terms of quality of output & productivity. Most of the leading forging plants in the world have installed machines supplied by them. We have already entered into agreement for supply of these equipments with respective suppliers and have obtained Performance Bank Guarantee from Danieli & company to execute the contract within the timeframe. Orders have been placed for the above two critical components having lead time of about 14 months and which amounts to ₹ 4500 lacs or about 60% of the cost of plant & machinery required for the proposed project.

The detail of machineries of which quotation is received and order is placed is as under:

Name of the Machinery	Qty	Purpose for which required	Name of supplier	Date of Placement of Order	Expected Date of Supply	Amt. (₹ In Lacs)
Open die forging press with accessories	1 set	Open Die Forging	M/s Danieli Breda, Italy	13/07/2010	30/08/2011	3180
DDS rail bound forging manipulator, Type SSM 750 & accessories	1 set	Manipulator	Dango & Dienenthal, Germany	14/07/2010	30/10/2011	1320
TOTAL						4500

The detail of machineries of which quotation is received and the order is not placed is under:

Imported Machinery

Name of Machinery	Qty	Purpose for which required	Name of Supplier	Amt. (₹ In Lacs)
100 Ton- Reheating Furnace	2	Reheating, Heat treatment & quenching	Daekyo Engineering Co. ltd. Korea or Vancar Thermals P. Ltd. Mumbai.	1271
100 Ton- Normalizing Furnace	1			
100 Ton- Hardening Furnace	1			
100 Ton Tempering Furnace	2			

Material Handling Equipment	3	One each of 5 ton, 20 ton, 60 ton)	Koriendo Techsore Pvt. Ltd. Doosung Machinery Co. Ltd.	41
	1	Turning Chain/Gear	Koriendo Techsore Pvt. Ltd. Doosung Machinery Co. Ltd.	24
Cutting band saw machine	1	Cutting	M/s. Nirani Tools & machinery MAKE : EVERISING China	118
Machining Shop equipment	1	CNC Lathe	M/s. Electronic High-tech Engg. Pvt. Ltd., Pune (Tiwan & Korein make) or any reputed	250
	1	Horizontal Boring & Milling	M/s. Electronic High-tech Engg. Pvt. Ltd., Pune (Tiwan & Korein make) or any reputed	264
	1	Vertical Machine Centre	M/s. Electronic High-tech Engg. Pvt. Ltd., Pune (Tiwan & Korein make) or any reputed	103
	1	Vertical Lathes Double Column	M/s. Storkova Fermat machinery , Gebrila	43
	2	Lathe	Jensen Machinehandel BV	74
	1	Misc. Machining shop equipment	Various reputed suppliers	10
Laboratory Equipments	1	CCD Optical Emission meter	Spectro Analytical Inst. GmbH Germany or Ametek Instrument Ind. P. Ltd. Mumbai.	24
	1	Other lab equipments	Various reputed suppliers	34
		Total		6756
		Insurance ,Fright & Clearing & erection charges		123
TOTAL				6879

Indigenous Machinery

Name of the machine	Name of supplier	Amt. (₹ In Lacs)
Material Handling Equipment (75 T-3 nos)	M/s. Anupam Industries Limited, Ahmedabad	503
Misc. Material handling equipment	Various reputed suppliers	33
Machining Shop Equipment	M/s. Premier Machine Tools Vadodara	38
Misc. Machining Shop Equipment	Various reputed suppliers	08
Total		582

We do not have any intention of procuring second hand machinery for the proposed project.

We have to place order for plant and machinery worth approximately ₹ 2961 lacs which is about 40% of total estimated requirements in plants and machinery.

Utilities

Power & Fuel:

The connected load and the maximum demand for the plant at 100% capacity utilization have been estimated at 4480 KVA. It is further assumed that this will be used for 77% i.e. 3445 KVA in view of the various process involved. We propose to take power connection of 4000 KVA from GEB as against requirement of 3445 KVA. No difficulty is envisaged in obtaining the necessary power connection. We will also be installing 1500 KVA DG Set for standby arrangement and also proposes to install power transformer of 5000 KVA capacity, cost of which has been included in the Project Cost.

Gas:

All our forging and heat treatment furnaces will be gas fired. We can use Natural Gas or Liquefied Petroleum Gas for the furnaces. Necessary arrangements will be made for meeting our requirements by the time our commercial production commences in May 2012.

Water:

Water is used mainly for equipment cooling. In addition, it is required for process use, drinking & sanitary and other miscellaneous purpose. The source of water for the proposed plant will be from the GIDC and own bore well. In order to conserve water and to meet the environmental pollution control, re-circulating water system have been proposed for cooling of furnace in forge shop, compressor cooling and other miscellaneous equipment and process which shall permit reuse of once-used water after necessary cooling.

The total water requirement for the plant will be about 35 cu m per hour out of which 33 cu m per hour will be supplied to re-circulating water pump house and 2 cu m will be supplied to laboratory, drinking and sanitary purpose.

Raw Material

The major raw materials to produce forged products are vacuum degassed forging ingots of carbon and low alloy steels of various grades. We are in business of forging products since long and getting regular supplies of raw material for our existing activity. Major portion of the raw material for the proposed product will be procured from the existing raw material suppliers. We also propose to procure a portion of raw material from overseas market. Raw materials are easily available in the domestic as well as overseas market and no difficulty is envisaged in sourcing of the raw material.

Details of the various grade of steels required for production and its suppliers are as under:

Raw Material	Local Suppliers	Overseas Suppliers
Carbon Steel	Bhushan Steel & Power Ltd., Orissa, Rashtriya Ispat Nigam Limited, Vishakapatnam Tayo Rolls Limited, Jamshedpur Vipras Casting Limited, Mumbai Chaudhry Steel Pvt. Limited, Ghaziabad	EMSS, Ukraine. ABS Steel, Italy
Alloy Steel	Remi Metals Pvt Ltd, Jhagadia, Laxcon Steel Pvt. Ltd, Ahmedabad, Mahindra Ugine Steel Ltd, Mumbai	
Stainless Steel	Ambica Steel Limited, Delhi, Mukund Limited, Mumbai, Rajputana Stainless Limited, Kalol	

Manpower

The total manpower requirement for the project is estimated at 200 Persons, comprising senior executives, technical & supervisory staff and commercial staff. The senior level management team is already in place. We propose to recruit the manpower in a phased manner, depending on the progress made in implementation of the project. Recruitment of skilled / semi skilled labourers will be made locally.

We have appointed the following key managerial personnel for implementation of the new project.

Mr. Prafulla Sen- General Manager-Maintenance- Plant

Mr. Prafulla Sen, aged 59 years, holds a Bachelor of Engineering (Mechanical) from Bengal Engineering College, Kolkatta University. He was previously employed with a reputed forging company. He joined our Company on September 1, 2010. His responsibilities include implemenation and management of the New Project.

Mr.Om Prakash, General Manager- Business Development

Mr. Om Prakash, aged 74, has completed Bachelor of Science in Electrical Engineering from AMIE (India). Prior to joining our Company, he worked as a Chief Enginner, Instruments in Projects and Development India Limited. He joined our Company in 2010. As a General Manager in Business Development, he is responsible for expansion of business, exploring new avenues for the business development and has a supervisory role in commissioning of new projects.

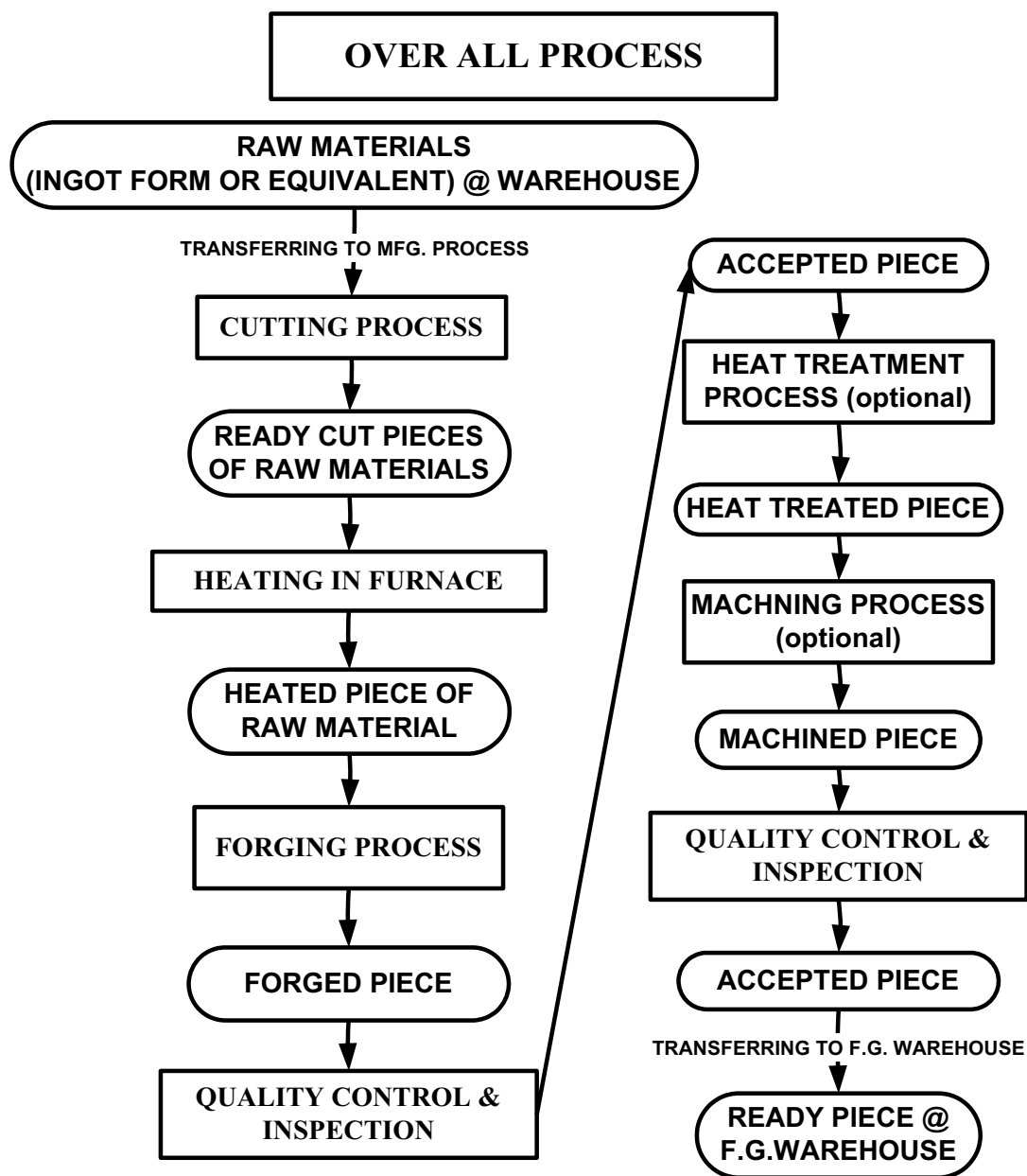
Manufacturing Process

Two of the main equipments in our New Project are

- (a) Open Die forging press and
- (b) Rail bound forging manipulator

The raw material, after cutting according to the specifications, is heated to a specific temperature in Reheating Furnace. Heated ingots will be shifted to manipulator by crane. Forging will be done by hydraulic forging press and movements of the piece will be handled by manipulator until the required shape is achieved.

After completion of forging necessary heat treatment and machining is carried out as per customer requirements



Products to be manufactured under the New Project

With the New Project, our Company would be extending its market horizon to meet the needs of forging products for the major industries which includes power generating projects, wind turbine manufactures, shafts for sugar mills, gear blanks, shaft for marine applications, oil & petrochemical and heavy engineering. The major application of open die forging products in various industries is listed below:

Industry	Application of the forging products
Power, conventional and nuclear industry:	Shafts for electrical motors, wind rotors, rotors for generators, gas and steam turbines etc.
Petrochemical industry	Tube sheets, channel shells, flanges, nozzles, valves, stub-end etc.
Gas Pipelines	Bodies, spheres, flanges etc.
Iron & Steel Industry	Rims, couplings, rolls, shafts etc.
Compressors & pumps	Shafts, covers, crank shaft etc.
Ship building industry	Propeller shafts, intermediate shafts, thrust bearing, components of marine diesel engines etc.
Mechanical Industry	Shafts, columns for presses, die blocks, components for extrusion equipment such as castings, cylinder liners etc.
Railway industry	Motor shafts, casings etc.
Oil & Gas	Tee-connectors, Y-connectors, Lateral Trees, X-mas Tree forgings, casing heads, wellhead forgings.

The growth potential offered by some segments of the non-automobile sector both globally and in India, is discussed below:

Power Sector:

Forged components for the power sector include rotor shafts, precision forged blades and components for turbo generators, key features of this sector are set below:

The Planning Commission of India suggests that investment in infrastructure has to increase from 5% of GDP to 9% of GDP by the end of the 11th Plan period. This would entail an investment of approximately US\$ 500 billion between 2007 and 2012. Approximately, US\$ 150 billion of such investment are expected to be in the power sector.

The power sector is witnessing new investments for nuclear, hydro and thermal power generation which are being launched to meet the demand supply gap.

Wind Energy:

Forged components for the wind energy sector include main shafts, flanges, gear box components and rings among others.

Key features of this sector are set out below:

The growth of wind energy as an alternative energy source is being driven by higher fossil fuel prices, increasing concern over carbon emissions and climate change.

In the 11th five year plan (2007–2012), the Government of India is targeting additional installed power generation capacity of 10,500 MW through wind energy. (Source: www.mnes.nic.in/pdf/11th-plan-proposal.pdf)

Oil & Gas Sector

Forged components for the oil and gas sector includes x-mas tree, well heads, valve bodies, blow out preventers and fluid bodies.

Key features of this sector are set out below:

Oil and gas equipment and services companies are experiencing a strong operating environment. The rise of international crude oil prices, discovery of oil reserves and production from deepwater fields, have resulted in increased demand for offshore oil equipment and services. (Source: OPEC: Organization of the petroleum exporting countries)

Other Sectors:

The marine sector had been growing steadily over the past five years primarily driven by international sea borne trade.

There is a significant domestic demand for forgings in the mining and construction equipment industry. With an overall investment plan of ₹ 2,550 billion in the 11th Plan, the railways, too, are a potential source of demand.

In a nutshell, the non-automotive components business ought to be poised for good demand growth both in India and abroad. And, with proposed capacity addition, we believe, we will be well positioned to encash these opportunities.

Since the proposed market segment includes such a wide variants of end user, the risk in fall of demand by one particular industry shall be mitigated by the other sector due to product mix.

Marketing Arrangements

The function of Sales and Marketing is divided into domestic and international marketing. Mr. Jayanti Sanghvi, Managing Director, himself looks after domestic marketing while Mr. Naresh Sanghvi, Director focuses on international marketing. They are ably supported by appropriate team of marketing personnel who interact with customers on day to day basis and ensure prompt customer service. As marketing of our products is also dependent on obtaining pre-qualification certification/approval from prospective customers/their consultants, our marketing team functions in close co-ordination with our technical team to facilitate such approvals.

From a domestic perspective, we have an in-house team of sales personnel to market the product manufactured by our Company. We propose to leverage our present marketing set up & expertise to market the proposed product. We are actively targeting our existing customers for proposed products.

Defence 'Offset' Clause:

One of the important features of Defence Procurement Procedure - 2006 is an 'Offset' obligation for all contracts above ₹ 300 crores. This 'Offset Clause' mandates foreign companies that get a defense contract of above INR 300 crores from the Govt. of India to bring back 30% of the contract value into India, either by way of purchases or as investments in the sector. In defense industry, forgings find application in cylinder blocks, gun barrels, and submarine component shells etc. This segment offers another significant market opportunity for our Company.

Schedule of Implementation:

The project is scheduled to be implemented as per the following time frame:

Activities	Commencement	Completion
Acquisition of Land	Already Allotted and possession received from GIDC	
Site Development	January 2011	June 2011
Civil construction & Building	April 2011	October 2011
Plant & Machinery		
Placement of firm order		
Imported	July 2010	June 2011
Indigenous	March 2011	October 2011
Delivery at Site		
Imported	March 2011	October 2011
Indigenous	July 2011	October 2011
Erection & Installation	November 2011	January 2012
Trial Runs	April 2012	
Commercial Operations	May 2012	

Expected Commencement Date

As per the current schedule of Implementation, the commercial production is expected to commence from May 2012.

Capacity & Capacity utilization

The project is envisaged to have an installed capacity of 15,000 MT PA and is expected to achieve capacity utilization of 55% and 65% during FY'13 & FY'14 respectively,

Export obligations

We have export obligation on account of import of plant and machinery under the Export Promotion Capital Goods Scheme for the New Project. As per the current scheme, our export obligation would be eight times the duty saved by us after import of the machines under the EPCG Scheme.

KEY INDUSTRY REGULATIONS AND POLICIES

The regulations and policies set out below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional advice. The following description is a summary of the relevant regulations and policies as prescribed by the Government of India that are applicable to the Company. The statements below are based on the provisions of Indian law in force, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Environmental Legislations

Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 was enacted as a general legislation to safeguard the environment from all sources of pollution by enabling coordination of the activities of the various regulatory agencies concerned, to enable creation of an authority with powers for environmental protection, regulation of discharge of environmental pollutants etc. The purpose of the Act is to act as an “umbrella” legislation designed to provide a framework for Government co-ordination of the activities of various central and State authorities established under previous laws, such as the Water Act and the Air Act, defined below. It includes water, air and land and the inter-relationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

Air (Prevention and Control of Pollution) Act, 1981

The Air (Prevention and Control of Pollution) Act, 1981 (the “Air Act”) has been enacted to provide for the prevention, control and abatement of air pollution. The statute was enacted with a view to protect the environment and surroundings from any adverse effects of the pollutants that may emanate from any factory or manufacturing operation or activity. It lays down the limits with regard to emissions and pollutants that are a direct result of any operation or activity. Periodic checks on the factories are mandated in the form of yearly approvals and consents from the corresponding Pollution Control Boards in the State.

Water (Prevention and Control of Pollution) Act, 1974 (the “Water Act”)

The Water Act was enacted in 1974 in order to provide for the prevention and control of water pollution by factories and manufacturing industries and for maintaining or restoring the wholesomeness of water. In respect to an Industrial Undertaking it applies to the (i) Occupier (the owner and management of the undertaking), (ii) Outlet, (iii) Pollution and (iv) Trade effluents. The Water Act requires that approvals be obtained from the corresponding State’s Pollution Control Boards.

Water (Prevention and Control of Pollution) Cess Act, 1977 (“The Water Cess Act”)

The Water Cess Act is a legislation providing for the levy and collection of a cess on local authorities and industries based on the consumption of water by such local authorities and industries so as to enable implementation of the Water Act by the regulatory agencies concerned.

Hazardous Wastes (Management and Handling) Rules, 1989

Hazardous Wastes (Management and Handling) Rules, 1989 (“HWMHR”) was formulated by the Central Government in exercise of the powers conferred on it by section 6, 8 and 25 of the Environment Protection Act, 1986. It was formulated with the object of establishing control mechanism for the management of hazardous wastes. HWMHR provides control for the generation, collection, treatment, transport, storage, import and disposal of hazardous wastes. Under the HWMHR, the agencies responsible for the enforcement comprise the Central and State Pollution Control Boards. The State Pollution Control Boards are responsible for inventorisation, issuance of authorisation, documentation and record keeping and import of hazardous wastes. Schedule 1 to the HWMHR enumerates a list of processes generating hazardous wastes. The rules have since been amended in January 6, 2000 and May 21, 2003.

Labour Laws

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 (the “IDA”) was enacted to make provision for investigation and settlement of industrial disputes and for other purposes specified therein. The IDA distinguishes between (i) employees who are ‘workmen’ and (ii) employees who are not ‘workmen’. Workmen have been provided several benefits and are protected under various labour legislations, whilst those persons who have been classified as managerial employees and earning salary beyond a prescribed amount may not generally be afforded statutory benefits or protection, except in certain cases. Employees may also be subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872. The IDA also sets out certain requirements in relation to the termination of the services of the workman’s services. This includes detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations up on retrenchment.

Shops and Establishment Act

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 also has to comply with certain rules laid down in the act governing that particular State. These rules and regulations 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 and maintenance of records and registers by the employers, among others.

Employees’ Provident Funds and Miscellaneous Provisions Act, 1952

Employees Provident Funds and Miscellaneous Provisions Act, 1952 (“EPFA”) was introduced with the object to institute compulsory provident fund for the benefit of employees in factories and other establishments. The EPFA provides for the institution of provident funds and pension funds for employees in establishments where more than 20 persons are employed and factories specified in Schedule I of the EPFA. Under the EPFA, the Central Government has framed the “Employees Provident Fund Scheme”, “Employees Deposit-linked Insurance Scheme” and the “Employees Family Pension Scheme”. Liability is imposed on the employer and the employee to contribute to the funds mentioned above, in the manner specified in the statute. There is also a requirement to maintain prescribed records and registers and filing of forms with the concerned authorities. The EPFA also prescribes penalties for avoiding payments required to be made under the abovementioned schemes.

Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1961 (“the POG Act”) provides for payment of gratuity to employees employed in factories, shops and establishments who have put in a continuous service of 5 years, in the event of their superannuation, retirement, resignation, death or disablement. The rule of ‘5 years 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. Under the POG Act, an employer is obliged for a maximum gratuity payout of ₹ 10, 00,000 for an employee. The POG Act also requires the employer to obtain and maintain an insurance policy for the employer’s obligation towards payment of gratuity.

Contract Labour (Regulation and Abolition) Act, 1970

This legislation applies to every establishment in which twenty or more workmen are employed or were employed in the past twelve months as contract labour and to every contractor employing or having employed in the past twelve months twenty or more workmen. With the aim of regulating the employment of contract labour in certain establishments and to abolish it in certain circumstances the Government has appointed an authority to ensure adherence to the provisions of this Act.

Minimum Wages Act, 1948

The Minimum Wages Act, 1948 (“MWA”) came in to force with the objective to provide for the fixation of a minimum wage payable by the employer to the employee. Under the MWA, the appropriate government (Central or State) is authorised to fix the minimum wages to be paid to the persons employed in scheduled or non scheduled employment. Every employer is required to pay not less than the minimum wages to all employees engaged to do any work whether skilled, unskilled, and manual or clerical (including out-workers)

in any employment listed in the schedule to the MWA, in respect of which minimum rates of wages have been fixed or revised under the MWA.

The Workmen Compensation Act, 1923

The Workmen Compensation Act, 1923 ("WCA") has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries caused due to accidents arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The WCA makes every employer liable to pay compensation if personal injury, disablement either partial or total or loss of life is caused to a workman (including those employed through a contractor) by accident arising out of and in the course of his employment. In case the employer fails to pay compensation in accordance with the provisions of WCA within one month from the date it falls due, the commissioner appointed under the WCA may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

Tax Related Legislations

Value Added Tax, 2005

Value Added Tax ("VAT") is charged on sale of goods in the States under the law enacted by each State in respect thereof. VAT is however, not chargeable on the value of services which do not involve a transfer of goods. VAT is a multi-point levy on each of the entities in the supply chain with the facility of setoff of input tax that is the tax 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.

Income Tax Act, 1961

The Income Tax Act, 1961 ("IT Act") is applicable to every company, whether domestic or foreign whose income is taxable under the provisions of this Act or Rules made there under depending upon its "Residential Status" and "Type of Income" involved. Every company assessable to income tax under the IT Act is required to comply with the provisions thereof, including those relating to Tax Deduction at Source, Advance Tax, Minimum Alternative Tax and like. Every such company is also required to file its returns by 31st October of each assessment year.

Service Tax

Service tax is charged on 'taxable services' as defined in Chapter V of Finance Act, 1994, which requires a service provider of taxable services to collect service tax from the recipient of such services and pay such tax to the Government. According to Rule 6 of the Service Tax Rules, every assessee is required to pay Service tax in TR 6 challan by the 5th of the month immediately following the month to which it relates. Further, under Rule 7 (1) of Service Tax Rules, the company is required to file a half yearly return in Form ST 3 by the 25th of the month immediately following the half year to which the return relates.

Customs Act, 1962

The provisions of the Customs Act, 1962 and Rules made there under are applicable at the time of import of goods into India from a place outside India or at the time of export of goods out of India to a place outside India. Any Company requiring to import or export any goods is required to get itself registered and obtain an Importer Exporter Code (IEC) number.

Importer Exporter Code

Under the Indian Foreign Trade Policy, 2004, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/ divisions/ units/factories.

Intellectual Property Rights

Intellectual Property in India enjoys protection under both common law and statute. Under statute, India provides for the protection of patent protection under the Patents Act, 1970, copyright protection under the Copyright Act, 1957 and trademark protection under the Trade Marks Act, 1999. The above enactments provide for protection of intellectual property by imposing civil and criminal liability for infringement. In addition to the above domestic legislations India is a party to several international treaties related to intellectual property including the Patent Co-operation Treaty, 1970, the Paris Convention for the Protection of Industrial Property, 1883, the International Convention for the Protection of Literary and Artistic Works signed at Berne in 1886 (the Universal Copyright Convention of 1952), 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, 1995 (the TRIPS Agreement).

Regulations Regarding Foreign Investment

Foreign investment in India is governed primarily by the provisions of the FEMA, and the rules, regulations and notifications thereunder, as issued by the Reserve Bank of India from time to time, and the policy prescribed by the Department of Industrial Policy and Promotion, which provides for whether or not approval of the FIPB is required for activities to be carried out by foreigners in India. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for foreign direct investment ("FDI") under the automatic route within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

HISTORY AND OTHER CORPORATE MATTERS

Our Company was incorporated on March 16, 1989 under the provisions of the Companies Act, 1956 as Sanghvi Forging and Engineering Private Limited. Pursuant to a special resolution passed by the shareholders of our Company at the Extra-Ordinary General Meeting held on April 8, 1992 our Company was converted into a public limited company and consequently the name of our Company was changed to Sanghvi Forging and Engineering Limited. A fresh certificate of incorporation reflecting the new name was issued by the Registrar of Companies, Gujarat on July 29, 1992.

Changes in the Registered Office

Date	Details of registered office	Reason for change
At incorporation	102 Steel Chambers, Lakkadpitha, Lakkadpitha Road, Vadodara, Gujarat India.	-
January 19, 1995	244/6-7, GIDC Industrial Estata, Waghodia – 391 760, Vadodara, Gujarat, India.	Administrative convenience

Major events in the History of our Company:

Year	Milestone
1992	Set-up our existing factory at 244/6-7 GIDC Industrial Estate, Waghodia District, Vadodara with an installed capacity of 300 MTPA for close die forgings
1996	Obtained our first major approval from the Technical Development Committee of India
2002	Obtained Canadian Registration Number (CRN) for 13 provinces of Canada enabling us to market our products in Canada
2003	Selected by Center for Promotion of Imports from Developing Countries, Netherlands, to promote our products in European Union
2005	Approved by SHELL to supply materials for various projects in India
2005	Enhancement of closed die forging installed capacity upto 1200 MTPA
2006	Establishment of new open die forging plant with an installed capacity of an installed capacity of 2400 MTPA
2006	Allotted land at Waghodia Industrial Estate, near existing factory land for New Project
2008	Implementation of SAP-Enterprise resource planning
2009	Obtained approval from GE , PDIL and EIL
2009	Obtained approval from Kuwait National Petroleum Corporation (KNPC), Mazgaon Dock and IBR
2010	Placed firm order for import of forging press and manipulator for New Project

Changes in the Memorandum of Association of our Company

Since Incorporation, the following changes have been incorporated in Memorandum of Association of our Company, after approval of the members:

Sr. No.	Changes	Year	Type of Meeting
1.	Increase in authorized share capital from ₹10 Lacs to ₹25 Lacs	1992	EGM
2.	Increase in authorized share capital from ₹25 Lacs to ₹ 100 Lacs	2000	EGM
3.	Increase in authorized share capital from ₹100 Lacs to ₹500 Lacs	2007	EGM
4.	Increase in authorized share capital from ₹ 500 Lacs to ₹2000 Lacs	2010	EGM

Number of Shareholders/ Members

As on the date of this DRHP, the total number of holders of Equity Shares is 17.

Our Main Objects:

The main objects of our Company as stated in the Memorandum of Association are:

1. To carry on business of all kinds of forging, manufacture, sale and export of all kinds of steam pipe fittings, hand tools, railway parts, painting and hardware goods.
2. To carry on business of electrical engineers, mechanical engineers, machinist, metalworkers, filters, wiredrawers founders enamellers, painters, packing case makers.
3. To carry on business of importing, distributing, buying and selling and otherwise dealing in all kinds of pipe fittings, hand tools and hardware goods.
4. To acquire lands, leases, tenants, and construct and maintain factories, establishments, works, buildings and erections for all or any of the purposes aforesaid and to make, buy or acquire and install plants, machinery implements, equipments apparatus and articles required to be used for any such purposes.
5. To erect, alter, take on hire, acquire or maintain necessary laboratories, shops or godowns for the manufacture, production and sale of the aforesaid articles and goods.

Subsidiary of our Company

Our Company has one wholly owned subsidiary Sanghvi Middle East (Free Zone Establishment). For further details please see the chapter titled “Our Subsidiary” on page no. 114.

Shareholders Agreement

There are no Shareholders Agreements amongst the shareholders of our Company.

Other Agreements

Save and except as specified herein, there are no other material agreements or contracts, which have been entered into within a period of two years prior to the date of the Red Herring Prospectus, which are subsisting as on date:

Our Company has entered into a Memorandum of Understanding (MoU) with Government of Gujarat dated 12/13th day of January 2011 at Mahatma Mandir in Gandhinagar (Gujarat) during Vibrant Gujarat Summit 2011. In terms of the MoU, the Government of Gujarat will facilitate Sanghvi Forging and Engineering Limited to obtain necessary permissions/registrations/approvals/clearances etc from the concerned departments of the state, as per the existing policies/ rules and regulations of the state government for setting up the Proposed Project.

Strategic Partners

Our Company does not have any strategic partners as on date of the Red Herring Prospectus.

Financial Partners

Our Company does not have any financial partners as on date of the Red Herring Prospectus.

OUR MANAGEMENT

Under the Articles of Association our Company cannot have less than 3 Directors and more than 12 Directors. Currently, our Company has 8 Directors. The following table sets forth details regarding our Board of Directors as on the date of filing of this Red Herring Prospectus with ROC:

Board of Directors

Sr. No.	Name, Fathers' Name, Designation, Age, Nationality, Address, Occupation & DIN	Date of Appointment & Term of Directorship	Other Directorships
1)	<p>Mr. Babulal Sagarmal Sanghvi S/o of Mr. Mr. Sagarmal Sanghvi Chairman and Whole-time Director 59 years</p> <p>Indian</p> <p>41, Shree Society, New Khanderao road, Bakarawadi, Vadodara, Gujarat, India-390004</p> <p>Occupation: Business DIN: 00291745</p>	Appointed Director and Chairman on 16 th March 1989. Re-appointed from April 20, 2010, for a period of 5 years as Wholetime Director.	Gautam Stainless Private Limited
2)	<p>Mr. Jayanti Babulal Sanghvi S/o Mr. Babulal Sagarmal Sanghvi Managing Director 34 years</p> <p>Indian</p> <p>41, Shree Society, New Khanderao road, Bakarawadi, Vadodara, Gujarat, India-390004</p> <p>Occupation: Business DIN: 00291657</p>	Appointed as a Director on 18 th January 1997. Re-appointed as Managing Director on 20 th April, 2010 for a period of 5 years.	Rajeshwari Forgings Private Limited.
3)	<p>Mr. Vikram Babulal Sanghvi S/o Mr. Babulal Sagarmal Sanghvi Director 28 years</p> <p>Indian</p> <p>41, Shree Society, Khanderao road, Bakarawadi, Vadodara, Gujarat, India-390004.</p> <p>Occupation: Bussiness DIN: 00291940</p>	Appointed as a Director on 1 st April 2010. Re-appointed as Whole Time Director on 20 th April, 2010 for a period of 5 years	Rajeshwari Forgings Private Limited

4)	<p>Mr. Naresh Babulal Sanghvi S/o Mr. Babulal Sagarmal Sanghvi Director 32 years</p> <p>Indian</p> <p>41, Shree Society, Khanderao road, Bakarawadi, Vadodara, Gujarat, India-390004.</p> <p>Occupation: Business DIN: 00291869</p>	Appointed as a Director on 20 th April, 2001. Re-appointed as whole time director on 4 th January 2010 for a period of 5 years.	Rajeshwari Forgings Private Limited
5)	<p>Mr. Shantaram Yarlagadda S/o Surya Prakasarao Yarlagadda Independent Director 70 years</p> <p>Indian</p> <p>Plot No. 076, 102 Vishnu Pearl, Kavuri Hills, PH II, Jubilee Hill, Hyderabad – 500033</p> <p>Occupation: Service DIN: 03050982</p>	Appointed as a Director on 1 st June, 2010 Term: Liable to retire by rotation	-
6)	<p>Mr. Ram Chandra Prasad S/o Sheo Prasad Sah Independent Director 61 years</p> <p>Indian</p> <p>Apollo, B Wing Flat No. 1202, G.B Road, Patlipada, Thane – 400607,</p> <p>Occupation : Service DIN: 03144923</p>	Appointed as a Director on July 15, 2010 Term: Liable to retire by rotation	-
7)	<p>Mr. Baba Pai S/o Venkatesh Pai Independent Director 56 years</p> <p>Indian</p> <p>A-4, Tirupati Duplex, Tandalja Road, Vadodara-390 020.</p> <p>Occupation: Service DIN: 03160657</p>	Appointed as a Director on July 15, 2010 Term: Liable to retire by rotation	-

8)	Mr. Ram Swaroop Kaushal S/o Vidyadhar Kaushal Independent Director 62 years Indian B 301/302, Dipak Nagar, Fatehgunj, Baroda, Gujarat - 390002 Occupation: Service DIN: 03182544	Appointed as a Director on July 15, 2010 Term: Liable to retire by rotation	-
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Note: All of our directors are Indian nationals. Four of our Directors are related to each other. Mr. Babulal Sagarmal Sanghvi is the father of Mr. Jyanti Babulal Sanghvi, Mr. Vikram Babulal Sanghvi and Mr. Naresh Babulal Sanghvi.

None of the above mentioned Directors are on the RBI List of wilful defaulters as on the date of the Draft Red Herring Prospectus.

Further, neither our Company nor our Promoters, persons forming part of our Promoter Group, Directors or persons in control of our Company are debarred from accessing the capital market by SEBI.

None of our directors are or have been directors in any of the listed companies which have been/ were delisted from the stock exchange(s).

None of our directors are or have been directors in any of the listed companies whose shares have been/were suspended from being traded on the Bombay Stock Exchange Ltd./National Stock Exchange of India Ltd.

None of the Promoters, Directors or persons in control of our Company, has been or is involved as a promoter, director or person in control of any other company, which is debarred from accessing the capital market under any order or directions made by the SEBI.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the above mentioned Directors was selected as director or member of senior management.

Brief Profile of the Directors

Mr. Babulal Sagarmal Sanghvi, aged 59 years, is the Chairman and Promoter of our Company. He has been a Director of our Company since April 10, 1989. He is an under-graduate. He has more than 21 years of experience in the forging industry. He is responsible for implementing the overall business strategy of our Company.

Mr. Jayanti Babulal Sanghvi, aged 34 years, is the Managing Director of our Company. He is a gold medalist from Sardar Patel University in Bachelor of Business Administration. He has over 13 years of experience in manufacturing and retailing of flanges and other forging items and has been instrumental in driving the growth of our business. He leads the domestic marketing, finance and sales functions of our Company.

Mr. Naresh Babulal Sanghvi, aged 32 years, was appointed as Director of the Company on January 29, 2010. He is an under-graduate. He has more than 12 years of experience in forging industry. He is responsible for all export related activities of our Company and identification of growth potentials in various overseas markets.

Mr. Vikram Babulal Sanghvi, aged 28 years, is a Director of our Company. He is a gold medalist from Sardar Patel University in Bachelor of Business Administration and has completed his Masters degree in Business Administration from the ICFAI University. He has completed a course of Chartered Financial Analyst from ICFAI University. He has over 4 years of experience in the field of forging industry. He is responsible for overall supervision of the factory and production activities of our Company.

Mr. Shantaram Yarlagadda, aged 70 is an Independent Director of our Company. He holds a degree in Mathematics and Mechanical Engineering from. He has worked as the Scientific Officer at the Department of Atomic Energy, Government of India. He has more than 40 years of experience in nuclear power plant construction activities. He is also a life member of Indian Nuclear Society. He joined our Company as Non-executive Independent Director on June 1, 2010.

Mr. R. C. Prasad, aged 61 is an Independent Director of our Company. He holds a doctorate in metallurgical engineering from the Indian Institute of Science, Bangalore. He is a professor at the Indian Institute of Technology, Bombay since 1986. He joined our Company as Non-executive Independent Director on July 15, 2010.

Mr. Baba Pai, aged 56 is an Independent Director of our Company. He holds a doctorate in metallurgical engineering from the Indian Institute of Technology Bombay. He is the head of Metallurgical and Materials faculty of Technology and Engineering at MS University Kalabhavan, Vadodara. He is currently a member of the Departmental Evaluation Committee of Customs, ICD, Dashrath. He joined our Company as Non-executive Independent Director on July 15, 2010.

Mr. R.S. Kaushal, aged 62 is an Independent Director of our Company. He is a banker by profession and holds a Masters degree in Arts. He was previously employed with State bank of India. He has 38 years of experience in the Banking sector. He is a certified Associate of the Indian Institute of Bankers. He is presently working as an Advisor with Learning & Development in SBI Mutual Fund. He was appointed on our Board as an Independent Director on July 15, 2010.

Borrowing Powers

Pursuant to a resolution passed by the shareholders in accordance with the provisions of section 293(1)(d) of the Companies Act, 1956, at the Annual General Meeting held on September 30, 2009 our Board has been authorized to borrow all such sums of money by way of cash, credits, advances, deposits or other loans whether secured or unsecured by mortgage, charge, hypothecation or pledge of the Company's assets and properties, whether moveable or immoveable notwithstanding that the moneys to be borrowed by the Company, apart from temporary loans obtained from our Company's bankers in the ordinary course of business shall not exceed, a sum of ₹ 20,000 Lacs in addition to the paid-up capital and free reserves of our Company.

Compensation to Chairman / Managing Directors / Whole time Directors

Pursuant to the agreement dated May 18, 2010, the remuneration payable to Mr. Babulal Sanghvi, Chairman has been determined as under:

Particulars	Remuneration
Salary	₹ 6 Lacs per annum with an annual increment of 20% of the previous year subject to approval of members.
Other Allowances	(i) Medical Expenses incurred for him and his family (ii) Entertainment expenses incurred by him in the course of legitimate business of the Company (iii) Club membership fees subject to a maximum of two clubs (iv) Personal accident insurance policy (v) provision for use of car and telephone for both official and personal use. (vi) Group Insurance Policy subject to the rules of the Company (vii) Telephone expenses subject to the rules of the Company
Commission	Commission equivalent to 1% of Profit after Tax of the Company.
Perquisites	Perquisites shall be restricted to an amount equal to the annual amount. Salary and Perquisites shall be exclusive of: (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961. (ii) Gratuity as per the rules of the Company. (iii) Leave as per the rules of the Company including encashment of leave at the end of the tenure.

Mr. Babulal Sanghvi was paid an aggregate remuneration of ₹ 6 Lacs in fiscal 2010.

Pursuant to the agreement dated May 18, 2010 the remuneration payable to Mr. Jayanti Babulal Sanghvi, Managing Director has been determined as under

Particulars	Remuneration
Salary	₹ 9 Lacs per annum with an annual increment of 20% of the previous year subject to approval of members.
Other Allowances	(i) Medical Expenses incurred for him and his family (ii) Entertainment expenses incurred by him in the course of legitimate business of the Company (iii) Club membership fees subject to a maximum of two clubs (iv) Personal accident insurance policy (v) provision for use of car and telephone for both official and personal use. (vi) Group Insurance Policy subject to the rules of the Company (vii) Telephone expenses subject to the rules of the Company
Commission	Commission equivalent to 1% of Profit after Tax of the Company.
Perquisites	Perquisites shall be restricted to an amount equal to the annual amount. Salary and Perquisites shall be exclusive of: (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961. (ii) Gratuity as per the rules of the Company. (iii) Leave as per the rules of the Company including encashment of leave at the end of the tenure.

Mr. Jayanti Babulal Sanghvi was paid an aggregate remuneration of ₹ 9 Lacs in fiscal 2010.

Pursuant to the agreement dated May 18, 2010 the remuneration payable to Mr. Naresh Babulal Sanghvi, Director has been determined as under:

Particulars	Remuneration
Salary	₹ 7 Lacs per annum with an annual increment of 20% of the previous year subject to approval of members.
Other Allowances	(i) Medical Expenses incurred for him and his family (ii) Entertainment expenses incurred by him in the course of legitimate business of the Company

	(iii) Club membership fees subject to a maximum of two clubs (iv) Personal accident insurance policy (v) provision for use of car and telephone for both official and personal use. (vi) Group Insurance Policy subject to the rules of the Company (vii) Telephone expenses subject to the rules of the Company
Commission	Commission equivalent to 1% of Profit after Tax of the Company.
Perquisites	Perquisites shall be restricted to an amount equal to the annual amount. Salary and Perquisites shall be exclusive of: (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961. (ii) Gratuity as per the rules of the Company. (iii) Leave as per the rules of the Company including encashment of leave at the end of the tenure.

Mr. Naresh Babulal Sanghvi was paid an aggregate remuneration of ₹ 9 Lacs in fiscal 2010.

Pursuant to the agreement dated May 18, 2010 the remuneration payable to Mr. Vikram Babulal Sanghvi, Director has been determined as under

Particulars	Remuneration
Salary	₹ 7 Lacs per annum with an annual increment of 20% of the previous year subject to approval of members.
Other Allowances	(i) Medical Expenses incurred for him and his family (ii) Entertainment expenses incurred by him in the course of legitimate business of the Company (iii) Club membership fees subject to a maximum of two clubs (iv) Personal accident insurance policy (v) provision for use of car and telephone for both official and personal use. (vi) Group Insurance Policy subject to the rules of the Company (vii) Telephone expenses subject to the rules of the Company
Commission	Commission equivalent to 1% of Profit after Tax of the Company.
Perquisites	Perquisites shall be restricted to an amount equal to the annual amount. Salary and Perquisites shall be exclusive of: (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961. (ii) Gratuity as per the rules of the Company. (iii) Leave as per the rules of the Company including encashment of leave at the end of the tenure.

Benefits to directors upon termination of employment

Our Managing Director/Executive Directors shall be entitled to compensation for loss of office, or as a consideration for retirement from office, which they would have earned if they would have been in the office for the un-expired/residue of their term or for three years whichever is shorter, calculated on the basis of the average remuneration actually earned by them during the period of three years immediately preceding the date on which they cease to hold office or where they hold the office for a lesser period than three years. However, the above benefit is subject to provision of section 318 of the Companies Act, 1956

Shareholding of Directors in our Company

Our Articles of Association do not require our Directors to hold any qualification shares. However share holding of our Directors is hereunder provided as of September 15, 2010:

Sr. No.	Directors	No. of Equity shares	Pre-Issue (%) of holding in our Company
1.	Mr. Babulal Sagarmal Sanghvi	1103783	13.22%
2.	Mr. Naresh Babulal Sanghvi	1166931	13.97%
3.	Mr. Vikram Babulal Sanghvi	890682	10.67%
4.	Mr. Jayanti Babulal Sanghvi	1257606	15.06%

Interest of Directors

All the Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meeting of the board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under the Articles of Association. All the Directors may also be deemed to be interested to the extent of equity shares, if any, already held by or that may be subscribed for and allotted to them or to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees, out of the present offer and also to the extent of any dividends payable to them and other distributions in respect of the said equity shares. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated in the section titled under the heading Related Party Transaction under the section titled “Financial Statement” in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our company other than in the normal course of business.

Interest as to Property

Except as stated/referred to in the paragraph titled Property of chapter “Business Overview” on page no. 84 and paragraph titled “Interest of Promoters” specified in section titled “Our Promoters, Promoter Group and Group Companies” on page no. 118 of the Red Herring Prospectus, our Directors do not have any interest:

- i) in the promotion of our Company; or
- ii) in any property acquired by our Company within two years from the date of the Draft Red Herring Prospectus, or proposed to be acquired by our Company.

Changes in our Board of Directors during the last three years

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

Sr. No.	Name	Date of change	Reason
1.	Mr. Vikram Sanghvi	April 20, 2010	Re-appointed
2.	Mr. Shantaram Yarlagaadda	June 1, 2010	Appointment
3.	Mr. Baba Pai	July 15, 2010	Appointment
4.	Mr. R.C. Prasad	July 15, 2010	Appointment
5.	Mr. R.S Kaushal	July 15, 2010	Appointment

Corporate Governance

The provisions of the listing agreement to be entered into with BSE and NSE with respect to corporate governance will be applicable to our Company immediately upon the listing of our Company’s Equity Shares on the Stock Exchanges. Our Company has complied with Listing Agreement in respect of Corporate Governance specially with respect to broad basing of Board, constituting the Committees such as Shareholders/Investors Grievance Committee and Audit Committee.

Composition of the Board of Directors

Sr. No.	Name of the Director	Designation	Category
1	Mr. Babulal Sagarmal Sanghvi	Chairman	Executive & Non Independent
2	Mr. Jayanti Babulal Sanghvi	Managing Director	Executive & Non Independent
3	Mr. Vikram Babulal Sanghvi	Director	Executive & Non Independent

4	Mr. Naresh Babulal Sanghvi	Director	Executive & Non Independent
5	Mr. Shantaram Yarlagaadda	Director	Non-Executive & Independent
6	Mr. Baba Pai	Director	Non-Executive & Independent
7	Mr. R.C. Prasad	Director	Non Executive & Independent
8	Mr. R.S Kaushal	Director	Non Executive & Independent

Our Company has already appointed Independent Directors and constituted the following Committees of the Board:

1. Audit Committee;
2. Shareholders/Investors Grievance Committee; and
3. IPO Committee

1. Audit Committee

The constitution of the Audit Committee was approved at a meeting of the Board of Directors held on July 15, 2010. The Committee consists of 4 members.

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. R.S. Kaushal	Chairman	Non-Executive & Independent Director
2.	Mr. Shantaram Yarlagaadda	Member	Non-Executive & Independent Director
3.	Mr. Baba Pai	Member	Non-Executive & Independent Director
4.	Mr. Vikram Sanghvi	Member	Executive & Non Independent Director

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

A. Role of Audit Committee

The role of the Audit Committee is as follows:

- (a) Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) 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.
- (c) Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - (i) Matters that are 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.
 - (ii) Changes, if any, in accounting policies and practices and reasons for the same.
 - (iii) Major accounting entries involving estimates based on the exercise of judgment by management.
 - (iv) Significant adjustments made in the financial statements arising out of audit finding.
 - (v) Compliance with listing and other legal requirements relating to financial statements.
 - (vi) Disclosure of any related party transactions i.e transactions of the Company of material nature, with Promoters or the management, their subsidiary or relatives etc, that may have potential conflict with the interest of the Company at large.
 - (vii) Qualification in the draft audit report.
- (d) Reviewing, with the management,
 - (i) quarterly financial statements before submission to the board for approval;

(ii) statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc), statement of funds utilised for purposes other than those stated in the offer documents/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilisation of proceeds of public issue and make appropriate recommendation to the Board to take up steps in this matter;

(iii) performance of statutory and internal auditors, and adequacy of the internal control system.

(iv) 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.

- (e) Discussion with internal auditors before any significant findings and follow up there on.
- (f) 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.
- (g) 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.
- (h) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- (i) To review the functioning of the Whistle Blower mechanism, if any.
- (j) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

B. Review of information by Audit Committee

The Audit Committee shall review the following information:

- (a) Management discussion and analysis of financial condition and results of operation;
- (b) Statement of significant related party transactions submitted by the management;
- (c) Management letters/letters of internal control weakness issued by the statutory auditors;
- (d) Internal audit reports relating to internal control weakness; and
- (e) The appointment, removal and terms of remuneration of the Chief internal auditor; shall be subject to review by the Audit Committee.

2. **Shareholders/Investor Grievance Committee**

Our Company has constituted a Shareholders/Investor Grievance Committee. The constitution of the aforesaid Committee was approved by a meeting of the Board of Directors held on July 15, 2010. The Committee consists of 3 members:

Sr. No.	Name	Designation	Category
1.	Mr. R.S Kaushal	Chairman	Non-Executive and Independent Director
2.	Mr. R.C Prasad	Member	Non-Executive and Independent Director
3.	Mr. Baba Pai	Member	Non-Executive and Independent Director

The Shareholders'/ Investor Grievance Committee shall perform the following functions:

- 1. Power to oversee, inter-alia, transfer/transmission of shares and other related issue,
- 2. Redressal of shareholders'/ investors' complaints relating to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, etc.

3. To monitor the resolution of all types of shareholders/investors grievances and queries periodically,
4. Any other power specifically assigned by the Board of Directors of the Company from time to time by way of resolution passed by it in a duly conducted Meeting,

3. IPO Committee

Our Company has constituted an IPO Committee. The constitution of the aforesaid Committee was approved by a meeting of the Board of Directors held on December 29, 2010. The Committee consists of 3 members:

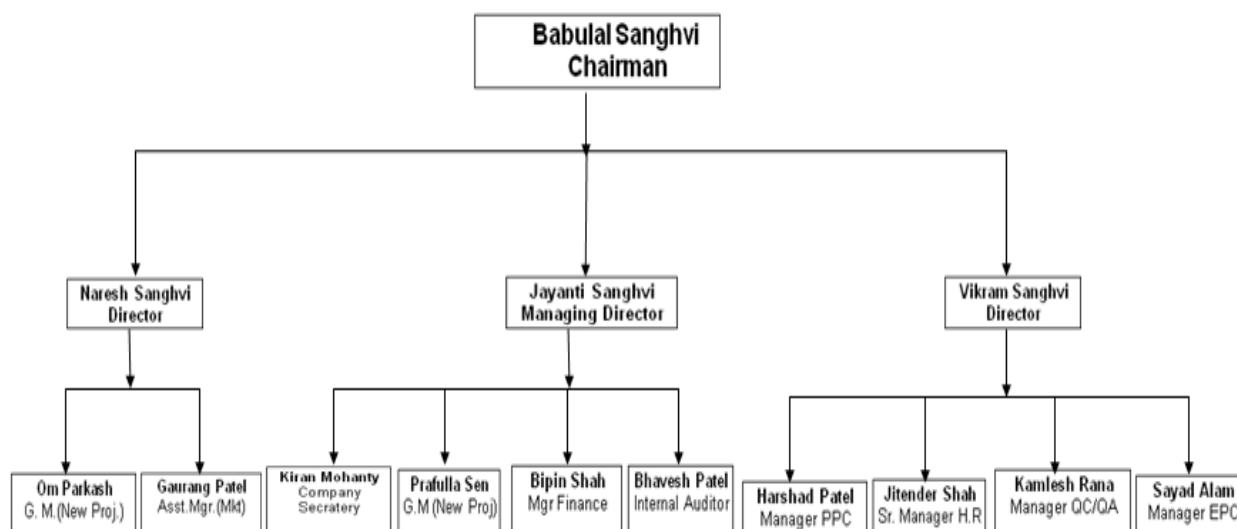
Sr. No.	Name	Designation	Category
1.	Mr. Jayanti Sanghvi	Chairman	Executive and Non-Independent Director
2.	Mr. Naresh Sanghvi	Member	Executive and Non-Independent Director
3.	Mr. Vikram Sanghvi	Member	Executive and Non-Independent Director

The IPO Committee shall perform the following functions:

- a) To make applications to the Foreign Investment Promotion Board, RBI and such other authorities as may be required for the purpose of allotment of shares to non-resident investors;
- b) To decide on the timing, pricing and all the terms and conditions of the issue of shares for the Public Issue, including the price, and to accept any amendments, modifications, variations or alterations thereto;
- c) To enter into arrangements and to deal with Book running lead managers, underwriters to the Public Issue, syndicate members to the Public Issue, brokers to the Public Issue, escrow collection bankers to the Public Issue, registrars, legal advisors and any other agencies or persons or intermediaries to the Public Issue and to negotiate and finalise the terms of their appointment, including but not limited to execution of the Book Running Lead Managers ("BRLMs") mandate letter, negotiation, finalisation and execution of the memorandum of understanding with the BRLM etc.;
- d) To finalize and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the final prospectus, syndicate agreement, underwriting agreement, escrow agreement, stabilization agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Public Issue;
- e) To open with the bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;
- f) To authorize and approve the incurring of expenditure and payment of fees in connection with the Public Issue;
- g) To do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;
- h) To make applications for listing of the shares in one or more stock exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s); and
- i) To settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit.

Our Company Secretary, Mr. Kiran Mohanty will act as the secretary of the aforesaid Committees.

ORGANISATION CHART



KEY MANAGERIAL PERSONNEL

The details of our key managerial personnel are set out below:

Sr No.	Name of Employee	Age (yrs)	Date of Joining	Qualification	Previous Employment	Designation in the Company
1.	Harsad Patel	41	8 th July 2010	ITI Draughtman Mechanical from Anand Institue, Gujarat	Spire Industries Private Limited	Manager-Production Planning and Control
2.	Om Prakash	74	2 nd August, 2010	B.Sc. Electrical Engineering, from AMIE India	Projects and Development of India Limited	General Manager – Business Development
3.	Gaurang Patel	31	December 15, 2010	Diploma Mechanical Engineering from MS University Baroda	Munjal Auto India Limited	Asst Manager-Marketing
4.	Mr. Jitendra Shah	43	April 1, 2011	B.Com, PG Diploma in Industrial Relations and Personal Management; PG Diploma in Human Resource Development, PG Diploma in	INEOS Abs (India) Ltd.	Manager – Human Resource

				Labour Practice all from MS University Baroda		
5.	Mr. Bipin kumar J Shah	27	November 29, 2008	B Com & Chartered Accountant	-	Manager-Finance
6.	Mr. Alam N Syed	46	December 1, 2008	Diploma in Mechanical Engineering, Department of Technical Examination, Karnataka	Himson Engineering Private Limited	Manager – Engineering and Procurement
7.	Mr. Kiran Mohanty	27	July 2, 2010	Company Secretary	-	Company Secretary
8.	Mr. Kamlesh Rana	45	July 15, 2009	Diploma Mechanical Engineering from Department of Technical Examinations Board, Gujarat	Indian Dyestuff Industries	Manager – Quality Assurance and Quality Control
9.	Mr. Prafulla Sen	59	September 1, 2010	BE (Mechanical), from Bengal Engineering College, Kolkatta University	-	General Manager Maintenance-New Project

Notes:

1. All the key managerial personnel mentioned above are permanent employees of our Company and none of them are related to each other or to any Director of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
3. The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.

Shareholding of Key Managerial Personnel

None of the key management personnel of our Company hold any Equity Shares of our Company as of the date of filing this Red Herring Prospectus.

Changes in the Key Managerial Personnel during last three years

Following have been the changes in the key managerial personnel during the last three years:

Sr. No.	Name	Date of Joining	Date of Leaving	Reasons
1.	Harshad Patel	July 8, 2010	-	Appointment
2.	Shitla Mishra	December 1, 2006	November 30, 2007	Resignation

Sr. No.	Name	Date of Joining	Date of Leaving	Reasons
3.	Dharmendra Ratna	August 1, 2007	February 25, 2008	Resignation
4.	Suhas Vaze	August 3, 2007	February 7, 2008	Resignation
5.	Narayan Nambiar	September 17, 2009	April 24, 2008	Resignation
6.	Ramesh Pillai	October 1, 2007	August 2, 2008	Resignation
7.	Manish Dubal	May, 12, 2008	December 4, 2008	Resignation
8.	Vinay Kumar Bisnoi	October 9, 2008	May 31, 2009	Resignation
9.	Bipin Shah	November 29, 2008	-	Appointment
10.	Sayed Alam	December 1, 2008		Appointment
11.	Pritesh Darji	April 16, 2009	April 10, 2010	Resignation
12.	I Kandaswami	April 27, 2009	June 10, 2009	Resignation
13.	Mr. Dushyant Mahadik	April 5, 2009	June 23, 2010	Resignation
14.	Kamlesh Rana	July 15, 2009	-	Appointment
15.	Purvi Dani	March 4, 2010	July 2, 2010	Resignation
16.	Kiran Mohanty	July 2, 2010	-	Appointment
17.	Omprakash	August 2, 2010	-	Appointment
18.	Prafulla Sen	September 1, 2010	-	Appointment
19.	Sanjay Sule	July 25, 2009	September 15, 2010	Resignation
20.	Gaurang Patel	December 15, 2010	-	Appointment
21.	Yogesh Patil	May 2010	December 22, 2010	Resignation
22.	Pranav Shah	January 4, 2010	January 13, 2011	Resignation
23.	Jitendra Shah	April 1, 2011	-	Appointment

Bonus or Profit Sharing Plan

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

Employees

As of September 15, 2010, our work force consisted of 103 full time employees. For more details about our employees please refer to section titled “Business Overview” on page no. 86 of this Red Herring Prospectus.

ESOP/ESPS Scheme to Employees

Presently, we do not have ESOP/ESPS scheme for employees.

Payment or benefit to our officers

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment/engagement and the dividend, if any, that may have been declared on the Equity Shares held by our officers, we have not paid any amount or given any benefit to any officer of our Company, nor is such amount or benefit intended to be paid or given to any officer as on the date of filing this Red Herring Prospectus with SEBI/ROC.

OUR SUBSIDIARY

Our Company has one subsidiary namely Sanghvi Middle East (Free Zone Establishment) as of the date of this Red Herring Prospectus. Our Subsidiary has not made any public or rights issue in the last three years.

Sanghvi Middle East (Free Zone Establishment) is a Limited Liability Free Zone Establishment which was incorporated on February 5, 2009 at Sharjah Airport International Free Zone, United Arab Emirates as per the Emeeri Decree No. 2 of 1995 and in accordance with implementation procedures of free zone establishment, having its registered office at Sharjah Airport International Free Zone, Sharjah, United Arab Emirates, Po Box No. SAIF, Sharjah, U.A.E.

The main object of our Subsidiary is to, inter-alia, carry on the business of manufacturing, general trading, export/ import and/or other related activities, the business of importers/exporters, general traders, consultants and advisors on all matters related to the forgoing business, wholesalers and retailers of goods, wares, produce, products, commodities and merchandise of every description; mail order specialists, credit and discount traders, cash and carry traders, manufacturer's agents in respect of raw materials manufactured goods, provision and general produce contract buyers, consultants and advisers in business, office and other systems, cost analysis efficiency techniques, marketing and sales promotion, management, commercial, commerce and industry; to create, establish and maintain an organisation for purchase, sale, distribution, advertisement or introduction of products, goods; haulage and transport contractors, general storekeepers and warehousemen, shipping, forwarding agents and transport contractors; to undertake, perform and carry out all kinds of commercial, trading, and financial operations and all or any of the operations ordinarily performed by import, export and general traders, shippers, distributors, property developers, property, managers, consultants and advisors, land dealers, factors, estate agents, property sales and business transfer agents.

Capital Structure and Shareholding Pattern:

The authorized share Capital of Sanghvi Middle East (Free Zone Establishment) is AED 1,50,000 divided into 1 share of AED 1,50,000.

The shareholding pattern of Sanghvi Middle East (Free Zone Establishment) is as follows:

Equity Shares

Sr. No	Name of the Shareholder	No. of Equity Shares	Percentage of total equity holding (%)
1.	Sanghvi Forging and Engineering Limited	1(One)	100%

Accumulated Profits or Losses

There are no accumulated losses of any of our Subsidiaries that are not accounted for by our Company in the consolidated financial statements.

Interest of the Subsidiary in our Company

Our Subsidiary does not hold any equity shares in the Company. Except as stated in "Related Party Transactions" specified in "Auditor's Report and Financial Information of Our Company" on page no. 149, our Subsidiary does not have any other interest in our Company's business.

Common Pursuits

Except as disclosed in this Red Herring Prospectus, our Subsidiary does not have any interest in any venture that is involved in any activities similar to those conducted by our Company.

OUR PROMOTERS, PROMOTER GROUP AND GROUP COMPANIES

The following are the promoters of our Company:

1. Mr. Babulal Sanghvi
2. Mr. Jayanti Sanghvi
3. Mr. Naresh Sanghvi
4. Mr. Vikram Sanghvi



Mr. Babulal Sanghvi, aged 59 years, is the Chairman and Promoter of our Company. He has been a Director of our Company since April 10, 1989. He is an under-graduate. He has more than 21 years of experience in the forging industry. He is responsible for implementing the overall business strategy of our Company. For further details, please refer to the chapter “*Our Management*” on page no.101.

PAN No: AJFPS4779J
Passport No: F7422574



Mr. Jayanti Babulal Sanghvi, aged 34 years, is the Managing Director of our Company. He is a gold medalist from Sardar Patel University in Bachelor of Business Administration. He has over 13 years of experience in manufacturing and retailing of flanges and other forging items and has been instrumental in driving the growth of our business. He leads the domestic marketing, finance and sales functions of our Company. For further details, please refer to the chapter “*Our Management*” on page no.101.

PAN No: AKCPS4019F
Passport No:J0292975



Mr. Naresh Babulal Sanghvi, aged 32 years, was appointed as Director of the Company on January 29, 2010. He is an under-graduate. He has more than 12 years of experience in forging industry. He is responsible for all export related activities of our Company and indentification of growth potentials in various overseas markets. For further details, please refer to the chapter “*Our Management*” on page no.102.

PAN No: AGCPS2393G
Passport No. Z1736904



Mr. Vikram Babulal Sanghvi, aged 28 years, is a Director of our Company. He is a gold medalist from Sardar Patel University in Bachelor of Business Administration and has completed his Masters degree in Business Administration from the ICAI University. He has completed a course of Chartered Financial Analyst from ICAI University. He has over 4 years of experience in the field of forging industry. He is responsible for overall supervision of the factory and production activities of our Company. For further details, please refer to the chapter “*Our Management*” on page no.101.

PAN No: AOEPS9988K
Passport No. F2812457

We confirm that the permanent account number, bank account details and passport number of our promoters have been submitted to BSE and NSE, at the time of filing the Draft Red Herring Prospectus with them.

Further our Promoters have not been identified as willful defaulters by RBI or any other Government authority and there are no violations of Securities Law committed by our Promoters in past or pending against them. Our Promoters are not prohibited from accessing the capital markets and no order or direction has been passed by SEBI or any other regulatory/statutory authority.

Currently Mr. Babulal Sanghvi, Mr. Jayanti Sanghvi, Mr. Naresh Sanghvi and Mr. Vikram Sanghvi hold 13.22%, 15.06%, 13.97% and 10.67% respectively, of our pre-Issue equity share capital. For details of the build-up of our Promoters' shareholding in our Company, see "Capital Structure" on page no. 24.

PROMOTER GROUP

i. Natural Persons

a) Babulal Sanghvi

The following natural persons form part of our Promoter Group as relative of Mr. Babulal Sanghvi

Name	Relationship
Bhamriben Sanghvi	Spouse
Savarmal Sanghvi	Father
Keshidevi Sanghvi	Mother
Naresh Sanghvi	Son
Jayanti Sanghvi	Son
Vikram Sanghvi	Son
Mahesh Sanghvi	Son
Khimrao Sanghvi	Brother
Geverchand Sanghvi	Brother
Devraj Sanghvi	Brother
Shantilal Sanghvi	Brother
Matiben	Sister
Pankhiben	Sister
Ramilaben	Sister
Chogidevi Bhansali	Spouse's Mother
Savantmal M. Bhansali	Spouse's Brother
Pukhraj M. Bhansali	Spouse's Brother
Hiralal M. Bhansali	Spouse's Brother
Lalit M. Bhansali	Spouse's Brother
Babulal M. Bhansali	Spouse's Brother
Jadavdevi K. Doshi	Spouse's Sister

b) Naresh Sanghvi

Other than above, the following persons form part of our Promoter Group as relative of Mr. Naresh Sanghvi

Name	Relationship
Kiran Sanghvi	Spouse
Meet Sanghvi	Son
Nishi Sanghvi	Daughter
Kaluchand Mehta	Spouse's Father
Babita Mehta	Spouse's Mother
Piyush Mehta	Spouse's Brother
Vikarm Mehta	Spouse's Brother
Shilpa Angara	Spouse's Sister
Seema Doshi	Spouse's Sister
Payal Jain	Spouse's Sister

c) **Jayanti Sanghvi**

Other than above, the following persons form part of our Promoter Group as relative of Mr. Jayanti Sanghvi

Name	Relationship
Meena Sanghvi	Spouse
Saman Sanghvi	Son
Rajvi Sangvhi	Daughter
Mafatlal Jain	Spouse's Father
Geetaben Jain	Spouse's Mother
Mahendra Jain	Spouse's Brother
Praful Jain	Spouse's Brother
Rakesh Jain	Spouse's Brother

d) **Vikram Sanghvi**

Other than above, the following persons form part of our Promoter Group as relative of Mr. Vikram Sanghvi

Name	Relationship
Sheetal Sanghvi	Spouse
Ayaan Sanghvi	Son
Jugal Kishor Munot	Spouse's Father
Anitaben Munot	Spouse's Mother
Jitendra Munot	Spouse's Brother
Rahul Munot	Spouse's Brother
Sapna Munot	Spouse's Sister

ii. **HUF**

- (a) Babulal Sanghvi HUF;
- (b) Jayanti Babulal Sanghvi HUF;
- (c) Naresh BabulalSanghvi HUF;
- (d) Vikram Babulal Sanghvi HUF

iii. **Body Corporates**

The body corporates promoted by our Promoters are as set forth below:-

- (a) Gautam Stainless Private Limited; and
- (b) Rajeshwari Forgings Private Limited

iv. **Other Promoter Group Entities**

- (a) Kanak Engineering Works, sole proprietary
- (b) Gautam Pipeline, sole proprietary
- (c) Dharnendra Steel and Alloys Private Limited
- (d) Triveni Shinton International Private Limited
- (e) Jugal Tubes Private Limited
- (f) Virani Alloys Private Limited
- (g) Bhansali Engineering & Polymers Limited
- (h) Bhansali Ferromet Private Limited
- (i) Speedage Commercial Limited
- (j) Sheraton Properties and Finance Limited
- (k) Bentley Commercial Enterprises Limited
- (l) Bhansali Engineering Industries Private Limited

- (m) Bhansali Industrial Investment & Finance Limited
- (n) Bhansali Innovative Financial Private Limited
- (o) Bhansali International Private Limited.

Common Pursuits

The Promoters/ any member of Promoter Group do not have interest in any venture that is involved in any activities similar to those conducted by our Company. Some of our Promoter Group Companies i.e. Gautam Stainless Private Limited and Rajeshwari Forgings Private Limited have some of the objects similar to that of our Company's business. As on the date of filing the Red Herring Prospectus, the aforesaid entities are not carrying any business competing with that of our Company. Currently, we do not have any non-compete agreement/arrangement with any of our Promoter Group Entities and absence of such non-compete agreement/arrangement may result in the situation of potential conflict of interest in future. For further details of Group entities, please refer para titled "Group Companies" on page no. 119 of this Red Herring Prospectus.

Interest of Promoter

Our Promoters who are also the Directors of our Company may be deemed to be interested to the extent of fees, if any payable to them for attending meeting of the Board or a committee thereof as well as to the extent of remuneration and reimbursement of expenses payable to them as per the terms of our Articles and relevant provisions of Companies Act. Our Promoter Directors may also be deemed to be interested to the extent of Equity Shares held by their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Company has taken its office at Parvati Chambers, Pratapnagar Road, Vadodara on leave and license basis from our Promoter, Mr. Jayanti Sanghvi. For further details please see section titled "Related Party Transaction" mentioned in section titled "Auditor's Report and Financial Information of Our Company" on page no. 149 of this Red Herring Prospectus.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business.

Further, our Promoters are also directors on the boards of certain Promoter Group entities and they may be deemed to be interested to the extent of the payments made by our Company, if any, to/from these Promoter Group entities. For the payments that are made by our Company to certain Promoter Group entities, see "Related Party Disclosures" mentioned in section titled "Auditor's Report and Financial Information of Our Company" on page no. 149 of this Red Herring Prospectus.

Related Party Transactions

For details on related party transactions refer to Related Party Transaction " mentioned in section titled "Auditor's Report and Financial Information of Our Company" on page no. 149 of this Red Herring Prospectus

GROUP COMPANIES

Save and except as stated in this section of the Red Herring Prospectus, there are no companies, firms, ventures, etc. promoted by the promoters, irrespective of whether such entities are covered under Section 370 (1)(B) of the Companies Act, 1956 or not.

A. HUF

1. Babula Sanghvi HUF;
2. Jayanti Babulal Sanghvi HUF;
3. Naresh Babulal Sanghvi HUF;

4. Vikram Babulal Sanghvi HUF

B. Companies

1. Gautam Stainless Private Limited
2. Rajeshwari Forgings Private Limited

C. Other Entities

1. Gautam Pipelines, Sole Proprietary

The following are the details of the group companies/ firms and other ventures under the same management:

1. Gautam Stainless Private Limited

Gautam Stainless Private Limited was incorporated on January 19th 2004 as a private limited with its registered office at 700 GIDC Estate, Makarpura, Vadodara, Gujarat-390010 since incorporation. It is promoted by Mr. Babulal S. Sanghvi. The main objects of Gautam Stainless Private Limited is to design, manufacture, buy, sell, import, export or deal in engineering, products like press tools , Jigs and Fixtures, Turbin blades, gauges, cutting tools, power compacting dies, deep drawing dies, wire drawing dies (carbide/steel) Extention dies(carbide/steel) injection, compression, transformer, moulds for plastics die castings, dies (Gravity/Pressure) for nonferrous materials, Gams, templates, presumed components, thermoset/thermo plastic, moulded components, sub-assembling special bearings, bearing containers, seals and accessories, fogging dies, coining tools spinning tools, electrical laminations etc., and all the accessories for manufacture of the above items, including engineering, electrical and electronics equipment but not limiting to the above only. The main objects also include business of General Engineers, contractors, fabricators civil, electrical and mechanical and to act as consultants in the field of engineering, plastic automobile, electronics etc., and to conduct research developments in the above fields.

Gautam Stainless Private Limited is engaged in the business of manufacturing of Stainless Steel Sanitary Fittings & CNC Machine Components since incorporation.

Interest of our Promoters:

Sr. No.	Name of Share Holder	No. Of Shares held	% of Holding	Share
1.	Mr. Baulal Sanghvi	60,000	30	
2.	Mr. Vikram Sanghvi	10,000	5	
	TOTAL	70,000	35	

Audited Financial information

Particulars	(₹ In Lacs)		
	March 31, 2008	March 31, 2009	March 31, 2010
Authorised Capital	30.00	30.00	30.00
Paid-up Equity Capital (FV of ₹10 each)	20.00	20.00	20.00
Reserves & Surplus	3.16	8.45	1.66
Sales/Income	338.17	364.11	276.67
Profit/(Loss) after tax	5.99	5.29	8.16
Earnings per share (₹)	0.02	0.02	0.04
Net Asset Value per equity share (₹)	14.43	14.14	18.31

2. Rajeshwari Forgings Private Limited

Rajeshwari Forgings Private Limited was incorporated on June 13, 2006 as a private limited company having its registered office at A-7, Parawati Chambers, Opp. Apsara Cinema, Pratap Nagar, Vadodara-390004. The main objects of Rajeshwari Forgings Private Limited is to manufacture, produce , process ,treat, alter , convert , shape, improve, manipulate, press, hammer, cut, slit, trim, design, edge, grind, mill,

machine, and to act as agent , broker, importer, exporter, buyer, seller, trader, foundryman, consultant, engineer , metallurgist, stockiest, distributor, jobworker, vendor or otherwise to deal in all shapes, sizes, descriptions, specifications, capacities and a varieties of forging items of iron, steels and their alloys used in automobiles, railways, waterworks, defence, power plants, oilwells, mines, agriculture, public utilities, constructions, transmissions and for other commercial, domestic and industrial purposes and to do all such incidental acts and things for accomplishments of above objects.

Rajeshwari Forgings Private Limited is engaged in the trading business mainly focussed on steel material since incorporation.

Interest of our Promoters

Sr. No.	Name of Share Holder	No. Of Shares Held	Percentage of Share Holding
1.	Mr. Vikram Babulal Sanghvi	4000	33.33%
2.	Mr. Jayanti Babulal Sanghvi	4000	33.33%
3.	Mr. Naresh Babulal Sanghvi	4000	33.33%
Total		12,000	100.00%

Audited Financial information

	<i>(₹ In Lacs)</i>		
	March 31, 2008	March 31, 2009	March 31, 2010
Authorised Capital	5.00	5.00	5.00
Paid-up Equity Capital (FV of ₹10 each)	1.20	1.20	1.20
Reserves and Surplus	-	-	0.008
Sales and other income	7.67	10.21	0.40
Profit/(Loss) after tax	(0.05)	0.04	0.001
Earnings per share (₹)	(0.004)	0.003	0.001
Net Asset Value per equity share (₹)	6.54	7.65	8.57

3. Gautam Pipes, Sole Proprietary

Audited Financial Information

	March 31, 2008	March 31, 2009	March 31, 2010
Capital	2.52	2.26	23.17
Sales and other income	6.68	23.73	57.39
Profit/(Loss) after tax	2.68	2.92	3.82

Other disclosures:

The equity shares of our Group Companies are not listed on any of the Stock Exchanges and they have not made any public/rights issue in last five years. Further, no action has been taken against these companies by any Stock Exchange or SEBI.

None of our group companies are sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and are not under the Board for Industrial and Financial Reconstruction. Further, they are not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against our Group Companies.

Companies with negative net worth

None of our Group Companies have negative Net Worth as at the end of their last respective financial years.

Defunct Group Companies

Our Promoter Mr. Jayanti B. Sanghvi had incorporated a company known as ‘Shubh Accounting Solutions Private Limited’ on November 14, 2005. Since, Shubh Accounting Solutions Private Limited was not conducting any business; an application was made to the Registrar of Companies, Ahmedabad under the Easy Exit Scheme, 2010 for striking off the name of the company. Thereafter, the Asst. Registrar of companies vide its letter dated 21/03/2011 has informed that the name of M/s Shubh Accounting Solutions Private Limited has been struck off the register and the said company is dissolved.

Nature and Extent of Interest of Group Companies***(a) In the promotion of our Company***

None of our Group Companies have any interest in the promotion of our Company.

(b) In the properties acquired or proposed to be acquired by our Company in the past 2 years before filing the Draft Red Herring Prospectus with SEBI

Our Group Companies do not have any interest in the properties acquired or proposed to be acquired by our Company in the past 2 years before filing the Draft Red Herring Prospectus with SEBI.

Common Pursuits amongst the Group Companies with our Company

The Group Companies promoted by our Promoters do not have any common pursuits with our Company. However, some of our Promoter Group Companies i.e. Gautam Stainless Private Limited and Rajeshwari Forgings Private Limited have some of the objects similar to that of our Company’s business. As on the date of filing the Red Herring Prospectus, the aforesaid entities are not carrying any business competing with that of our Company. Currently we do not have any non-compete agreement/arrangement with any of our Promoter Group Entities and absence of such non-compete agreement/arrangement may result in the situation of potential conflict of interest in future. For further details of Group entities, please refer para titled “Group Companies” on page no. 119 of this Red Herring Prospectus.

Related Business Transactions within the Group Companies and Significance on the Financial Performance of our Company

For details, please see the section titled “*Related Party Transactions*” mentioned in section titled “Auditor’s Report and Financial Information of Our Company” on page no. 149 of this Red Herring Prospectus

Sale/Purchase between Group Companies and Subsidiary

For details, please see the section titled “*Related Party Transactions*” mentioned in section titled “Auditor’s Report and Financial Information of Our Company” on page no. 149 of this Red Herring Prospectus

Companies with which the Promoters have disassociated in the last three years

Save and except as specified below, our Company and our Promoters have not disassociated themselves from any of the entities during the preceding three years:

Name of the entity	Reason for disassociation
Shubh Accounting Solutions Private Limited	Dissolution/struck off

Change in Accounting Policies in the last three years

There has been no change in accounting policies in the last three years except as stated in the chapter titled “Financial Information” on page no. 129 of this Red Herring Prospectus.

Payment of Amount or Benefits to our Group Companies during the Last Two Years

Except as mentioned in “Related Party Transaction” mentioned in section titled “Auditor’s Report and Financial Information of Our Company” on page no. 149 of this Red Herring Prospectus, no amount or benefits were paid or were intended to be paid to our Group Companies during the last two years from the date of filing of this Draft Red Herring Prospectus.

CURRENCY OF PRESENTATION

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lacs”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “₹” in this Red Herring Prospectus are to the legal currency of India. All references to “US\$”, “USD” or “US Dollars” are to United States Dollars, the official currency of the United States of America. All references to “SGD” or “SG\$” are to Singapore Dollars, the official currency of Singapore. All references to “GBP” are to British Pound, the official currency of United Kingdom. All references to “AED” are to United Arab Emirates Dirham the official currency of UAE.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements we may enter into to finance our various projects and also the fund requirements for our projects.

The dividends declared by our Company for the five years are as under:

(in ₹ Lacs)

Particulars	For the year ended March 31				
	2006	2007	2008	2009	2010
Equity Dividend					
Equity Share Capital	₹ 80.30	₹ 81.58	NIL	NIL	₹ 478.19
Rate of Dividend	20%	10%	NIL	NIL	5%
Amount of Dividend	₹ 16.06	₹ 8.16*	NIL	NIL	₹ 23.91
Tax on Dividend	₹ 2.25	₹ 1.14	NIL	NIL	₹ 3.97

*For FY 2007, the dividend was paid on pro-rata basis in accordance with provisions of Companies Act, 1956 and our Articles of Association.

For details of dividend entitlement with respect to equity shares proposed to be issued in terms of this Issue, please refer the page no. 239 in Section “Terms of the Issue”.

VII-FINANCIAL INFORMATION

AUDITORS REPORT

**The Board of Directors,
Sanghvi Forging and Engineering Limited**

A.(a) We have examined the annexed financial information of Sanghvi Forging and Engineering Limited ("the Company"), for the period ended 31st March 2006 , 31st March 2007, 31st March 2008, 31st March 2009, 31st March, 2010 and 31st December 2010 being the last date up to which the accounts of the Company have been made up and audited by us. The financial statements for the period ended December 31, 2010 are approved by the Board of Directors of the Company for the purpose of disclosure in the DRHP / RHP / Prospectus (herein after referred as "Offer Document") of the Company, in connection with the Issue of Equity Shares of the Company (referred to as 'the Issue').

(b) In accordance with the requirements of

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- (ii) The Issue of Capital and Disclosure Requirement Regulations (ICDR) 2009 issued by the Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
- (iii) Our terms of reference with the Company dated 18/08/2010 requesting us to carry out work, proposed to be included in the Offer Document of the company in connection with the Offer Document as aforesaid,

We report that the restated assets and liabilities of the Company as at, March 31 2006, March 31, 2007, March 31, 2008, March 31, 2009, March 31, 2010 and December 31, 2010 are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure III.

We report that the restated profits of the Company for the financial periods ended 31st March 2006, 31st March 2007, 31st March 2008 31st March 2009, 31st March 2010 and 31st December 2010 are as set out in Annexure II to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts appearing in Annexure III to this report.

B. We have examined the following restated financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.

- (i) Statement of Cash Flow as appearing in Annexure IV to this report;
- (ii) Statement of Accounting Ratios as appearing in Annexure V to this report;
- (iii) Statement of Investment as appearing in Annexure VI to this report;
- (iv) Statement of Sundry Debtors as appearing in Annexure VII to this report;
- (v) Statement of Loans and Advances as appearing in Annexure VIII to this report;
- (vi) Statement of Other Income as appearing in Annexure IX to this report;
- (vii) Statement of Tax Shelters as appearing in Annexure X to this report;
- (viii) Segment wise Financial Statements as per Annexure XI;
- (ix) Details of Unsecured Loan as appearing on Annexure XII to this report;
- (x) Details of Contingent Liabilities as appearing in Annexure XIII to this report;
- (xi) Details of Secured Loans as appearing in Annexure XIV to this report;
- (xii) Details of Related Party Disclosure in Annexure XV;
- (xiii) Detail Break up of Capital Work in Progress in Annexure XVI ;
- (xiv) Detail of Power Generated and Net Impact in profit and Loss Account in Annexure XVII;
- (xv) Capitalization Statement as at December 31, 2010 as appearing in Annexure XVIII to this report;

- III. (a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Accounts, has been prepared in accordance with Part II of Schedule II of the Act and the ICDR Regulations.
- (b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Shah & Bhandari
Chartered Accountants

Yogesh Bhandari
Partner
Membership No: 046255
Firm Registration No: 118852W
Place: Vadodara
Date : April 15, 2011

ANNEXURE-I
STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(₹ in Lakhs)

Sr. No.	Particulars	As at March 31,					As at December 31,
		2006	2007	2008	2009	2010	2010
A. Fixed Assets							
	Gross Block	364.17	702.68	1,068.02	1,241.43	1,322.32	1,374.12
	Less : Depreciation	77.08	96.03	126.45	181.69	225.15	273.31
	Net Block	287.10	606.65	941.57	1,059.74	1,097.17	1,100.81
	Capital Work In Progress	0.98	0.98	0.98	0.98	3.69	1,124.71
	Total	288.08	607.63	942.55	1,060.72	1,100.86	2,225.52
B. Investments		-	-	-	0.66	7.65	7.65
C. Current Assets, Loans & Advances							
	Inventories	246.90	335.24	493.92	472.97	527.45	875.32
	Sundry Debtors	262.04	456.17	430.79	689.99	1,053.48	918.02
	Cash and Bank Balance	18.27	17.96	23.83	34.01	25.11	56.03
	Loans & Advances	101.31	145.22	72.28	145.58	68.03	111.46
	Total	628.52	954.59	1,020.82	1,342.55	1,674.07	1,960.83
D. Liabilities & Provisions							
	Secured Loans	330.32	582.44	853.68	987.05	965.85	1,187.02
	Unsecured Loans	104.46	130.06	148.89	146.63	71.27	339.99
	Deferred tax liability	34.97	59.86	114.50	154.22	164.54	176.09
	Current Liabilities & Provisions	236.82	386.54	197.04	239.45	377.08	754.86
	Total	706.57	1,158.89	1,314.10	1,527.35	1,578.74	2,457.97
E. Net Worth (A+B+C-D)		210.03	403.34	649.27	876.58	1,203.83	1,736.03
F. Represented by							
	Share Capital	80.30	98.30	393.19	393.19	478.19	799.20
	Reserves & Surplus	129.73	305.04	256.08	483.39	725.64	986.66
	Less : Miscellaneous	-	-	-	-	-	49.83
	Expenditure(To the extent not written off)						
	Net Worth	210.03	403.34	649.27	876.58	1,203.83	1,736.03

ANNEXURE-II
STATEMENT OF PROFIT & LOSS ACCOUNT(AS RESTATED)

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31,					Period ended
		2006	2007	2008	2009	2010	December 31,2010
A.	Income						
I	Sales :						
	a. Of products manufactured by the Company	1,087.81	1,669.08	1,952.41	2,583.30	2,549.93	2,275.84
	b. Scrap Sale Income	197.14	187.50	266.13	239.81	242.10	300.94
	c. Sale of Power Generation	-	-	2.19	17.19	26.97	17.25
II	Other Income	48.49	49.00	79.36	96.88	103.12	94.74
III	Increase/(Decrease) in Stock	65.37	60.36	87.09	15.65	(11.57)	262.69
	Total Income (I+II+III)	1,398.81	1,965.93	2,387.18	2,952.83	2,910.55	2,951.46
B.	Expenditure						
I	Raw Material Consumption	929.36	1,275.43	1,465.68	1,786.07	1,586.00	1,688.49
II	Manufacturing Expenses	132.34	148.43	170.34	365.04	359.42	308.69
III	Personal Expenses	30.17	36.54	53.26	70.25	113.54	121.04
IV	Administration and Other Expenses	92.39	127.03	163.55	190.99	246.51	207.82
	Total Expenditure (I+II+III+IV)	1,184.26	1,587.42	1,852.83	2,412.35	2,305.47	2,326.04
C.	Net Profit before Interest, Depreciation, Tax and Extraordinary Items (EBITDA)	214.55	378.51	534.34	540.48	605.08	625.42
	Financial Expenses	37.82	67.80	98.48	134.49	124.01	114.30
	Depreciation	14.93	18.95	39.00	55.24	65.01	48.35
	Profit Before Tax	161.80	291.76	396.87	350.75	416.06	462.77
	Provision for Taxation						
	Current Tax	43.02	80.58	88.46	77.18	131.65	142.17
	Deferred Tax	10.82	24.88	54.64	39.72	10.32	11.55
	Fringe Benefit Tax	0.97	1.28	1.43	1.47	-	-
D.	Net Profit after Tax but before Extra Ordinary Items	107.00	185.01	252.35	232.38	274.09	309.05
	Add/(Less) : Excess Income Tax						
	Provision Made in Previous Periods	-	(0.40)	(6.41)	(5.07)	(3.96)	0.22
	Profit as per Restated Statement of Profit and Loss Account	107.00	184.61	245.93	227.31	270.13	309.27

STATEMENT ON ADJUSTMENTS TO AUDITED FIANANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	For the year ended March 31,					Period ended December 31,2010
	2006	2007	2008	2009	2010	
Net Profit Before Tax as per Audited Financial Statements	162.88	298.80	401.66	340.09	415.81	462.77
<u>Less /(Add):</u>						
<i>Prior period Expenses</i>						
Excise duty reversal	-	-	8.68	(8.68)	-	-
<i>Impact on Changes in Accounting Policies</i>						
Depreciation	0.71	0.92	(1.26)	(0.03)	0.08	-
Foreign exchange	-	5.69	(6.41)	(1.87)	2.59	-
Gratuity Expenses	0.44	0.44	0.78	0.90	-	-
Miscellaneous expenses	-	-	3.89	(0.97)	(2.91)	-
Capitalization of Interest	-	-	(0.88)	-	-	-
<i>Prior period Income</i>	(0.08)	-	-	-	-	-
Net Profit Before Tax as per Restatement	161.80	291.75	396.87	350.75	416.05	462.77
<u>Less /(Add):</u>						
Tax on Current Income	45.27	76.48	91.65	74.41	135.25	142.17
Deferred Tax	15.84	20.42	84.56	9.09	10.32	11.55
Fringe Benefit Tax	0.97	1.28	1.43	1.47	-	-
Short / Excess Provision of Earlier tax	0.40	6.01	(1.35)	(1.11)	(3.96)	-
Deferred Tax Short/Excess provision	(5.02)	4.46	(29.92)	30.63	0.00	-
Tax Impact	(2.65)	(1.91)	(1.84)	3.88	0.36	-
Net Profit After Tax but before Extra Ordinary Items as per Restatement	107.00	185.01	252.35	232.38	274.08	309.05
Add/(Less) : Excess Income						
Tax Provision Made in Previous Periods	-	(0.40)	(6.41)	(5.07)	(3.96)	0.22
Profit as per Restated Statement of Profit and Loss Account	107.00	184.61	245.94	227.31	270.13	309.27

NOTES TO STATEMENT ON ADJUSTMENTS TO AUDITED FINANCIAL STATEMENTS

1. Adjustments

a. Prior Period Items

In the audited financial statements of the Company, certain items were identified as prior period items. For the purpose of this statement such prior period items have been appropriately adjusted to the respective periods to which they relate and items relating to the period prior to the year ended 31st March 2006, i.e. Prior Period Liabilities of gratuity of ₹ 2,28,219/- as on 1st April, 2005 have been appropriately adjusted to the opening balance of profit and loss account.

b. Excess provision of expenses written back

During the financial period ended on 31st March, 2006 excess provision of ₹ 7,860/- towards telephone expenses was written back. For the purpose of this statement, this excess provision for expenses written back has been adjusted to the opening balance of profit and loss account.

c. Short \ Excess provision for tax for earlier periods

Profit and loss account of certain periods includes amounts paid/provided/written back for, in respect of shortfall / excess of income tax arising out of assessments, appeals, etc. which for the purpose of this statement, have been adjusted in the period to which they relate.

d. Change in Accounting Policy

i. Depreciation:

Changes on account of Depreciation are on various accounts including Change in Depreciation Rates, Error in calculation of depreciation and depreciation impact of adjustment made in Note (iv) below.

ii. Foreign exchange liabilities pertaining to purchase of fixed assets:

In view of withdrawal of the "Announcement" issued by the Institute of Chartered Accountants of India on 'Treatment of exchange differences under Accounting Standard (AS) 11 (revised 2003)', the Effects of Changes in Foreign Exchange Rates vis-à-vis Schedule VI to the Companies Act, 1956, effective from 1st January 2007, any income or expense on account of exchange difference related to foreign exchange liabilities pertaining to purchase of fixed assets has been recognised in the Profit and Loss Account instead of giving effect thereof to the cost of the fixed assets.

For the limited purpose of restatement, any gain or loss on account of exchange difference related to foreign exchange liabilities pertaining to purchase of fixed assets arising during the previous years, the effect of which was given to the Profit & Loss account have been identified and restated by recognizing the same in the cost of Fixed Assets. Consequentially, the depreciation on fixed assets for the relevant period has also been restated.

iii. Miscellaneous Income:

During the year 2007-08 the Company incurred certain Miscellaneous Expenses and as per the policy followed by the Company at that time, the same was to be amortized over a period of 5 consecutive years. However, to comply with the provisions of Accounting Standard 26 –Intangible Assets, the same have been written-off in the same year and has been given effect to in these restated statements.

iv. Capitalization of Interest:

Interest during construction period pertaining to construction of assets was wrongly expensed out in the year 2007-08. However, in satisfactory compliance of Accounting Standard 16 – Borrowing Costs the said interest expense has been capitalized and added to the gross block of assets for that year.

e. Auditors Qualification

i. Employee Benefits (Accounting Standard – 15):

During the year ended 31st March 2010, the Company had undertaken adoption of the Accounting Standard 15 (Revised 2005) "Employee Benefits". However, for the purpose of this restatement the liability of employee benefits as provided for the years ended on 31st March, 2006, 2007, 2008 and 2009 have been recalculated and the opening balance of liability amounting to ₹ 2,28,219/- is shown as prior period item, as per Accounting Standard 15 (Revised 2005) "Employee Benefits" as if the revised standard was adopted by the Company from the year ended 31st March 2006. Also, Auditors Qualification regarding AS-15 for the previous years has been corrected by this adjustment.

f. Tax impact of adjustments

For the purpose of the restated summary statements, adjustments have been made for the tax impact of the adjustments in the respective periods to which the adjustment pertain.

2. Material Regroupings

- a. Sales: As required by the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, for the purpose of this statement sales of goods manufactured, Sale of Power and Scrap Sale have been separately disclosed which have been derived by aggregating the quantities of the manufactured products sold and the yearly average of net realisable value of the respective products.
- b. Appropriate adjustments have been made, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the financial statements for the period ended December 31, 2010.

ANNEXURE –III: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

I. Basis of Accounting

These Financial statements are prepared under historical cost conventions on accrual basis in accordance with the Generally Accepted Accounting principles in India and Accounting Standard (AS) as notified under (Accounting Standard) Rules, 2006.

II. Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the period. Difference between the actual result and estimates are recognized in the period in which reason are known / materialized.

III. Fixed Assets and Depreciation /Amortization

A. Tangible Assets

Fixed Assets including Intangible Assets are stated at historical cost (net of cenvat credit) less accumulated depreciation/amortization there on and impairment losses if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV the Companies Act, 1956, except Residential building which is depreciated @5% of SLM.

B. Intangible Assets

Intangible assets consisting of ERP software is amortized on Straight Line Method from the date they are available for use, over the useful lives of the assets, as estimated by the Management at 16.25%. Leasehold land is amortized over the period of lease.

IV. Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lesser are charged against profits as per the terms of the lease agreement over the lease period.

V. Inventories

Cost of Inventories have been computed to include all cost of Purchases, Cost of Conversion and other costs incurred in bringing the inventories to their present location and condition.

- i. Raw materials and components, stores and spares are valued at cost. The costs are ascertained using the First in First out (FIFO).
- ii. Work-in-progress and finished goods are valued at the lower of cost or Net Realizable Value.
- iii. Scrap is valued at Net Realizable Value.

VI. Revenue Recognition

Sales of products and services are recognized when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods. Sales are inclusive of Excise

Duty but excluding sales tax / Value Added Tax and export incentives. Export incentives are accounted on accrual basis. Revenue from job charges are recognized on dispatch of material and in accordance with terms of job work. Interest incomes are recognised on time proportion basis.

VII. Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the rate prevailing on date of transaction. In respect of Monetary items denominated in foreign currency at the period-end are translated at the period-end rates. The exchange differences arising on settlement / translation are recognized in the Profit and Loss Account.

VIII. Taxes on Income

Provision for taxation comprises of Current Tax and Deferred Tax .Current tax has provision has been made the basis of reliefs and deduction available under Income Tax Act, 1961.Deferred tax resulting from “timing differences” between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent the assets can be realized in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each Balance sheet date.

IX. Employee Benefits

- (a) The Company’s contribution in respect of provident fund is charged to Profit and Loss Account each accounting period.
- (b) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC’s Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.

X. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period which they are incurred.

XI. Provisions, Contingent Liabilities and Contingent Assets

Provision is recognized only when there is a present obligation as a result of past events and when reliable estimates of the amount of the obligation can be made. Contingent liability is disclosed for:-

- (I) Possible Obligations which will be confirmed only by future events not wholly within the control of the company or
- (II) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or reliable estimates of the amount of the obligation cannot be made. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

XII Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

XIII Investments

Long Term Investments are valued at cost of acquisition, less provision for diminution, as necessary, if any.

XIV Government Grants /Subsidy

The Government Grants/ Subsidy will be recognized on accrual basis.

B. Notes to Accounts

(a) Earnings Per Share

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
No. of the Shares at the beginning of the period	802,983	802,983	982,983	3,931,932	3,931,932	4,781,932
No. of the Shares at the end of the period	802,983	982,983	3,931,932	3,931,932	4,781,932	7,992,043
Weighted Average Number of Equity Shares at the end of the period (A)	6,621,091	6,633,913	6,801,091	6,801,091	7,248,214	7,654,810
Net Profit after Tax Attributable for equity shareholders (₹. In Lakhs) (B)	107.00	184.61	245.93	227.31	270.13	309.27
Earnings per Share (in ₹) (Face Value of ₹ 10/- per Share) (C = B/A)	1.62	2.78	3.62	3.34	3.73	4.04

(b) Remuneration to Directors

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Basic Salary	5.22	5.22	5.22	8.09	15.10	7.32
Taxable Allowances	3.48	3.48	5.18	7.51	8.90	19.71
Total	8.70	8.70	10.40	15.60	24.00	27.02

(₹ in Lakhs)

(c) Auditors Remuneration

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
For Statutory Auditor	0.25	0.35	0.35	0.35	0.50	0.50
For Tax Audit	0.05	0.10	0.10	0.10	0.10	0.10
For Other Services	0.05	0.05	0.05	0.05	0.10	0.10
Service Tax	0.04	0.06	0.06	0.05	0.07	0.07
Total	0.39	0.56	0.56	0.55	0.77	0.77

(₹ in Lakhs)

(d) Capacities Production/Purchase, Turnover & Closing Stock of Finished Goods

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Licensed Capacity	NA	NA	NA	NA	NA	NA
Installed Capacity	900 MT	900 MT	1650MT	3600MT	3600MT	3600MT

(ii)

Class of Goods	Unit	Production **	Sales Value (Net)*	
			Qty	Value (₹ in Lakhs)
Year 2005-06				
Forging & Fittings	Nos.	179,813	179,813	1,284.95
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		179,813	179,813	1,284.95
Year 2006-2007				
Forging & Fittings	Nos.	203,654	203,654	1,856.58
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		203,654	203,654	1,856.58
Year 2007-2008				
Forging & Fittings	Nos.	174,196	174,196	2,218.54
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		174,196	174,196	2,218.54
Year 2008-2009				
Forging & Fittings	Nos.	188,187	188,187	2,823.11
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		188,187	188,187	2,823.11
Year 2009-2010				
Forging & Fittings	Nos.	150,591	150,591	2,629.70
Forged Bars	Kgs.	93,853	93,853	150.60
Trading Sales - Steel Pipes	Mtr.	814	814	11.73
Total		245,258	245,258	2,792.03
Period from April 1,2010 to December 31,2010				
Forging & Fittings	Nos.	112,056	112,056	2,556.33
Forged Bars	Kgs.	14,063	14,063	20.44
Trading Sales - Steel Pipes	Mtr.	-	-	-
		126,119	126,119	2,576.78

* Sales Value (Net) of Forging & Fittings include Scrap and Job Work Charges.

** There are no Opening and Closing Stock at beginning and end of the Periods.

(e) Raw Material Consumption

(i)

Particulars	Period	Quantity (In Kgs)	Amount (₹ in Lakhs)
Steel	For the Year ended March 31,2006	766,369	929.36
Steel	For the Year ended March 31,2007	773,903	1,275.43
Steel	For the Year ended March 31,2008	1,202,452	1,465.68
Steel	For the Year ended March 31,2009	1,919,121	1,786.07
Steel	For the Year ended March 31,2010	2,070,475	1,586.00
Steel	For the Period From April 1,2010 to December 31,2010	1,763,299	1,688.49

(ii) Raw Material Consumptions is Indigenous only.

(f) C. I. F. Value of Imports

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Capital Goods	72.38	21.72	50.14	42.50	22.12	-
Semi-Finished Goods	-	-	-	-	-	11.20
Total	72.38	21.72	50.14	42.50	22.12	11.20

(g) Expenditure in Foreign Currency

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Foreign Travel	1.48	1.51	7.18	3.70	6.67	11.17
Others	93.26	39.65	61.93	62.76	45.89	10.00
Total	94.74	41.16	69.11	66.46	52.56	21.17

(h) Earnings in Foreign Currency

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Export of Goods on F.O.B. Basis	607.69	700.80	683.30	778.11	480.75	378.20
Total	607.69	700.80	683.30	778.11	480.75	378.20

(i) Detail of Interest paid to Directors on Unsecured Loan

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Interest paid/payable	1.18	0.73	-	3.66	2.72	1.67
Total	1.18	0.73	-	3.66	2.72	1.67

(j) Disclosures Relating to SSI /MSMED Act 2006

The Company has amounts due to suppliers under Small Scale industries (SSI) and MSMED Act, 2006 for each of the years/period as follows:

(₹ in Lakhs)		
As at	Particulars	Amount
March 31, 2006	The company does not have any outstanding balance payable to Small Scale Industries (SSI) and /or Ancillary Industrial Suppliers exceeding ₹1 Lakhs and were outstanding more than 30 days as at the year end.	
March 31, 2007	The company has not received any intimation from the suppliers regarding their status under the Micro, Small and Medium enterprise development Act 2006 and hence disclosures, if any relating to amounts unpaid as at year end together with the interest payable as required under the said Act have not been given	
March 31, 2008		
March 31, 2009		
March 31, 2010	Principal Amount due to suppliers under MSMED Act 2006,	3.67
	Principal Amount due to suppliers under MSMED Act 2006, beyond the appointed day	1.17
	Interest accrued and due to suppliers under MSMED Act 2006, on the above amount	0.01
	Interest paid to suppliers under MSMED Act 2006 (Section 16)	-
	Interest due and payable to suppliers under MSMED Act 2006, for the payments already made	0.01
	Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act 2006.	0.01
For the Period from April 1,2010 to December 31,2010	Principal Amount due to suppliers under MSMED Act, 2006,	2.02
	Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day	-
	Interest accrued and due to suppliers under MSMED Act 2006, on the above amount	-
	Interest paid to suppliers under MSMED Act 2006 (Section 16)	-
	Interest paid to suppliers under MSMED Act 2006 (Section 16)	-
	Interest accrued and remaining unpaid at the end of the period to suppliers under MSMED Act 2006.	-

(k) Interest on borrowed Fund Capitalized.

(₹ in Lakhs)						
Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Interest Amount	-	2.36	0.88	-	-	-
Total	-	2.36	0.88	-	-	-

(l) Dividend Paid

(₹ in Lakhs)						
Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Share Capital	80.30	98.30	393.19	393.19	478.19	799.20
Dividend %	20.00%	10%*	-	-	5.00%	-
Dividend Paid	16.06	8.16	-	-	23.91	-
Total	16.06	8.16	-	-	23.91	-

* Dividend Paid on Pro-rata Basis.

(m) Estimated amount of Contracts remaining to be executed on capital account

(₹ in Lakhs)

Particular	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Estimated Amount of Service Contracts	-	-	-	-	1.10	-
Estimated Amount of Capital Contracts	-	-	-	-	4,560.75	3572.62

(n) Major components of Deferred Tax Assets and Deferred Tax Liabilities

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
(A) Deferred Tax Liabilities :						
Difference Between book and tax depreciation	34.97	59.86	114.50	154.52	165.08	176.62
(B) Deferred Tax Liabilities :						
Disallowances under Income Tax Act	-	-	-	0.30	0.54	0.54
(C) Deferred Tax Liabilities (Net) :	34.97	59.86	114.50	154.22	164.54	176.09

(o) Exchange Difference Gain /(Loss) on account of fluctuations in foreign currency rates

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Exchange differences Gain/(Loss) recognised in Profit & Loss Account	4.10	15.56	3.11	(20.39)	2.89	3.19

(p) Detail of Operating Lease

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Amounts Payable						
Not later than one year	-	-	0.10	0.10	0.10	0.10
Later than One year but not later than five years	-	-	0.40	0.40	0.40	0.40
Payment recognised in profit & loss account	-	-	0.10	0.10	0.10	0.10

(q) Detail of Employee benefits

(i) In respect to Provident Fund

Particulars	For the Year ended March 31,					(₹ in Lakhs) For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Contribution to Provident Fund	1.01	2.22	2.54	2.98	4.28	5.46

(ii) In respect to Gratuity

Particulars	For the Year ended March 31,					(₹ in Lakhs) For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Reconciliation of liability recognised in the Balance Sheet						
Present value of commitments (as per Actuarial Valuation)	(2.73)	(3.16)	(3.94)	(4.84)	(6.19)	(8.08)
Fair value of plan assets	-	-	-	-	1.64	3.64
Net (liability) / asset in the Balance sheet	(2.73)	(3.16)	(3.94)	(4.84)	(4.55)	(4.44)

Movement in net liability recognised in the Balance sheet						
Net liability as at the beginning of the year	(2.28)	(2.73)	(3.16)	(3.94)	(4.84)	(4.55)
Net expense recognised in the Profit and Loss account	(0.44)	(0.44)	(0.78)	(0.90)	(1.36)	(1.89)
Contribution during the year	-	-	-	-	1.64	2.00
Net (liability) / asset in the Balance sheet	(2.73)	(3.16)	(3.94)	(4.84)	(4.55)	(4.44)

Expense recognised in the Profit and Loss account						
Current Service cost	0.43	0.64	0.85	1.00	1.38	1.18
Interest cost	0.18	0.22	0.26	0.32	0.39	0.39
Expected return on plan assets	-	-	-	-	(0.07)	(0.20)
Actuarial (gains)/ losses	(0.16)	(0.42)	(0.34)	(0.41)	(0.34)	0.52
Expense charged to the Profit and Loss account	0.44	0.44	0.78	0.90	1.36	1.89

Return on plan assets						
Expected return on plan assets	-	-	-	-	0.07	0.20
Actuarial gains/ (losses)	-	-	-	-	(0.07)	(0.20)
Actual return on plan assets	-	-	-	-	-	-

Reconciliation of defined-benefit commitments						
Commitments as at the beginning of the period	2.28	2.73	3.16	3.94	4.84	6.19
Current service cost	0.43	0.64	0.85	1.00	1.38	1.18
Interest cost	0.18	0.22	0.26	0.32	0.39	0.39
Paid benefits	-	-	-	-	-	-
Actuarial (gains)/ losses	(0.16)	(0.42)	(0.34)	(0.41)	(0.41)	0.32
Commitments as at the period end	2.73	3.16	3.94	4.84	6.19	8.08

Reconciliation of plan assets						
Plan assets as at the beginning of the period	-	-	-	-	-	1.64
Expected return on plan assets	-	-	-	-	0.07	0.20
Contributions during the period	-	-	-	-	1.64	2.00
Paid benefits	-	-	-	-	-	-
Actuarial gains/ (losses)	-	-	-	-	(0.07)	(0.20)
Plan assets as at the period end	-	-	-	-	1.64	3.64

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on following assumptions which if changed, would affect the commitment's size, funding requirements and expenses

Discount rate	7.75%	8.25%	8.25%	8.00%	8.50%	7.75%
Expected return on plan assets	-	-	-	-	9.00%	9.00%
Expected rate of salary increase	6.50%	6.50%	6.50%	6.50%	6.00%	6.5%
Mortality LIC	LIC (1994- 96) Ultimate	LIC (1994- 96) Ultimate	LIC (1994- 96) Ultimate	LIC (1994- 96) Ultimate	LIC (1994- 96) Ultimate	LIC (1994-96) Ultimate

ANNEXURE-IV

STATEMENT OF CASH FLOW

(₹ in Lakhs)

Sr No.	Particulars	As at March 31,					As at December 31,2010
		2006	2007	2008	2009	2010	
A.	Cash Flow From Operating Activities:						
	Net Profit Before Tax and Extra ordinary Items	161.80	291.75	396.87	350.75	416.05	462.77
	Adjustment for:						
	Depreciation /Amortisation	14.93	18.95	39.00	55.24	65.01	48.35
	Interest Expense	37.82	67.80	98.48	134.49	124.01	114.30
	Interest Income	(0.56)	(1.08)	(1.27)	(2.57)	(8.91)	(3.25)
	Preliminary Expenditure written off	-	-	4.86	-	-	-
	Loss on sale of Assets	-	-	9.85	-	14.56	0.27
	Impairment Loss	-	-	-	-	2.07	-
	Extra Ordinary Items-Gratuity Provision	(2.28)	-	-	-	-	-
	Operating Profit Before Working Capital Changes	211.70	377.43	547.79	537.92	612.79	622.45
	Adjustment for Changes of Working Capital						
	Decrease/(Increase) in Inventories	(81.47)	(88.35)	(158.67)	20.95	(54.48)	(347.88)
	Decrease/(Increase) Sundry Debtors	(70.74)	(194.13)	25.38	(259.20)	(363.49)	135.46
	Decrease/(Increase) Other Receivables	(49.45)	(43.91)	72.94	(73.30)	77.55	(43.44)
	Increase/(Decrease) in Trade and Other Payables	68.84	133.30	(162.54)	49.86	64.98	350.24
	Cash Generated From Operations	78.88	184.35	324.90	276.22	337.35	716.83
	Income Tax Paid	(27.96)	(56.84)	(113.27)	(91.16)	(90.84)	(86.53)
	Net Cash Generated From Operating Activities	50.91	127.50	211.63	185.07	246.51	630.31
B.	Cash Flow From Investing Activities						
	Acquisition of Fixed Asset and CWIP	(145.19)	(338.51)	(395.12)	(173.41)	(124.79)	(1,174.12)
	Purchase of Investment in Sanghvi Middle East	-	-	-	(0.66)	(6.99)	-
	Interest Received	0.56	1.08	1.27	2.57	8.91	3.25
	Sale of Fixed Assets	-	-	10.66	-	3.01	0.84
	Preliminary Expenses incurred during the period	-	-	(4.86)	-	-	(49.83)
	Net Cash Used in Investing Activities	(144.63)	(337.42)	(388.04)	(171.50)	(119.85)	(1,219.87)

C.	Cash Flow From Financing Activities						
	Increase in Share Capital	-	18.00	-	-	85.00	34.10
	Security Premium	-	-	-	-	-	238.67
	Repayment of /Borrowing of Term Loan	(16.84)	193.52	174.18	(14.12)	(104.33)	(102.50)
	Repayment of/ borrowing of Unsecured Loan	2.02	25.60	18.83	(2.26)	(75.36)	268.72
	Repayment of/ borrowing of Working Capital	158.79	58.60	97.06	147.49	83.14	323.67
	Interest Paid	(37.82)	(67.80)	(98.48)	(134.49)	(124.01)	(114.30)
	Dividend Paid	(12.63)	(18.31)	(9.30)	-	-	(27.88)
	Net Cash used in Financing Activities	93.53	209.61	182.29	(3.39)	(135.56)	620.47
	Net Increase /(Decrease)in Cash and Cash Equivalents	(0.18)	(0.31)	5.88	10.18	(8.90)	30.91
	Cash & Cash Equivalents at the beginning of the Period	18.45	18.27	17.96	23.83	34.01	25.11
	Cash & Cash Equivalents at the end of the Period	18.27	17.96	23.83	34.01	25.11	56.03

ANNEXURE - V

Accounting Ratios

(I)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Earning Per Share (EPS) (In ₹) (Face Value ₹ 10/- Per Share)	1.62	2.78	3.62	3.34	3.73	4.04
Return on Net Worth (In %)	50.94	45.77	37.88	25.93	22.44	17.81
Net Asset Value Per Share (₹)	3.17	6.08	9.55	12.89	16.61	22.68

(II)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Weighted Average Number of Equity Shares at the end of the period [A]	6,621,091	6,633,913	6,801,091	6,801,091	7,248,214	7,654,810
Net Profit after Tax attributable to equity shareholders (₹ in Lakhs') [B]	107.00	184.61	245.93	227.31	270.13	309.27
Earning per share (In ₹) (Face Value ₹ 10/- per Share) [C = B/A]	1.62	2.78	3.62	3.34	3.73	4.04
Net Worth (₹ In Lakhs)	210.03	403.34	649.27	876.58	1,203.83	1,736.03

Formula

Earning Per Share	=	$\frac{\text{Net Profit after Tax attributable for Equity Shareholders Excluding Extra Ordinary Items}}{\text{Weighted average number of equity shares outstanding during the period}}$
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Return on Net Worth	=	$\frac{\text{Net Profit after Tax available for Equity Shareholders Excluding Extra Ordinary Items}}{\text{Net Worth}}$
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Net Assets Value per Share	=	$\frac{\text{Net Worth}}{\text{Number of Equity Shares outstanding at the end of the period}}$
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Net Worth	=	Share Capital + Reserve and Surplus - Miscellaneous Expenditure
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Calculation of Weighted Average Number of Shares

Particulars	For the Year ended March 31,					For the Period Ended December 31, 2010
	2006	2007	2008	2009	2010	
No. of the Shares at the beginning of the period	802,983	802,983	982,983	982,983	982,983	1,832,983
Bonus Issued in Year 2007-2008	2,948,949	2,948,949	2,948,949	2,948,949	2,948,949	2,948,949
Bonus Issued in Year 2010-2011	2,869,159	2,869,159	2,869,159	2,869,159	2,869,159	2,869,159
Total effective shares at the beginning of the period	6,621,091	6,621,091	6,801,091	6,801,091	6,801,091	7,651,091
Calculation Factor	1.00	1.00	1.00	1.00	1.00	1.00
Weighted Average Per Share (Post Considering Bonus)	6,621,091	6,621,091	6,801,091	6,801,091	6,801,091	7,651,091
Allotment Made for the period	-	180,000	-	-	850,000	340,952
Calculation Factor	-	0.07	-	-	0.53	0.01
Weighted Average Number of Shares Allotted	-	12,822	-	-	447,123	3,719
Total Weighted Average No. of Shares	6,621,091	6,633,913	6,801,091	6,801,091	7,248,214	7,654,810

Note:

- The weighted average number of shares of the previous years are adjusted for issue of bonus shares during the year in compliance with Accounting Standard (AS 20) – Earning Per Share.

2. 229,48,949 Equity Shares issued as fully paid Bonus Shares in FY 2007-08 and 28,69,159 in FY 2010-11 (Totaling 58,18,108 Equity Shares) is considered for calculation of EPS on all reported years.

ANNEXURE VI

Detail of Investment

Particulars	As at March 31,					(₹ in Lakhs) As at December 31,2010
	2006	2007	2008	2009	2010	
Unquoted Investment	-	-	-	0.66	7.65	7.65
(Subsidiary) Quoted Investment	-	-	-	-	-	-
Total	-	-	-	0.66	7.65	7.65

ANNEXURE VII

Details of Sundry Debtors

Particulars	As at March 31,					(₹ in Lakhs) As at December 31,2010
	2006	2007	2008	2009	2010	
Considered Good						
More than Six Months	7.94	19.87	23.35	58.63	79.31	133.70
Less than Six Months	254.10	436.30	407.44	631.36	974.17	784.32
Total	262.04	456.17	430.79	689.99	1,053.48	918.02

Off the above: Debtors of the company related to the Promoters/Directors/Company .	2.99	23.79	1.87	4.09	33.11	50.56
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ANNEXURE VIII

Loans and advances (Unsecured Considered Good)

Particulars	As at March 31,					(₹ in Lakhs) As at December 31,2010
	2006	2007	2008	2009	2010	
Advances Recoverable in cash or in kind or for value to be received	95.52	138.81	64.30	137.89	60.60	102.62
Deposits	5.79	6.42	7.98	7.69	7.42	8.85
Total	101.31	145.22	72.28	145.58	68.03	111.46

There are no beneficiaries of Loans and Advances of the company, who are in any way related to the promoters/ Directors/ Company.

ANNEXURE IX
Detail of Other Income

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Export Incentives	31.52	29.39	40.32	49.48	32.88	25.15
Interest Income from Bank Deposits and Deposit with Government Authorities	0.56	1.08	1.27	1.30	2.64	1.60
Interest Income from Customers	-	-	-	1.27	6.27	1.65
Miscellaneous Income (Refer Note 2 Below)	16.41	18.52	37.77	44.83	61.33	66.34
Total	48.49	49.00	79.36	96.88	103.12	94.74

Note 1: Other Income given above has arisen out of business activities of the Company and is recurring in nature.

Note 2: The details of Miscellaneous Income above is as follows:

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Testing & Inspection	6.60	2.44	1.16	9.48	17.00	15.57
Packing	3.15	3.05	2.87	5.10	3.86	1.81
Freight	2.91	0.58	6.01	21.69	34.26	32.48
Others	3.75	12.45	27.73	8.56	6.21	16.48
Total	16.41	18.52	37.77	44.83	61.33	66.34

ANNEXURE X
Statement of Tax Shelters

(₹ in Lakhs)

Particulars		For the Year Ended March 31,					Period ended December 31,2010
		2006	2007	2008	2009	2010	
Profit before Tax as per restatement	A	161.80	291.76	396.87	350.75	416.06	462.77
Tax Rate	B	33.99%	33.99%	33.99%	33.99%	33.99%	33.22%
Tax at Income Tax Rate (A* B)	C	55.00	99.17	134.90	119.22	141.42	153.72
Permanent Differences							
Other Adjustments / Disallowances		(0.05)	(0.05)	(16.30)	(0.24)	(16.64)	-
Total	D	(0.05)	(0.05)	(16.30)	(0.24)	(16.64)	-

Timing Differences							
Difference between Tax Depreciation and Book Depreciation		35.40	70.71	143.18	122.33	58.98	34.77
Other Adjustments		-	-	-	(0.89)	(0.27)	0
Total	E	35.40	70.71	143.18	121.44	58.71	34.77
Net Adjustment (D+ E)	F	35.35	70.66	126.88	121.20	42.06	34.77
Tax Expenses / (Savings) thereon (F * B)	G	12.02	24.02	43.13	41.20	14.30	11.55
TOTAL TAXATION (G-C)		42.98	75.15	91.77	78.02	127.12	142.17
Brought forward Loss Adjusted		-	-	-	-	-	-
Actual Tax Liability		42.98	75.15	91.77	78.02	127.12	142.17

The company has paid tax as per Normal Income Tax rates.

ANNEXURE XI

Segment Information

Primary Segment :

The Company has identified “Forgings and Fittings” as the only primary reportable business segment.

Geographical Segment :

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Domestic	667.33	1,144.38	1,524.21	2,083.93	2,335.43	2197.57
Export	617.62	712.20	694.33	739.18	456.60	379.21
Total	1,284.95	1,856.58	2,218.54	2,823.11	2,792.03	2,576.78

ANNEXURE XII

Detail of Unsecured Loan

(₹ in Lakhs)

Particulars	As at March 31,					As at December 31,2010	Terms & Conditions
	2006	2007	2008	2009	2010		
Loan from from Promoters	32.57	34.24	44.35	60.90	28.46	51.71	Note 1 & 2

Loan from Promoter Group	71.89	95.82	104.54	85.72	42.81	188.28	Note 1 & 2
Loan from Corporate	-	-	-	-	-	100.00	Note 3
Total	104.46	130.06	148.89	146.63	71.27	339.99	

Notes:

1. The Unsecured loans are taken from promoters and promoters group on long term basis. As undertaken by the lenders, these loans are not recallable by the promoters except in compliance with the terms of sanction of secured loans.
2. As per the terms of loan sanctioned by SBI, no interest is payable on the unsecured loan during the currency of the term loans. The rate of interest to be provided on the loans is 12% p.a.
3. The Unsecured Loan are taken from Corporate on short term basis and Payable within six month. The rate of Interest to be provided on the loan is 12 % p.a.

Details of unsecured loans outstanding as on December 31, 2010

(₹ in Lakhs)

Name	Amount	Rate of Interest	Repayment Schedule
<i>Jayanti B. Sanghvi (HUF)</i>	9.74	<i>Note 2</i>	<i>Note 1</i>
<i>Khimraj S. Sanghvi (HUF)</i>	0.02	<i>Note 2</i>	<i>Note 1</i>
<i>Bhamri devi Sanghvi</i>	11.73	<i>Note 2</i>	<i>Note 1</i>
<i>Kiran N. Sanghvi</i>	7.00	<i>Note 2</i>	<i>Note 1</i>
<i>Meena J Sanghvi</i>	7.00	<i>Note 2</i>	<i>Note 1</i>
<i>Sheetal V Sangh</i>	14.40	<i>Note 2</i>	<i>Note 1</i>
<i>Naresh B. Sanghvi (HUF)</i>	10.00	<i>Note 2</i>	<i>Note 1</i>
<i>Pyariben M. Sanghvi</i>	9.97	<i>Note 2</i>	<i>Note 1</i>
<i>Babulal S. Sanghvi</i>	27.44	<i>Note 2</i>	<i>Note 1</i>
<i>Jayanti B. Sanghvi</i>	11.30	<i>Note 2</i>	<i>Note 1</i>
<i>Naresh B. Sanghvi</i>	5.76	<i>Note 2</i>	<i>Note 1</i>
<i>Vikram B. Sanghvi</i>	7.20	<i>Note 2</i>	<i>Note 1</i>
<i>Sohanmal Jograj Jain (HUF)</i>	2.46	<i>Note 2</i>	<i>Note 1</i>
<i>Vikram B. Sanghvi (HUF)</i>	9.97	<i>Note 2</i>	<i>Note 1</i>
<i>Babulal S. Sanghvi (HUF)</i>	106.00	<i>Note 2</i>	<i>Note 1</i>
<i>Honest Enterprises Limited</i>	100.00	<i>Note- 3</i>	<i>Note 3</i>
	339.99		

Notes:

1. The Unsecured loans are taken from promoters and promoters group on long term basis. As undertaken by the lenders, these loans are not recallable by the promoters except in compliance with the terms of sanction of secured loans.
2. As per the terms of loan sanctioned by SBI, no interest is payable on the unsecured loan during the currency of the term loans. The rate of interest to be provided on the loans is 12% p.a.
3. The Unsecured Loan are taken from Corporate on short term basis and Payable within six month. The rate of Interest to be provided on the loan is 12 % p.a.

ANNEXURE XIII
Detail of Contingent Liabilities

Particulars	For the Year ended March 31,					(₹ in Lakhs) For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Bank Guarantee	16.69	10.10	27.66	101.00	133.30	386.96
Latter of Credit	-	-	-	-	-	41.55
Liabilities Disputed						
Income Tax on account of Disallowances of Bad debts	-	-	-	-	10.51	-
Income Tax on account of Disallowances for the Assessment Year 2008-2009	-	-	-	-	-	6.43
Fringe Benefit Tax Payable under Section 115WE of the Income Tax Act ,1961	-	-	-	0.18	0.18	-
Excise Duty on Account of Cenvat Credit	-	-	-	0.47	17.70	18.15
Service Tax on Account of Import of Services	-	-	-	-	0.16	0.16
Custom Duty under EPCG Scheme	-	-	-	1.09	1.09	1.09
PF Under Provident Fund Act	-	-	-	0.26	0.52	0.52

ANNEXURE XIV
Detail of unsecured Loan

Particulars	As at March 31,					(₹ in Lakhs) As at December 31,2010
	2006	2007	2008	2009	2010	
Term Loans from Financial Institutions and Banks						
State Bank of India	10.15	7.50	4.21	1.65	-	-
State Bank of India	8.16	-	-	-	-	-
State Bank of India	-	29.02	243.99	269.37	201.64	151.24
State Bank of India	-	131.34	100.42	69.72	38.78	15.63
Gujarat Industrial Development Corporation	-	39.06	35.05	31.05	28.96	-
Sub Total (A)	18.31	206.92	383.68	371.79	269.38	166.88
Specific Term Loans from Financial Institutions and Banks – Vehicle Loans						
ICICI Bank	0.27	-	-	-	-	-

HDFC Bank	1.55	0.53	-	-	-	-
State Bank of India	-	6.20	4.16	1.92	-	-
Sub Total (B)	1.82	6.73	4.16	1.92	-	-
Cash Credit Accounts						
State Bank of India						1,020.15
	310.19	368.79	465.85	613.34	478.43	
Sub Total (C)						1,020.15
	310.19	368.79	465.85	613.34	478.43	
Foreign Currency Loans						
State Bank of India						-
	-	-	-	-	218.04	
Sub Total (D)						-
	-	-	-	-	218.04	
Total Secured Loans (A+B+C+D)	330.32	582.44	853.68	987.05	965.85	1,187.02

Term Loans from State Bank of India are Secured against

- 1) Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land, factory Building.
- 2) Personal Guarantees of Directors including pledge of their Shares

Term Loan from Gujarat Industrial Development Corporation is Secured against

- 1) Mortgage of Land for proposed project

Vehicle loans are secured by Hypothecation of vehicles.

Cash Credit & Other facilities are secured against

- 1) Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land, factory Building.
- 2) Personal Guarantees of Directors including pledge of their Shares

(ii)

(₹ in Lakhs)

Details of Secured Loans outstanding as on December 31, 2010						
Bank /Financial Institution	Nature of Loan	Sanctioned Amount	Balance as on December 31,2010	Rate of Interest (p.a.)	Securities Offered	Fees/Pricing and Repayment Schedule
State Bank of India	Term Loan	153.00	15.63	Base Rate +4.5 % i.e Effective Rate 12 % as on Date of Sanction Latter	Primary : Equitable Mortgage of Company's Plant & Machinery , Land and Factory Building. Personal Guarantee of Directors including pledge of their Shares	Payable in 20 quarterly installment of ₹ 7.65 Lakhs Each

State Bank of India	Term Loan	335.00	151.24	Base Rate +4.5 % i.e Effective Rate 12 % as on Date of Sanction Latter	Primary : Equitable Mortgage of Company's Plant & Machinery , Land and Factory Building. Personal Guarantee of Directors including pledge of their Shares	Payable in 24 quarterly installment of ₹ 16.75 Lakhs Each
State Bank of India	Term Loan	500.00	-	Base Rate +4.25 % i.e Effective Rate 11.75 % as on Date of Sanction Latter	Primary : First pari pasu charge over proposed fixed assets of the company acquired out of Bank Finance with other Consortium lenders including EM over land at Plot No.1401, 1402 and 1403 Situated at GIDC Waghoida - Baroda. Collateral Security : Extension of charge on current assets of the company . Personal Guarantee of Promoters and their relatives including pledge of their Shares	Payable in 26 quarterly installment in following way. 1. First four Quarterly - ₹1.40 Crore each 2. Next Four Quarter 1.74 crore Each & 3. Balance 18 Quarter 2.08 crore each. Moratorium Period of 18 Months.
Bank of Baroda	Term Loan	220.00	-	Base Rate +4.25 % i.e Effective Rate 11.75 % as on Date of Sanction Latter	Primary : First pari pasu charge with State Bank of India over proposed fixed assets of the company acquired out of Bank Finance including EM over land at Plot No.1401, 1402 and 1403 Situated at GIDC Waghoida -Baroda.	Payable in 96 Month including moratorium Period of 18 Months.

(₹ in Lakhs)

Details of Secured Working Capital Loans as on December 31, 2010					
Bank /Financial Investment	Nature of Loan	Sanctioned Amount	Balance as on 31.03.10	Rate of Interest (p.a.)	Securities Offered
State Bank of India	Cash Credit	800.00	919.96	Base Rate +4.00% i.e Effective Rate 11.50 % as on Date of Sanction Latter	Primary :Hypothecation of entire current assets such as stocks of raw materials , stock in process, finished goods ,stores, spares , book debts, bills in course of collection etc. Collateral Securities : Equitable Mortgage of Company's existing Fixed assets and 2nd pari pasu charge on proposed Fixed Assets Personal Guarantee of Directors and their relatives including pledge of their Shares
	Stand by Limit	100.00	100.18	Base Rate +4.00% i.e Effective Rate 11.50 % as on Date of Sanction Latter	
					1,020.15

ANNEXURE- XV

Related Party Disclosures

A. List of Related Parties

Key Management Personnel (KMP)					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
Mr Babulal S. Sanghvi Mr Jayanti B. Sanghvi Mr Naresh B. Sanghvi NA	Mr Babulal S. Sanghvi Mr Jayanti B. Sanghvi Mr Naresh B. Sanghvi NA	Mr Babulal S. Sanghvi Mr Jayanti B. Sanghvi Mr Naresh B. Sanghvi Mr Vikram B. Sanghvi	Mr Babulal S. Sanghvi Mr Jayanti B. Sanghvi Mr Naresh B. Sanghvi Mr Vikram B. Sanghvi	Mr Babulal S. Sanghvi Mr Jayanti B. Sanghvi Mr Naresh B. Sanghvi Mr Vikram B. Sanghvi	Mr Babulal S. Sanghvi Mr Jayanti B. Sanghvi Mr Naresh B. Sanghvi Mr Vikram B. Sanghvi

Relative of Key Management Personnel					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
Ms BhamriDevi Sanghvi Ms Meena J.	Ms BhamriDevi Sanghvi Ms Meena J.	Ms BhamriDevi Sanghvi Ms Meena J.	Ms BhamriDevi Sanghvi Ms Meena J.	Ms BhamriDevi Sanghvi Ms Meena J.	Ms BhamriDevi Sanghvi Ms Meena J.

Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi Mr Vikram Sanghvi -	Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi Mr Vikram Sanghvi Ms Sheetal V Sanghvi	Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi	Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi	Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi	Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi
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Enterprises under Significant Influence of Key management Personnel or their Relatives					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
Gautam Stainless Pvt .Ltd. Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Gautam Pipeline Product (Gautam Industries) - Shubh Accounting Solutions Pvt .Ltd. - -	Gautam Stainless Pvt .Ltd. Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Gautam Pipeline Product (Gautam Industries) Rajeshwari Forgings Pvt. Ltd. Shubh Accounting Solutions Pvt .Ltd. - -	Gautam Stainless Pvt .Ltd. Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Gautam Pipeline Product (Gautam Industries) Rajeshwari Forgings Pvt. Ltd. Shubh Accounting Solutions Pvt .Ltd. - -	Gautam Stainless Pvt .Ltd. Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Gautam Pipeline Product (Gautam Industries) Rajeshwari Forgings Pvt. Ltd. Shubh Accounting Solutions Pvt .Ltd. - -	Gautam Stainless Pvt .Ltd. Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Gautam Pipeline Product (Gautam Industries) Rajeshwari Forgings Pvt. Ltd. Shubh Accounting Solutions Pvt .Ltd. Kanak Engineering Works Vikram Sanghvi (HUF)	Gautam Stainless Pvt .Ltd. Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Gautam Pipeline Product (Gautam Industries) Rajeshwari Forgings Pvt. Ltd. Shubh Accounting Solutions Pvt .Ltd. Kanak Engineering Works Vikram Sanghvi (HUF)

Subsidiary Company					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
-	-	-	Sanghvi Middle East (FZE)	Sanghvi Middle East (FZE)	Sanghvi Middle East (FZE)

B. Details of Transaction with Related Parties

(₹ in Lakhs)

Related Party	Relationship	Nature of Transaction	As at March 31					As at December 31,2010
			2006	2007	2008	2009	2010	
Mr Babulal S. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	44.99	-	-	41.39
Mr Jayanti B. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	49.20	-	-	47.16
Mr Naresh B. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	44.95	-	-	43.76

Mr Vikram B. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	30.50	-	-	33.40
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	15.05	-	-	21.84
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	23.10	-	-	23.28
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	18.00	-	-	21.60
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	11.90	-	-	9.52
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	3.00	-	-	7.24
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Issue of Bonus Share	-	-	10.00	-	-	8.00
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Issue of Bonus Share	-	-	-	-	-	4.20
Naresh Sanghvi (HUF)	Enterprises under Significant	Issue of Bonus Share						
Vikram Sanghvi (HUF)	Influence of Key management Personnel or their Relatives		-	-	-	-	-	4.20
	Enterprises under Significant Influence of Key management Personnel or their Relatives	Issue of Bonus Share	-	-	-	-	-	1.44
Mr Babulal S. Sanghvi	Key Management Personnel	Dividend paid during the year	3.00	1.50	-	-	3.45	0
Mr Jayanti B. Sanghvi	Key Management Personnel	Dividend paid during the year	2.47	1.36	-	-	3.93	0
Mr Naresh B. Sanghvi	Key Management Personnel	Dividend paid during the year	2.13	1.22	-	-	3.65	0
Mr Vikram B. Sanghvi	Key Management Personnel	Dividend paid during the year	NA	NA	-	-	1.82	0

Mr Vikram B. Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.33	0.55	NA	NA	NA	NA
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Related Party	Relationship	Nature of Transaction	As at March 31,					As at December 31,2010
			2006	2007	2008	2009	2010	
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.84	0.50	-	-	2.78	-
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	8.00	0.58	-	-	1.94	-
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.20	0.41	-	-	1.80	-
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.56	0.40	-	-	0.79	-
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	-	0.01	-	-	0.60	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Dividend paid during the year	0.20	0.33	-	-	0.67	-
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Dividend paid during the year	-	-	-	-	0.35	-
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Dividend paid during the year	-	-	-	-	0.35	-
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key	Dividend paid during the year	-	-	-	-	0.12	-

	management Personnel or their Relatives							
Mr Babulal S. Sanghvi	Key Management Personnel	Loan repaid	4.50	-	-	0.50	12.31	-
Mr Jayanti B. Sanghvi	Key Management Personnel	Loan repaid	5.00	5.21	1.10	1.65	14.30	4.00
Mr Naresh B. Sanghvi	Key Management Personnel	Loan repaid	6.03	6.19	1.73	1.65	14.75	2.50
Mr Vikram B. Sanghvi	Key Management Personnel	Loan repaid	-	-	1.06	0.75	15.00	2.00
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Loan repaid	-	-	-	-	8.00	-
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Loan repaid	1.00	2.00	0.30	0.80	8.00	2.41
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Loan repaid	2.00	2.00	0.60	-	12.30	4.68
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Loan repaid	-	1.00	-	-	4.00	-
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Loan repaid	-	-	-	-	0.09	-

Related Party	Relationship	Nature of Transaction	As at March 31,					As at December 31,2010
			2006	2007	2008	2009	2010	
Mr Vikram Sanghvi	Relative of Key Management Personnel	Loan repaid	2.00	6.70	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	-	-	-	3.00	4.07	-
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management	Loan repaid	-	-	-	-	5.00	-

	Personnel or their Relatives							
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	-	-	-	-	5.00	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	5.52	-	-	-	-	-
Mr Babulal S. Sanghvi	Key Management Personnel	Loan Taken	3.18	4.86	1.68	3.59	3.89	21.00
Mr Jayanti B. Sanghvi	Key Management Personnel	Loan Taken	3.46	5.77	4.63	6.19	7.06	7.00
Mr Naresh B. Sanghvi	Key Management Personnel	Loan Taken	3.61	6.73	3.83	5.83	8.10	1.50
Mr Vikram B. Sanghvi	Key Management Personnel	Loan Taken	-	-	3.85	5.50	4.88	2.25
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Loan Taken	1.61	3.45	2.78	0.90	0.51	10.00
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Loan Taken	7.20	0.82	2.80	1.49	0.60	7.00
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Loan Taken	11.09	4.85	1.95	1.73	1.03	7.00
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Loan Taken	-	4.35	0.46	0.51	0.32	13.35
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Loan Taken	0.73	0.75	0.16	0.18	0.09	-

Related Party	Relationship	Nature of Transaction	As at March 31,					As at December 31,2010
			2006	2007	2008	2009	2010	
Mr Vikram Sanghvi	Relative of Key Management Personnel	Loan Taken	8.70	7.98	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	5.18	0.56	0.62	0.64	0.07	106.00
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	1.50	0.16	3.34	3.00	2.59	4.15
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	-	3.43	1.57	3.00	3.10	3.90
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	0.25	-	-	-	-	-
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	-	-	-	-	2.52	7.45
Mr Babulal S. Sanghvi	Key Management Personnel	Interest paid/Payable	0.39	0.73	-	1.38	1.07	0.88
Mr Jayanti B. Sanghvi	Key Management Personnel	Interest paid/Payable	0.41	-	-	1.25	0.98	0.36
Mr Naresh B. Sanghvi	Key Management Personnel	Interest paid/Payable	0.37	-	-	1.03	0.67	0.19
Mr Vikram B. Sanghvi	Key Management Personnel	Interest paid/Payable	-	-	-	1.44	1.10	0.23

Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.11	0.51	0.78	1.00	0.57	0.37
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.78	0.91	0.95	1.09	0.66	0.29
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	1.04	1.35	1.55	1.73	1.14	0.35
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	-	0.50	0.46	0.51	0.32	0.46
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.03	0.11	0.18	0.20	0.09	-
Mr Vikram Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.34	1.64	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	0.03	0.62	0.69	0.71	0.08	3.42

Related Party	Relationship	Nature of Transaction	As at March 31,					As at December 31,2010
			2006	2007	2008	2009	2010	
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid /Payable	-	0.18	-	0.61	0.66	0.31
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	-	0.20	-	0.66	0.66	0.32
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	-	-	-	-	0.02	0.32

Ms Bhamri Devi Sanghvi	Relative of Key Management Personnel	Rent Paid	1.08	1.08	1.08	1.08	1.08	-
Mr Babulal S. Sanghvi	Key Management Personnel	Remuneration	1.50	1.50	2.00	3.60	6.00	4.13
Mr Jayanti B. Sanghvi	Key Management Personnel	Remuneration	3.60	3.60	4.20	6.00	9.00	7.63
Mr Naresh B. Sanghvi	Key Management Personnel	Remuneration	3.60	3.60	4.20	6.00	9.00	7.63
Mr Vikram B. Sanghvi	Key Management Personnel	Remuneration	-	-	3.00	4.80	5.76	7.63
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Purchase of Goods/DEPB	-	20.69	14.56	9.85	1.93	-
Rajeshwar i Forgings Pvt. Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Purchase of Goods/DEPB	-	-	7.98	10.62	-	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Purchase of Goods/DEPB	5.84	0.05	0.07	-	0.17	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Sale of Goods/DEPB	29.89	82.85	89.64	40.04	7.62	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their	Sale of Goods/DEPB	0.17	-	-	-	-	-

	Relatives							
Sanghvi Middle East (FZE)	Subsidiary Company	Sale of Goods/DEPB	-	-	-	-	41.17	19.24

Related Party	Relationship	Nature of Transaction	As at March 31,					As at December 31, 2010
			2006	2007	2008	2009	2010	
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Rendering of Services	-	0.74	2.16	5.61	0.21	0.10
Rajeshwari Forgings Pvt. Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Rendering of Services	-	-	-	-	-	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Rendering of Services	-	-	-	-	-	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Receiving of Services	-	-	-	0.05	-	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Receiving of Services	-	-	-	-	9.57	-

Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Share Application Money	-	-	-	-	15.00	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Share Application Money return	-	-	-	-	15.00	-
Sanghvi Middle East (FZE)	Subsidiary Company	Investment	-	-	-	0.66	7.65	-
Sanghvi Middle East (FZE)	Subsidiary Company	Outstanding (Receivable) /Payables	-	-	-	-	(32.92)	(50.65)
Mr Babulal S. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	5.23	10.09	11.77	14.87	6.44	27.44
Mr Jayanti B. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	6.91	7.47	11.01	15.54	8.30	11.30
Mr Naresh B. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	6.60	7.14	9.24	13.42	6.76	5.76
Mr Vikram B. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	-	-	12.33	17.08	6.95	7.20
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable) /Payables	2.09	5.54	8.33	9.22	1.73	11.73
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable) /Payables	7.75	6.57	9.07	9.76	2.36	7

Related Party	Relationship	Nature of Transaction	As at March 31,					As at December 31,2010
			2006	2007	2008	2009	2010	
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/ Payables	9.92	12.77	14.11	15.84	4.57	7.00
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/ Payables	-	3.98	4.26	4.77	1.05	14.40
Mr Mahesh Sanghvi	Relative of Key Management	Outstanding (Receivable)/ Payables	0.75	1.50	1.66	1.84	-	-

	Personnel							
Mr Vikram Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/ Payables	8.26	9.54	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	5.18	5.74	6.36	3.99	-	106.00
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	1.50	1.66	5.00	8.00	5.59	9.74
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	-	3.43	5.00	8.00	6.10	10.00
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	(0.03)	-	-	-	-	-
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	-	-	-	-	2.52	9.97
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	0.68	-	-	-	-	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key	Outstanding (Receivable)/ Payables	(2.99)	(23.79)	(1.87)	(4.09)	(0.19)	

	management Personnel or their Relatives							
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	-	16.48	0.26	0.05	-	-
Rajeshwari Forgings Pvt. Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	-	-	-	10.62	12.96	-
Kanak Engineering Works	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/ Payables	-	-	-	-	1.56	0.22

ANNEXURE XVI
Break-up of Capital Work-in-Progress

(₹ in Lakhs)

Particulars	As at March 31,					As at December 31,2010
	2006	2007	2008	2009	2010	
Advances Given against Purchase of Land	0.98	0.98	0.98	0.98	0.98	0.98
Advances Given against Purchase of Plant & Machinery	-	-	-	-	-	1071.23
Professional Fees	-	-	-	-	-	10.42
Technical Consultancy Fees	-	-	-	-	2.71	9.54
Paid to GIDC	-	-	-	-	-	13.47
Upfront fees for Approval of Term Loan	-	-	-	-	-	14.78
Travelling Expenses Incurred for New Project	-	-	-	-	-	4.29
TOTAL	0.98	0.98	0.98	0.98	3.69	1,124.71

ANNEXURE XVII
Details of Power Generated and net impact of Statement of Profit & Loss Account

Period	Units Generated (Nos.)	Transmission Loss (Nos.)	Net Units Generated (Nos.)	Amount (As in P&L A/c) (₹ in Lakhs)	Amount recorded as expenditure under the head 'Manufacturing Expenses' (₹ in Lakhs)	Net Impact on Profit & Loss Account (₹ in Lakhs)
FY 2007-08	67,621	-2705	64,916	2.19	NIL	2.19
FY 2008-09	5,31,610	-21264	5,10,346	17.19	13.87	3.32
FY 2009-10	5,16,835	-20673	4,96,162	26.97	25.37	1.6
Nine months ending December 2010	3,45,134	-13805	3,31,329	17.25	15.72	1.53

Annexure XVIII
Capitalization Statement

(₹ in Lakhs)

Particulars		Pre Issue as at 31.12.10	Post Issue (Refer Note 1)
Debt			
Short Term Debt (a)		1,342.75	[•]
Long Term Debt (b)		184.27	[•]
Total Debt	A	1,527.01	[•]
Shareholder's Funds			
Equity Share Capital		799.20	[•]
Reserves & Surplus - As restated			[•]
Profit & Loss Account		707.45	
General Reserve		40.54	
Securities Premium		238.67	
Less: Miscellaneous Expenditure to the extent not written off		49.83	[•]
Total Shareholder's Funds	B	1,736.03	[•]
Debt – Equity Ratio	A/B	0.88	[•]

Note1:

Issue price will be decided in consultation with the Merchant Bankers to the Issue. Therefore these figures will be worked out later on.

AUDITORS REPORT ON CONSOLIDATED RE-STATEMENT FINANCIAL STATEMENTS

The Board of Directors, Sanghvi Forging and Engineering Limited

A.(a) We have examined the annexed financial information of Sanghvi Forging and Engineering Limited (“the Company”), for the Period ended 31st March 2006, 31st March 2007, 31st March 2008, as well as Consolidated Financial Statements of Sanghvi Forging and Engineering Limited (“the Company”) and its Subsidiary for the period ended 31st March 2009, 31st March, 2010 and 31st December 2010, being the last date up to which the accounts of the Company have been made up and audited by us. The financial statements for the period ended December 31, 2010 are approved by the Board of Directors of the Company for the purpose of disclosure in the DRHP / RHP / Prospectus (herein after referred as ‘Offer Document’) of the company, in connection with the Issue of Equity Shares of the Company (referred to as ‘the Issue’).

(b) In accordance with the requirements of

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (‘the Act’);
- (ii) The Issue of Capital and Disclosure Requirement Regulations (ICDR) 2009 issued by the Securities and Exchange Board of India (‘SEBI’) in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
- (iii) Our terms of reference with the Company dated 18/08/2010 requesting us to carry out work, proposed to be included in the Offer Document of the company in connection with the Offer Document as aforesaid,

We report that the restated assets and liabilities of the Company as at, March 31 2006, March 31, 2007, March 31, 2008, as well as Consolidated restated assets and liabilities of the company as at March 31, 2009, March 31, 2010 and December 31, 2010, are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure III.

We report that the restated profits of the Company for the financial periods ended 31st March 2006, 31st March 2007, 31st March 2008, as well as Consolidated profits of the Company for the period ended 31st March 2009, 31st March 2010 and 31st December 2010 are as set out in Annexure II to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts appearing in Annexure III to this report.

B. We have examined the following restated financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.

- (i) Statement of Cash Flow as appearing in Annexure IV to this report;
- (ii) Statement of Accounting Ratios as appearing in Annexure V to this report;
- (iii) Statement of Investment as appearing in Annexure VI to this report;
- (iv) Statement of Sundry Debtors as appearing in Annexure VII to this report;
- (v) Statement of Loans and Advances as appearing in Annexure VIII to this report;
- (vi) Statement of Other Income as appearing in Annexure IX to this report;
- (vii) Statement of Tax Shelters as appearing in Annexure X to this report;
- (viii) Segment wise Financial Statements as per Annexure XI;
- (ix) Details of Unsecured Loan as appearing on Annexure XII to this report;
- (x) Details of Contingent Liabilities as appearing in Annexure XIII to this report;
- (xi) Details of Secured Loans as appearing in Annexure XIV to this report;
- (xii) Details of Related Party Disclosure in Annexure XV;
- (xiii) Detail Break up of Capital Work in Progress in Annexure XVI ;
- (xiv) Detail of Power Generated and Net Impact in profit and Loss Account in Annexure XVII;
- (xv) Capitalization Statement as at December 31, 2010 as appearing in Annexure XVIII to this report;

- III.** (a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Accounts, has been prepared in accordance with Part II of Schedule II of the Act and the ICDR Regulations.
- (b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Shah & Bhandari
Chartered Accountants

Yogesh Bhandari
Partner
Membership No: 046255
Firm Registration No: 118852W
Place:Vadodara

Date : April 15, 2011

ANNEXURE-I
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(₹ in Lakhs)

Sr. No.	Particulars	As at March 31,					As at December 31,2010
		2006	2007	2008	2009	2010	
A.	Fixed Assets						
	Gross Block	364.17	702.68	1,068.02	1,241.43	1,322.32	1,374.12
	Less : Depreciation	77.08	96.03	126.45	181.69	225.15	273.31
	Net Block	287.10	606.65	941.57	1,059.74	1,097.17	1,100.81
	Capital Work In Progress	0.98	0.98	0.98	0.98	3.69	1,124.71
	Total	288.08	607.63	942.55	1,060.72	1,100.86	2,225.52
B.	Investments	-	-	-	-	-	-
C.	Current Assets, Loans & Advances						
	Inventories	246.90	335.24	493.92	472.97	550.10	912.47
	Sundry Debtors	262.04	456.17	430.79	689.99	1,020.56	867.85
	Cash and Bank Balance	18.27	17.96	23.83	34.01	33.41	60.50
	Loans & Advances	101.31	145.22	72.28	145.58	68.46	111.89
	Total	628.52	954.59	1,020.82	1,342.55	1,672.53	1,952.71
D.	Liabilities & Provisions						
	Secured Loans	330.32	582.44	853.68	987.05	965.85	1,187.02
	Unsecured Loans	104.46	130.06	148.89	146.63	80.13	348.80
	Deferred tax liability	34.97	59.86	114.50	154.22	164.54	176.09
	Current Liabilities & Provisions	236.82	386.54	197.04	239.45	379.55	757.51
	Total	706.57	1,158.89	1,314.10	1,527.35	1,590.07	2,469.43
E.	Net Worth (A+B+C-D)	210.03	403.34	649.27	875.92	1,183.32	1,708.80
F.	Represented by						
	Share Capital	80.30	98.30	393.19	393.19	478.19	799.20
	Reserves & Surplus	129.73	305.04	256.08	482.73	705.12	959.43
	Less : Miscellaneous Expenditure(To the extent not written off)	-	-	-	-	-	49.83
	Net Worth	210.03	403.34	649.27	875.92	1,183.32	1,708.80

ANNEXURE-II
CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT(AS RESTATED)

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31,					Period ended
		2006	2007	2008	2009	2010	December 31,2010
A.	Income						
I	Sales :						
	a. Of products manufactured by the Company	1,087.81	1,669.08	1,952.41	2,583.30	2,529.22	2,257.09
	b. Scrap Sale Income	197.14	187.50	266.13	239.81	242.10	300.94
	c. Sale of Power Generation	-	-	2.19	17.19	26.97	17.25
II	Other Income	48.49	49.00	79.36	96.88	103.12	94.74
	Increase/(Decrease) in Stock	65.37	60.36	87.09	15.65	(11.57)	262.69
III	Total Income	1,398.81	1,965.93	2,387.18	2,952.83	2,889.83	2,932.71
B.	Expenditure						
I	Raw Material Consumption	929.36	1,275.43	1,465.68	1,786.07	1,571.74	1,680.28
II	Manufacturing Expenses	132.34	148.43	170.34	365.04	359.41	308.69
III	Personal Expenses	30.17	36.54	53.26	70.25	113.54	121.04
IV	Administration and Other Expenses	92.39	127.03	163.55	191.67	262.33	210.95
(I+II+III+IV)	Total Expenditure	1,184.26	1,587.42	1,852.83	2,413.03	2,307.02	2,320.95
	Net Profit before Interest , Depreciation, Tax and Extraordinary Items (EBITDA)	214.55	378.51	534.34	539.80	582.81	611.76
C.	Financial Expenses	37.82	67.80	98.48	134.49	124.01	114.30
	Depreciation	14.93	18.95	39.00	55.24	65.01	48.35
	Profit Before Tax	161.80	291.76	396.87	350.07	393.79	449.11
	Provision for Taxation						
	Current Tax	43.02	80.58	88.46	77.18	131.65	142.17
	Deferred Tax	10.82	24.88	54.64	39.72	10.32	11.55
	Fringe Benefit Tax	0.97	1.28	1.43	1.47	-	-
	Net Profit after Tax but before Extra Ordinary Items	107.00	185.01	252.35	231.70	251.82	295.39
D.	Extra Ordinary Items	107.00	185.01	252.35	231.70	251.82	295.39
	Add/(Less) : Excess Income Tax Provision Made in Previous Periods	-	(0.40)	(6.41)	(5.07)	(3.96)	0.22
	Profit as per Restated Statement of Profit and Loss Account	107.00	184.61	245.93	226.63	247.86	295.61

STATEMENT ON ADJUSTMENTS TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	For the year ended March 31,					Period ended December 31,2010
	2006	2007	2008	2009	2010	
Net Profit Before Tax as per Audited Financial Statements	162.88	298.80	401.66	339.41	393.55	449.11
<u>Less /(Add):</u>						
<i>Prior period Expenses</i>						
Excise duty reversal	-	-	8.68	(8.68)	-	-
<i>Impact on Changes in Accounting Policies</i>						
Depreciation	0.71	0.92	(1.26)	(0.03)	0.08	-
Foreign exchange	-	5.69	(6.41)	(1.87)	2.59	-
Gratuity Expenses	0.44	0.44	0.78	0.90	-	-
Miscellaneous expenses	-	-	3.89	(0.97)	(2.91)	-
Capitalization of Interest	-	-	(0.88)	-	-	-
Prior period Income	(0.08)	-	-	-	-	-
Net Profit Before Tax as per Restatement	161.80	291.75	396.87	350.07	393.79	449.11
<u>Less /(Add):</u>						
Tax on Current Income	45.27	76.48	91.65	74.41	135.25	142.17
Deferred Tax	15.84	20.42	84.56	9.09	10.32	11.55
Fringe Benefit Tax	0.97	1.28	1.43	1.47	-	-
Short / Excess Provision of Earlier tax	0.40	6.01	(1.35)	(1.11)	(3.96)	-
Deferred Tax Short/Excess provision	(5.02)	4.46	(29.92)	30.63	0.00	-
Tax Impact	(2.65)	(1.91)	(1.84)	3.88	0.36	-
Net Profit After Tax but before Extra Ordinary Items as per Restatement	107.00	185.01	252.35	231.69	251.82	295.39
Add/(Less) : Excess Income Tax Provision Made in Precious Periods	-	(0.40)	(6.41)	(5.07)	(3.96)	0.22
Profit as per Restated Statement of Profit and Loss Account	107.00	184.61	245.94	226.63	247.86	295.61

NOTES TO STATEMENT ON ADJUSTMENTS TO AUDITED FINANCIAL STATEMENTS

1. Adjustments

a. Prior Period Items

In the audited financial statements of the Company, certain items were identified as prior period items. For the purpose of this statement such prior period items have been appropriately adjusted to the respective periods to which they relate and items relating to the period prior to the year ended 31st March 2006, i.e. Prior Period Liabilities of gratuity of ₹ 2,28,219/- as on 1st April, 2005 have been appropriately adjusted to the opening balance of profit and loss account.

b. Excess provision of expenses written back

During the financial period ended on 31st March, 2006 excess provision of ₹ 7,860/- towards telephone expenses was written back. For the purpose of this statement, this excess provision for expenses written back has been adjusted to the opening balance of profit and loss account.

c. Short \ Excess provision for tax for earlier periods

Profit and loss account of certain periods includes amounts paid/provided/written back for, in respect of shortfall / excess of income tax arising out of assessments, appeals, etc. which for the purpose of this statement, have been adjusted in the period to which they relate.

A. Change in Accounting Policy

i. Depreciation:

Changes on account of Depreciation are on various accounts including Change in Depreciation Rates, Error in calculation of depreciation and depreciation impact of adjustment made in Note (iv) below.

ii. Foreign exchange liabilities pertaining to purchase of fixed assets:

In view of withdrawal of the "Announcement" issued by the Institute of Chartered Accountants of India on 'Treatment of exchange differences under Accounting Standard (AS) 11 (revised 2003)', the Effects of Changes in Foreign Exchange Rates vis-à-vis Schedule VI to the Companies Act, 1956, effective from 1st January 2007, any income or expense on account of exchange difference related to foreign exchange liabilities pertaining to purchase of fixed assets has been recognised in the Profit and Loss Account instead of giving effect thereof to the cost of the fixed assets.

For the limited purpose of restatement, any gain or loss on account of exchange difference related to foreign exchange liabilities pertaining to purchase of fixed assets arising during the previous years, the effect of which was given to the Profit & Loss account have been identified and restated by recognizing the same in the cost of Fixed Assets. Consequentially, the depreciation on fixed assets for the relevant period has also been restated.

iii. Miscellaneous Income:

During the year 2007-08 the Company incurred certain Miscellaneous Expenses and as per the policy followed by the Company at that time, the same was to be amortized over a period of 5 consecutive years. However, to comply with the provisions of Accounting Standard 26 –Intangible Assets, the same have been written-off in the same year and has been given effect to in these restated statements.

iv. Capitalization of Interest:

Interest during construction period pertaining to construction of assets was wrongly expensed out in the year 2007-08. However, in satisfactory compliance of Accounting Standard 16 – Borrowing Costs the said interest expense has been capitalized and added to the gross block of assets for that year.

e. Auditors Qualification

i. Employee Benefits (Accounting Standard – 15):

During the year ended 31st March 2010, the Company had undertaken adoption of the Accounting Standard 15 (Revised 2005) "Employee Benefits". However, for the purpose of this restatement the liability of employee benefits as provided for the years ended on 31st March, 2006, 2007, 2008 and 2009 have been recalculated and the opening balance of liability amounting to ₹ 2,28,219/- is shown as prior period item, as per Accounting Standard 15 (Revised 2005) "Employee Benefits" as if the revised standard was adopted by the Company from the year ended 31st March 2006. Also, Auditors Qualification regarding AS-15 for the previous years has been corrected by this adjustment.

f. Tax impact of adjustments

For the purpose of the restated summary statements, adjustments have been made for the tax impact of the adjustments in the respective periods to which the adjustment pertain.

2. Material Regroupings

- a. Sales: As required by the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, for the purpose of this statement sales of goods manufactured, Sale of Power and Scrap Sale have been separately disclosed which have been derived by aggregating the quantities of the manufactured products sold and the yearly average of net realisable value of the respective products.
- b. Appropriate adjustments have been made, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the financial statements for the period ended December 31, 2010.

ANNEXURE – III SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

II. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on consolidated financial statements as notified by Companies (Accounting Standards) Rules, 2006. Reference in these notes to Company, Holding Company, Companies or Group shall mean to include Sanghvi Forging & Engineering Limited or any of its subsidiaries, unless otherwise stated.

II. Principles of Consolidation

The consolidated financial statements comprise of the financial statements of Sanghvi Forging & Engineering Limited and its subsidiary. The financial statements of the group Companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of inter Company transactions are eliminated on consolidation.

III. Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

IV. Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the period. Difference between the actual result and estimates are recognized in the period in which reason are known / materialized.

V. Fixed Assets and Depreciation /Amortization

A. Tangible Assets

Fixed Assets including Intangible Assets are stated at historical cost (net of cenvat credit) less accumulated depreciation//amortization there on and impairment losses if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV the Companies Act, 1956. Except Residential building depreciated @5% of SLM.

B. Intangible Assets

Intangible assets consisting of ERP software is amortized on Straight Line Method from the date they are available for use, over the useful lives of the assets, as estimated by the Management at 16.25%. Leasehold land is amortized over the period of lease.

VI. Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lesser are charged against profits as per the terms of the lease agreement over the lease period.

VII. Inventories

Cost of Inventories have been computed to include all cost of Purchases, Cost of Conversion and other costs incurred in bringing the inventories to their present location and condition.

- I. Raw materials and components, stores and spares are valued at cost. The costs are ascertained using the First in First out (FIFO).
- ii. Work-in-progress and finished goods are valued at the lower of cost or Net Realizable Value.
- iii. Scrap is valued at Net Realizable Value.

VIII. Revenue Recognition

Sales of products and services are recognized when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods. Sales are inclusive of Excise Duty but excluding sales tax / Value Added Tax and export incentives. Export incentives are accounted on accrual basis. Revenue from job charges are recognized on dispatch of material and in accordance with terms of job work. Interest incomes are recognised on time proportion basis.

IX. Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the rate prevailing on date of transaction. In respect of Monetary items denominated in foreign currency at the yearend are translated at the yearend rates. The exchange differences arising on settlement / translation are recognized in the Profit and Loss Account.

For the purpose of Consolidation, the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries are translated at the following rates of exchange:

- (a) Average rates for income and expenditure.
- (b) Year end rates for assets and liabilities.

X. Taxes on Income

Provision for taxation comprises of Current Tax and Deferred Tax .Current tax has provision has been made the basis of reliefs and deduction available under Income Tax Act, 1961.Deferred tax resulting from “timing differences” between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent the assets can be realized in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each Balance sheet date.

XI. Employee Benefits

- (I) The Company’s contribution in respect of provident fund is charged to Profit and Loss Account each year
- (II) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC’s Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.

XII. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period which they are incurred.

XIII. Provisions, Contingent Liabilities and Contingent Assets

Provision is recognized only when there is a present obligation as a result of past events and when reliable estimates of the amount of the obligation can be made. Contingent liability is disclosed for:-

- (II) Possible Obligations which will be confirmed only by future events not wholly within the control of the company or
- (II) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or reliable estimates of the amount of the obligation cannot be made. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

XIV. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

XV. Investments

Long Term Investments are valued at cost of acquisition, less provision for diminution, as necessary, if any.

XVI. Government Grants /Subsidy

The Government Grants/ Subsidy will be recognised on accrual basis.

B . Notes to Accounts
(a) Earnings Per Share

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
No. of the Shares at the beginning of the period	802,983	802,983	982,983	3,931,932	3,931,932	4,781,932
No. of the Shares at the end of the period	802,983	982,983	3,931,932	3,931,932	4,781,932	7,992,043
Weighted Average Number of Equity Shares at the end of the period (A)	6,621,091	6,633,913	6,801,091	6,801,091	7,248,214	7,654,810
Net Profit after Tax Attributable for equity shareholders (₹. In Lakhs) (B)	107.00	184.61	245.93	226.63	247.86	295.61
Earning per Share (in ₹) (Face Value of ₹ 10/- per Share) (C = B/A)	1.62	2.78	3.62	3.33	3.42	3.86

(b) Remuneration to Directors

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Basic Salary	5.22	5.22	5.22	8.09	15.10	7.32
Taxable Allowances	3.48	3.48	5.18	7.51	8.90	19.71
Total	8.70	8.70	10.40	15.60	24.00	27.02

(c) Auditors Remuneration

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
For Statuary Auditor	0.25	0.35	0.35	0.35	1.35	0.50
For Tax Audit	0.05	0.10	0.10	0.10	0.10	0.10
For Other Services	0.05	0.05	0.05	0.05	0.10	0.10
Service Tax	0.04	0.06	0.06	0.05	0.07	0.07
Total	0.39	0.56	0.56	0.55	1.62	0.77

(d) Capacities Production/Purchase, Turnover & Closing Stock of Finished Goods

(i)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Licensed Capacity	NA	NA	NA	NA	NA	NA
Installed Capacity	900 MT	900 MT	1650MT	3600MT	3600MT	3600MT

(ii)

Class of Goods	Unit	Production **	Sales Value (Net)*	
			Qty	Value (₹ in Lakhs)
Year 2005-06				
Forging & Fittings	Nos.	179,813	179,813	1,284.95
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		179,813	179,813	1,284.95
Year 2006-2007				
Forging & Fittings	Nos.	203,654	203,654	1,856.58
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		203,654	203,654	1,856.58
Year 2007-2008				
Forging & Fittings	Nos.	174,196	174,196	2,218.54
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		174,196	174,196	2,218.54
Year 2008-2009				
Forging & Fittings	Nos.	188,187	188,187	2,823.11
Forged Bars	Kgs.	-	-	-
Trading Sales - Steel Pipes	Mtr.	-	-	-
Total		188,187	188,187	2,823.11
Year 2009-2010				
Forging & Fittings	Nos.	150,591	150,591	2,608.98
Forged Bars	Kgs.	93,853	93,853	150.60
Trading Sales - Steel Pipes	Mtr.	814	4	11.73
Total		245,258	245,258	2,771.32
Period from April 1,2010 to December 31,2010				
Forging & Fittings	Nos.	112,056	112,056	2,537.59
Forged Bars	Kgs.	14,063	14,063	20.44
Trading Sales - Steel Pipes	Mtr.	-	-	-
		126,119	126,119	2,558.03

* Sales Value (Net) of Forging & Fittings include Scrap Sales and Job Work charges ** There were no Opening and Closing Stock at beginning and end of the periods

(e) Raw Material Consumption

(i)

Particulars	Period	Quantity (In Kgs)	Amount (₹ in Lakhs)
Steel	For the Year ended March 31,2006	766,369	929.36
Steel	For the Year ended March 31,2007	773,903	1,275.43
Steel	For the Year ended March 31,2008	1,202,452	1,465.68
Steel	For the Year ended March 31,2009	1,919,121	1,786.07
Steel	For the Year ended March 31,2010	2,070,475	1,571.74
Steel	For the Period From April 1,2010 to December 31,2010	1,763,299	1,680.28

(ii) Raw Material Consumptions is Indigenous only.

(f) C. I. F. Value of Imports

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Capital Goods	72.38	21.72	50.14	42.50	22.12	-
Semi-Finished Goods	-	-	-	-	-	11.20
Total	72.38	21.72	50.14	42.50	22.12	11.20

(g) Expenditure in Foreign Currency

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Foreign Travel	1.48	1.51	7.18	3.70	6.67	11.17
Others	93.26	39.65	61.93	62.76	45.89	10.00
Total	94.74	41.16	69.11	66.46	52.56	21.17

(h) Earnings in Foreign Currency

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Export of Goods on F.O.B. Basis	607.69	700.80	683.30	778.11	480.75	378.20
Total	607.69	700.80	683.30	778.11	480.75	378.20

(i) Detail of Interest paid to Directors on Unsecured Loan

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Interest paid/payable	1.18	0.73	-	3.66	2.72	1.67
Total	1.18	0.73	-	3.66	2.72	1.67

(j) Disclosures Relating to SSI /MSMED Act 2006

The Company has amounts due to suppliers under Small Scale industries (SSI) and MSMED Act, 2006 for each of the years/period as follows:

(₹ in Lakhs)		
As at	Particulars	Amount
March 31, 2006	The company does not have any outstanding balance payable to Small Scale Industries (SSI) and /or Ancillary Industrial Suppliers exceeding ₹1 Lakhs and were outstanding more than 30 days as at the year end.	
March 31, 2007	The company has not received any intimation from the suppliers regarding their status under the Micro, Small and Medium enterprise development Act 2006 and hence disclosures, if any relating to amounts unpaid as at year end together with the interest payable as required under the said Act have not been given	
March 31, 2008		
March 31, 2009		
March 31, 2010	Principal Amount due to suppliers under MSMED Act 2006,	3.67
	Principal Amount due to suppliers under MSMED Act 2006, beyond the appointed day	1.17
	Interest accrued and due to suppliers under MSMED Act 2006, on the above amount	0.01
	Interest paid to suppliers under MSMED Act 2006 (Section 16)	-
	Interest due and payable to suppliers under MSMED Act 2006, for the payments already made	0.01
	Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act 2006.	0.01
For the Period form April 1,2010 to December 31,2010	Principal Amount due to suppliers under MSMED Act, 2006,	2.02
	Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day	-
	Interest accrued and due to suppliers under MSMED Act 2006, on the above amount	-
	Interest paid to suppliers under MSMED Act 2006 (Section 16)	-
	Interest paid to suppliers under MSMED Act 2006 (Section 16)	-
	Interest accrued and remaining unpaid at the end of the period to suppliers under MSMED Act 2006.	-

(k) Interest on borrowed Fund Capitalized.

(₹ in Lakhs)						
Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Interest Amount	-	2.36	0.88	-	-	-
Total	-	2.36	0.88	-	-	-

(1) Dividend Paid

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Share Capital	80.30	98.30	393.19	393.19	478.19	799.20
Dividend %	20.00%	10%*	-	-	5.00%	-
Dividend Paid	16.06	8.16	-	-	23.91	-
Total	16.06	8.16	-	-	23.91	-

* Dividend Paid on prorata basis.

(m) Estimated amount of Contracts remaining to be executed on capital account

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Estimated Amount of Service Contracts	-	-	-	-	1.10	-
Estimated Amount of Capital Contracts	-	-	-	-	4,560.75	3572.62

(n) Major components of Deferred Tax Assets and Deferred Tax Liabilities

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
(A) Deferred Tax Liabilities : Difference Between book and tax depreciation	34.97	59.86	114.50	154.52	165.08	176.62
(B) Deferred Tax Liabilities : Disallowances under Income Tax Act	-	-	-	0.30	0.54	0.54
(C) Deferred Tax Liabilities (Net) :	34.97	59.86	114.50	154.22	164.54	176.09

(o) Exchange Difference Gain /(Loss) on account of fluctuations in foreign currency rates.

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Exchange differences Gain/(Loss) recognised in Profit & Loss Account	4.10	15.56	3.11	(20.39)	2.91	3.19

(p) Detail of Operating Lease

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Amounts Payable						
Not later than one year	-	-	0.10	0.10	0.10	0.10
Later than One year but not later than five years	-	-	0.40	0.40	0.40	0.40
Payment recognised in profit & loss account	-	-	0.10	0.10	0.10	0.10

(q) Detail of Employee benefits

(i) In respect to Provident Fund

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Contribution to Provident Fund	1.01	2.22	2.54	2.98	4.28	5.46

(ii) In respect to Gratuity

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Reconciliation of liability recognised in the Balance Sheet						
Present value of commitments (as per Actuarial Valuation)	(2.73)	(3.16)	(3.94)	(4.84)	(6.19)	(8.08)
Fair value of plan assets	-	-	-	-	1.64	3.64
Net (liability) / asset in the Balance sheet	(2.73)	(3.16)	(3.94)	(4.84)	(4.55)	(4.44)
Movement in net liability recognised in the Balance sheet						
Net liability as at the beginning of the year	(2.28)	(2.73)	(3.16)	(3.94)	(4.84)	(4.55)
Net expense recognised in the Profit and Loss account	(0.44)	(0.44)	(0.78)	(0.90)	(1.36)	(1.89)
Contribution during the year	-	-	-	-	1.64	2.00
Net (liability) / asset in the Balance sheet	(2.73)	(3.16)	(3.94)	(4.84)	(4.55)	(4.44)

Expense recognised in the Profit and Loss account						
Current Service cost	0.43	0.64	0.85	1.00	1.38	1.18
Interest cost	0.18	0.22	0.26	0.32	0.39	0.39
Expected return on plan assets	-	-	-	-	(0.07)	(0.20)
Actuarial (gains)/ losses	(0.16)	(0.42)	(0.34)	(0.41)	(0.34)	0.52
Expense charged to the Profit and Loss account	0.44	0.44	0.78	0.90	1.36	1.89

Return on plan assets						
Expected return on plan assets	-	-	-	-	0.07	0.20
Actuarial gains/ (losses)	-	-	-	-	(0.07)	(0.20)
Actual return on plan assets	-	-	-	-	-	-

Reconciliation of defined-benefit commitments						
Commitments as at the beginning of the period	2.28	2.73	3.16	3.94	4.84	6.19
Current service cost	0.43	0.64	0.85	1.00	1.38	1.18
Interest cost	0.18	0.22	0.26	0.32	0.39	0.39
Paid benefits	-	-	-	-	-	-
Actuarial (gains)/ losses	(0.16)	(0.42)	(0.34)	(0.41)	(0.41)	0.32
Commitments as at the period end	2.73	3.16	3.94	4.84	6.19	8.08

Reconciliation of plan assets						
Plan assets as at the beginning of the period	-	-	-	-	-	1.64
Expected return on plan assets	-	-	-	-	0.07	0.20
Contributions during the period	-	-	-	-	1.64	2.00
Paid benefits	-	-	-	-	-	-
Actuarial gains/ (losses)	-	-	-	-	(0.07)	(0.20)
Plan assets as at the period end	-	-	-	-	1.64	3.64

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on following assumptions which if changed, would affect the commitment's size, funding requirements and expenses.

Discount rate	7.75%	8.25%	8.25%	8.00%	8.50%	7.75%
Expected return on plan assets	-	-	-	-	9.00%	9.00%
Expected rate of salary increase	6.50%	6.50%	6.50%	6.50%	6.00%	6.5%
Mortality LIC	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate

ANNEXURE-IV

CONSOLIDATED STATEMENT OF CASH FLOW

(₹ in Lakhs)

S r No.	Particulars	As at March 31,					As at December 31,2010
		2006	2007	2008	2009	2010	
A.	Cash Flow From Operating Activities:						
	Net Profit Before Tax and Extra ordinary Items	161.80	291.75	396.87	350.07	394.47	449.11
	Adjustment for:						
	Depreciation /Amortisation	14.93	18.95	39.00	55.24	65.01	48.35
	Interest Expense	37.82	67.80	98.48	134.49	124.01	114.30
	Interest Income	(0.56)	(1.08)	(1.27)	(2.57)	(8.91)	(3.25)
	Preliminary Expenditure written off	-	-	4.86	-	-	-
	Loss on sale of Assets	-	-	9.85	-	14.56	0.27
	Impairment Loss	-	-	-	-	2.07	-
	Extra Ordinary Items- Gratuity Provision	(2.28)	-	-	-	-	-
	Foreing Exchange						
	Fluctuation in Profit and	-	-	-	-	-	1.72
	Loss Account Foreign currency translation reserve	-	-	-	0.02	1.73	(0.90)
	Operating Profit Before Working Capital Changes	211.70	377.43	547.79	537.26	592.94	609.61
	Adjustment for Changes of Working Capital						
	Decrease/(Increase) in Inventories	(81.47)	(88.35)	(158.67)	20.95	(77.14)	(356.25)
	Decrease/(Increase) Sundry Debtors	(70.74)	(194.13)	25.38	(259.20)	(330.58)	185.63
	Decrease/(Increase) Other Receivables	(49.45)	(43.91)	72.94	(73.30)	77.13	(43.43)
	Increase/(Decrease) in Trade and Other Payables	68.84	133.30	(162.54)	49.86	67.45	317.50
	Cash Generated From Operations	78.88	184.35	324.90	275.56	329.80	713.06
	Income Tax Paid	(27.96)	(56.84)	(113.27)	(91.16)	(90.84)	(86.53)
	Net Cash Generated						

B.	From Operating Activities	50.91	127.50	211.63	184.41	238.96	626.53
	Cash Flow From Investing Activities						
	Acquisition of Fixed Asset and CWIP	(145.19)	(338.51)	(395.12)	(173.41)	(124.79)	(1,174.12)
	Purchase of Investment in Sanghvi Middle East	-	-	-	-	-	-
	Interest Received	0.56	1.08	1.27	2.57	8.91	3.25
	Sale of Fixed Assets	-	-	10.66	-	3.01	0.84
	Preliminary Expenses incurred during the period	-	-	(4.86)	-	-	(49.83)
	Net Cash Used in Investing Activities	(144.63)	(337.42)	(388.04)	(170.84)	(112.86)	(1,219.87)
	Cash Flow From Financing Activities						
	Increase in Share Capital	-	18.00	-	-	85.00	34.10
C.	Security Premium	-	-	-	-	-	238.67
	Repayment of /Borrowing of Term Loan	(16.84)	193.52	174.18	(14.12)	(104.33)	(102.50)
	Repayment of/ borrowing of Unsecured Loan	2.02	25.60	18.83	(2.26)	(66.49)	268.67
	Repayment of/ borrowing of Working Capital	158.79	58.60	97.06	147.49	83.14	323.67
	Interest Paid	(37.82)	(67.80)	(98.48)	(134.49)	(124.01)	(114.30)
	Dividend Paid	(12.63)	(18.31)	(9.30)	-	-	(27.88)
	Net Cash used in Financing Activities	93.53	209.61	182.29	(3.39)	(126.70)	620.42
	Net Increase /(Decrease)in Cash and Cash Equivalents	(0.18)	(0.31)	5.88	10.18	(0.60)	27.09
	Cash & Cash Equivalents at the beginning of the Period	18.45	18.27	17.96	23.83	34.01	33.41
	Cash & Cash Equivalents at the end of the Period	18.27	17.96	23.83	34.01	33.41	60.50

ANNEXURE – V

Accounting Ratios

(I)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Earning Per Share (EPS) (In ₹) (Face Value ₹ 10/- Per Share)	1.62	2.78	3.62	3.33	3.42	3.86
Return on Net Worth (In %)	50.94	45.77	37.88	25.87	20.95	17.30
Net Asset Value Per Share (₹)	3.17	6.08	9.55	12.88	16.33	22.32

(II)

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Weighted Average Number of Equity Shares at the end of the period [A]	6,621,091	6,633,913	6,801,091	6,801,091	7,248,214	7,654,810
Net Profit after Tax attributable to equity shareholders (₹ in Lakhs) [B]	107.00	184.61	245.93	226.63	247.86	295.61
Earning per share (In ₹) (Face Value ₹ 10/- per Share) [C = B/A]	1.62	2.78	3.62	3.33	3.42	3.86
Net Worth (₹ In Lakhs)	210.03	403.34	649.27	875.92	1,183.32	1,708.80

Formula

Earning Per Share	=	Net Profit after Tax attributable for Equity Shareholders Excluding Extra Ordinary Items
		<hr/> Weighted average number of equity shares outstanding during the period

Return on Net Worth	=	Net Profit after Tax available for Equity Shareholders Excluding Extra Ordinary Items
		<hr/> Net Worth

Net Assets Value per Share	=	Net Worth Number of Equity Shares outstanding at the end of the period
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Net Worth	=	Share Capital + Reserve and Surplus - Miscellaneous Expenditure
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Calculation of Weighted Average Number of Shares

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
No. of the Shares at the beginning of the period	802,983	802,983	982,983	982,983	982,983	1,832,983
Bonus Issued in Year 2007-2008	2,948,949	2,948,949	2,948,949	2,948,949	2,948,949	2,948,949
Bonus Issued in Year 2010-2011	2,869,159	2,869,159	2,869,159	2,869,159	2,869,159	2,869,159
Total effective shares at the beginning of the period	6,621,091	6,621,091	6,801,091	6,801,091	6,801,091	7,651,091
Calculation Factor	1.00	1.00	1.00	1.00	1.00	1.00
Weighted Avg Per Share (Post Considering Bonus)	6,621,091	6,621,091	6,801,091	6,801,091	6,801,091	7,651,091
Allotment Made for the period	0	180,000	0	0	850,000	340,952
Calculation Factor	0.00	0.07	0.00	0.00	0.53	0.01
Weighted Average Number of Shares Alloted	0	12,822	0	0	447,123	3,719
Total Weighted Average No. of Shares	6,621,091	6,633,913	6,801,091	6,801,091	7,248,214	7,654,810

Note:

- The weighted average number of shares of the previous years are adjusted for issue of bonus shares during the year in compliance with Accounting Standard (AS 20) – Earning Per Share.
- 29,48,949 Equity Shares issued as fully paid Bonus Shares in FY 2007-08 and 28,69,159 in FY 2010-11 (Totaling 58,18,108 Equity Shares) is considered for calculation of EPS on all reported years.

ANNEXURE – VI

Details of Investments

Particulars	As at March 31,					As at December 31,2010
	2006	2007	2008	2009	2010	
Unquoted Investment (Subsidiary)	-	-	-	-	-	-
Quoted Investment	-	-	-	-	-	-
Total	-	-	-	-	-	-

(₹ in Lakhs)

ANNEXURE – VII**Details of Sundry Debtors****(₹ in Lakhs)**

Particulars	As at March 31,					As at December 31,2010
	2006	2007	2008	2009	2010	
Considered Good						
More than Six Months	7.94	19.87	23.35	58.63	46.40	118.90
Less than Six Months	254.10	436.30	407.44	631.36	974.17	748.96
Total	262.04	456.17	430.79	689.99	1,020.56	867.85
Off the above: Debtors of the company related to the Promoters/Directors/Company .	2.99	23.79	1.87	4.09	0.19	-

ANNEXURE – VIII**Loans and advances (Unsecured, Considered Good)****(₹ in Lakhs)**

Particulars	As at March 31,					As at December 31,2010
	2006	2007	2008	2009	2010	
Advances Recoverable in cash or in kind or for value to be received	95.52	138.81	64.30	137.89	60.60	102.62
Deposits	5.79	6.42	7.98	7.69	7.85	9.27
Total	101.31	145.22	72.28	145.58	68.46	111.89

There are no beneficiaries of Loans and Advances of the company, who are in any way related to the Promoters/Directors/Company.

ANNEXURE – IX**Details of Other Income****(₹ in Lakhs)**

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Export Incentives	31.52	29.39	40.32	49.48	32.88	25.15
Interest Income from Bank Deposits and Deposit with Government Authorities	0.56	1.08	1.27	1.30	2.64	1.60
Interest Income from Customers	-	-	-	1.27	6.27	1.65
Miscellaneous Income (Refer Note 2 Below)	16.41	18.52	37.77	44.83	61.33	66.34
Total	48.49	49.00	79.36	96.88	103.12	94.74

Note 1: Other Income given above has arisen out of business activities of the Company and is recurring in nature.

Note 2: The details of Miscellaneous Income above are as follows:

Particulars	For the Year ended March 31,					For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Testing & Inspection	6.60	2.44	1.16	9.48	17.00	15.57
Packing	3.15	3.05	2.87	5.10	3.86	1.81
Freight	2.91	0.58	6.01	21.69	34.26	32.48
Others	3.75	12.45	27.73	8.56	6.21	16.48
Total	16.41	18.52	37.77	44.83	61.33	66.34

ANNEXURE – X

**Statement of Tax Shelters
(₹ in Lakhs)**

Particulars		For the Year Ended March 31,					Period ended December 31,2010
		2006	2007	2008	2009	2010	
Profit before Tax as per restatement	A	161.80	291.76	396.87	350.07	393.79	449.11
Tax Rate	B	33.99%	33.99%	33.99%	33.99%	33.99%	33.22%
Tax at Income Tax Rate (A * B)	C	55.00	99.17	134.90	118.99	133.85	149.18
Permanent Differences							
Other Adjustments / Disallowances		(0.05)	(0.05)	(16.30)	(0.92)	(38.90)	(13.66)
Total	D	(0.05)	(0.05)	(16.30)	(0.92)	(38.90)	(13.66)
Timing Differences							
Difference between Tax Depreciation and Book		35.40	70.71	143.18	122.33	58.98	34.77
Other Adjustments		-	-	-	(0.89)	(0.27)	0
Total	E	35.40	70.71	143.18	121.44	58.71	34.77
Net Adjustment (D+ E)	F	35.35	70.66	126.88	120.52	19.80	21.10
Tax Expenses / (Savings) thereon (F * B)	G	12.02	24.02	43.13	40.96	6.73	7.01
TOTAL TAXATION (G-C)		42.98	75.15	91.77	78.02	127.12	142.17
Brought forward Loss Adjusted		-	-	-	-	-	-
Actual Tax Liability		42.98	75.15	91.77	78.02	127.12	142.17

The company has paid tax as per Normal Income Tax rates.

ANNEXURE – XI

Segment information

Primary Segment :

The Company has identified “Forgings and Fittings” as the only primary reportable business segment.

Geographical

Segment :

(₹ in Lakhs)

Particulars	For the Year ended March 31,					For the Period Ended December
	2006	2007	2008	2009	2010	31,2010
Domestic	667.33	1,144.38	1,524.21	2,083.93	2,335.43	2197.57
Export	617.62	712.20	694.33	739.18	435.89	360.46
Total	1,284.95	1,856.58	2,218.54	2,823.11	2771.32	2,558.03

ANNEXURE–XII

Detail of Unsecured Loan

Particulars	As at March 31,					As at December 31,2010	Terms & Conditions
	2006	2007	2008	2009	2010		
Loan from from Promoters	32.57	34.24	44.35	60.90	28.46	51.71	Note 1 & 2
Loan from Promoter Group	71.89	95.82	104.54	85.72	42.81	188.28	Note 1 & 2
Loan from Corporate	-	-	-	-	-	100.00	Note 3
Loan form Other	-	-	-	-	8.86	8.81	Note 4
Total	104.46	130.06	148.89	146.63	80.13	348.80	

Notes:

1. The Unsecured loans are taken from promoters and promoters group on long term basis. As undertaken by the lenders, these loans are not recallable by the promoters except in compliance with the terms of sanction of secured loans.
2. As per the terms of loan sanctioned by SBI, no interest is payable on the unsecured loan during the currency of the term loans. The rate of interest to be provided on the loans is 12% p.a.
3. The Unsecured Loan are taken from Corporate on short term basis and Payable within six month. The rate of Interest to be provided on the loan is 12 % p.a.
4. Loan from other are payable on demand of lender and no any interest payable on such loan.

Details of unsecured loans outstanding as on December 31, 2010

(₹. in Lakhs)

Name	Amount	Rate of Interest	Repayment Schedule
Jayanti B. Sanghvi (HUF)	9.74	Note 2	Note 1
Khimraj S. Sanghvi (HUF)	0.02	Note 2	Note 1
Bhamri devi Sanghvi	11.73	Note 2	Note 1
Kiran N. Sanghvi	7.00	Note 2	Note 1
Meena J Sanghvi	7.00	Note 2	Note 1
Sheetal V Sangh	14.40	Note 2	Note 1
Naresh B. Sanghvi (HUF)	10.00	Note 2	Note 1
Pyariben M. Sanghvi	9.97	Note 2	Note 1
Babulal S. Sanghvi	27.44	Note 2	Note 1
Jayanti B. Sanghvi	11.30	Note 2	Note 1
Naresh B. Sanghvi	5.76	Note 2	Note 1
Vikram B. Sanghvi	7.20	Note 2	Note 1
Sohanmal Jograj Jain (HUF)	2.46	Note 2	Note 1
Vikram B. Sanghvi (HUF)	9.97	Note 2	Note 1
Babulal S. Sanghvi (HUF)	106.00	Note 2	Note 1
Honest Enterprises Limited	100.00	Note 3	Note 3
Kanhaialal Sharma	8.81	Note 4	Note 4
	348.80		

Notes:

1. The Unsecured loans are taken from promoters and promoters group on long term basis. As undertaken by the lenders, these loans are not recallable by the promoters except in compliance with the terms of sanction of secured loans.
2. As per the terms of loan sanctioned by SBI, no interest is payable on the unsecured loan during the currency of the term loans. The rate of interest to be provided on the loans is 12% p.a.
3. The Unsecured Loan are taken from Corporate on short term basis and Payable within six month. The rate of Interest to be provided on the loan is 12 % p.a.
4. Loan from other are payable on demand of lender and no any interest payable on such loan.

ANNEXURE – XIII
Detail of Contingent Liabilities

Particulars	For the Year ended March 31,					(₹ in Lakhs) For the Period Ended December 31,2010
	2006	2007	2008	2009	2010	
Bank Guarantee	16.69	10.10	27.66	101.00	133.30	386.96
Latter of Credit	-	-	-	-	-	41.55
Liabilities Disputed						
Income Tax on account of Disallowances of Bad debts	-	-	-	-	10.51	-
Income Tax on account of Disallowances for the Assessment Year 2008-2009	-	-	-	-	-	6.43
Fringe Benefit Tax Payable under Section 115WE of the Income Tax Act ,1961	-	-	-	0.18	0.18	-
Excise Duty on Account of Cenvat Credit	-	-	-	0.47	17.70	18.15
Service Tax on Account of Import of Services	-	-	-	-	0.16	0.16
Custom Duty under EPCG Scheme	-	-	-	1.09	1.09	1.09
PF Under Provident Fund Act	-	-	-	0.26	0.52	0.52

ANNEXURE XIV

Details of Secured Loans

Particulars	As at March 31,					As at December 31,2010
	2006	2007	2008	2009	2010	
Term Loans from Financial Institutions and Banks						
State Bank of India	10.15	7.50	4.21	1.65	-	-
State Bank of India	8.16	-	-	-	-	-
State Bank of India	-	29.02	243.99	269.37	201.64	151.24
State Bank of India	-	131.34	100.42	69.72	38.78	15.63
Gujarat Industrial Development Corporation	-	39.06	35.05	31.05	28.96	-
Sub Total (A)	18.31	206.92	383.68	371.79	269.38	166.88
Specific Term Loans from Financial Institutions and Banks – Vehicle Loans						

ICICI Bank	0.27	-	-	-	-	-
HDFC Bank	1.55	0.53	-	-	-	-
State Bank of India	-	6.20	4.16	1.92	-	-
Sub Total (B)	1.82	6.73	4.16	1.92	-	-
Cash Credit Accounts						
State Bank of India	310.19	368.79	465.85	613.34	478.43	1,020.15
Sub Total (C)	310.19	368.79	465.85	613.34	478.43	1,020.15
Foreign Currency Loans						
State Bank of India	-	-	-	-	218.04	-
Sub Total (D)	-	-	-	-	218.04	-
Total Secured Loans (A+B+C+D)	330.32	582.44	853.68	987.05	965.85	1,187.02

Term Loans from State Bank of India are Secured against

- 1) Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land ,factory Building. 2)Personal Guarantees of Directors including pledge of their Shares

Term Loan from Gujarat Industrial Development Corporation is Secured against

- 1) Mortgage of Land for proposed project

Vehicle loans are secured by Hypothecation of vehicles.

Cash Credit & Other facilities are secured against

- 1) Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land ,factory Building. 2)Personal Guarantees of Directors including pledge of their Shares

(ii)

(₹ in Lakhs)

Details of Secured Loans outstanding as on December 31, 2010						
Bank /Financial Institution	Nature of Loan	Sanctioned Amount	Balance as on December 31,2010	Rate of Interest (p.a.)	Securities Offered	Fees/Pricing and Repayment Schedule
State Bank of India	Term Loan	153.00	15.63	Base Rate +4.5 % i.e Effective Rate 12 % as on Date of Sanction Letter	Primary : Equitable Mortgage of Company's Plant & Machinery , Land and Factory Building. Personal Guarantee of Directors including pledge of their Shares	Payable in 20 quarterly installment of ₹ 7.65 Lakhs Each

State Bank of India	Term Loan	335.00	151.24	Base Rate +4.5 % i.e Effective Rate 12 % as on Date of Sanction Latter	Primary : Equitable Mortgage of Company's Plant & Machinery , Land and Factory Building. Personal Guarantee of Directors including pledge of their Shares	Payable in 24 quarterly installment of ₹ 16.75 Lakhs Each
State Bank of India	Term Loan	500.00	-	Base Rate +4.25 % i.e Effective Rate 11.75 % as on Date of Sanction Latter	Primary : First pari pasu charge over proposed fixed assets of the company acquired out of Bank Finance with other Consortium lenders including EM over land at Plot No.1401, 1402 and 1403 Situated at GIDC Waghoida -Baroda. Collateral Security : Extension of charge on current assets of the company . Personal Guarantee of Promoters and their relatives including pledge of their Shares	Payable in 26 quarterly installment in following way. 1. First four Quarterly - ₹1.40 Crore each 2. Next Four Quarter 1.74 crore Each & 3. Balance 18 Quarter 2.08 crore each. Moratorium Period of 18 Months.
Bank of Baroda	Term Loan	220.00	-	Base Rate +4.25 % i.e Effective Rate 11.75 % as on Date of Sanction Latter	Primary : First pari pasu charge with State Bank of India over proposed fixed assets of the company acquired out of Bank Finance including EM over land at Plot No.1401, 1402 and 1403 Situated at GIDC Waghoida - Baroda.	Payable in 96 Month including moratorium Period of 18 Months.

Details of Secured Working Capital Loans as on December 31, 2010						(₹ in Lakhs)
Bank /Financial Investment	Nature of Loan	Sanctioned Amount	Balance as on 31.03.10	Rate of Interest (p.a.)	Securities Offered	
State Bank of India	Cash Credit	800.00	919.96	Base Rate +4.00% i.e Effective Rate 11.50 % as on Date of Sanction Latter	Primary :Hypothecation of entire current assets such as stocks of raw materials , stock in process, finished goods ,stores, spares , book debts, bills in course of collection etc. Collateral Securities : Equitable Mortgage of Company's existing Fixed assets and 2nd pari pasu charge on proposed Fixed Assets Personal Guarantee of Directors and their relatives including pledge of their Shares	1,020.15
	Stand by Limit	100.00	100.18	Base Rate +4.00% i.e Effective Rate 11.50 % as on Date of Sanction Latter		

ANNEXURE-XV

Related Party Disclosures

A. List of Related Parties

Key Management Personnel (KMP)					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
Mr Babulal S. Sanghvi	Mr Babulal S. Sanghvi	Mr Babulal S. Sanghvi	Mr Babulal S. Sanghvi	Mr Babulal S. Sanghvi	Mr Babulal S. Sanghvi
Mr Jayanti B. Sanghvi	Mr Jayanti B. Sanghvi	Mr Jayanti B. Sanghvi	Mr Jayanti B. Sanghvi	Mr Jayanti B. Sanghvi	Mr Jayanti B. Sanghvi
Mr Naresh B. Sanghvi	Mr Naresh B. Sanghvi	Mr Naresh B. Sanghvi	Mr Naresh B. Sanghvi	Mr Naresh B. Sanghvi	Mr Naresh B. Sanghvi
NA	NA	Mr Vikram B. Sanghvi	Mr Vikram B. Sanghvi	Mr Vikram B. Sanghvi	Mr Vikram B. Sanghvi

Relative of Key Management Personnel					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
Ms BhamriDevi Sanghvi	Ms BhamriDevi Sanghvi	Ms BhamriDevi Sanghvi	Ms BhamriDevi Sanghvi	Ms BhamriDevi Sanghvi	Ms BhamriDevi Sanghvi

Ms Meena J. Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi Mr Vikram Sanghvi -	Ms Meena J. Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi Mr Vikram Sanghvi Ms Sheetal V Sanghvi	Ms Meena J. Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi	Ms Meena J. Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi	Ms Meena J. Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi	Ms Meena J. Sanghvi Ms Kiran N. Sanghvi Mr Mahesh Sanghvi NA Ms Sheetal V Sanghvi
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Enterprises under Significant Influence of Key management Personnel or their Relatives					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
Gautam Stainless Pvt .Ltd.	Gautam Stainless Pvt .Ltd.	Gautam Stainless Pvt .Ltd.	Gautam Stainless Pvt .Ltd.	Gautam Stainless Pvt .Ltd.	Gautam Stainless Pvt .Ltd.
Babulal Sanghvi (HUF)	Babulal Sanghvi (HUF)	Babulal Sanghvi (HUF)	Babulal Sanghvi (HUF)	Babulal Sanghvi (HUF)	Babulal Sanghvi (HUF)
Jayanti Sanghvi (HUF)	Jayanti Sanghvi (HUF)	Jayanti Sanghvi (HUF)	Jayanti Sanghvi (HUF)	Jayanti Sanghvi (HUF)	Jayanti Sanghvi (HUF)
Naresh Sanghvi (HUF)	Naresh Sanghvi (HUF)	Naresh Sanghvi (HUF)	Naresh Sanghvi (HUF)	Naresh Sanghvi (HUF)	Naresh Sanghvi (HUF)
Gautam Pipeline Product (Gautam Industries)	Gautam Pipeline Product (Gautam Industries)	Gautam Pipeline Product (Gautam Industries)	Gautam Pipeline Product (Gautam Industries)	Gautam Pipeline Product (Gautam Industries)	Gautam Pipeline Product (Gautam Industries)
-	-	-	-	-	-
Shubh Accounting Solutions Pvt .Ltd.	Shubh Accounting Solutions Pvt .Ltd.	Shubh Accounting Solutions Pvt .Ltd.	Shubh Accounting Solutions Pvt .Ltd.	Shubh Accounting Solutions Pvt .Ltd.	Shubh Accounting Solutions Pvt .Ltd.
-	-	-	-	-	-
-	-	-	-	-	-

Subsidiary Company					
March 31,2006	March 31,2007	March 31,2008	March 31,2009	March 31,2010	December 31,2010
-	-	-	Sanghvi Middle East (FZE)	Sanghvi Middle East (FZE)	Sanghvi Middle East (FZE)

B. Details of Transaction with Related Parties

(₹ in Lakhs)

Related	Relationship	Nature of	As at March 31, 2010					As at December 31,2010
			2006	2007	2008	2009	2010	

Party		Transaction						
Mr Babulal S. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	44.99	-	-	41.39
Mr Jayanti B. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	49.20	-	-	47.16
Mr Naresh B. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	44.95	-	-	43.76
Mr Vikram B. Sanghvi	Key Management Personnel	Issue of Bonus Share	-	-	30.50	-	-	33.40
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	15.05	-	-	21.84
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	23.10	-	-	23.28
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	18.00	-	-	21.60
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	11.90	-	-	9.52
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Issue of Bonus Share	-	-	3.00	-	-	7.24
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Issue of Bonus Share	-	-	10.00	-	-	8.00
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Issue of Bonus Share	-	-	-	-	-	4.20
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Issue of Bonus Share	-	-	-	-	-	4.20
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key management	Issue of Bonus Share	-	-	-	-	-	1.44

Mr Babulal S. Sanghvi	Personnel or their Relatives Key Management Personnel	Dividend paid during the year	3.00	1.50	-	-	3.45	0
Mr Jayanti B. Sanghvi	Key Management Personnel	Dividend paid during the year	2.47	1.36	-	-	3.93	0
Mr Naresh B. Sanghvi	Key Management Personnel	Dividend paid during the year	2.13	1.22	-	-	3.65	0
Mr Vikram B. Sanghvi	Key Management Personnel	Dividend paid during the year	NA	NA	-	-	1.82	0
Mr Vikram B. Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.33	0.55	NA	NA	NA	NA

Related Party	Relationship	Nature of Transaction	As at March 31, 2010					As at December 31, 2010
			2006	2007	2008	2009	2010	
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.84	0.50	-	-	2.78	-
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	8.00	0.58	-	-	1.94	-
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.20	0.41	-	-	1.80	-
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	0.56	0.40	-	-	0.79	-
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Dividend paid during the year	-	0.01	-	-	0.60	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Dividend paid during the year	0.20	0.33	-	-	0.67	-
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or	Dividend paid during the year	-	-	-	-	0.35	-

	their Relatives							
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Dividend paid during the year	-	-	-	-	0.35	-
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Dividend paid during the year	-	-	-	-	0.12	-
Mr Babulal S. Sanghvi	Key Management Personnel	Loan repaid	4.50	-	-	0.50	12.31	-
Mr Jayanti B. Sanghvi	Key Management Personnel	Loan repaid	5.00	5.21	1.10	1.65	14.30	4.00
Mr Naresh B. Sanghvi	Key Management Personnel	Loan repaid	6.03	6.19	1.73	1.65	14.75	2.50
Mr Vikram B. Sanghvi	Key Management Personnel	Loan repaid	-	-	1.06	0.75	15.00	2.00
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Loan repaid	-	-	-	-	8.00	-
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Loan repaid	1.00	2.00	0.30	0.80	8.00	2.41
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Loan repaid	2.00	2.00	0.60	-	12.30	4.68
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Loan repaid	-	1.00	-	-	4.00	-
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Loan repaid	-	-	-	-	0.09	-

Related Party	Relationship	Nature of Transaction	As at March 31, 2010					As at December 31,2010
			2006	2007	2008	2009	2010	
Mr Vikram Sanghvi	Relative of Key Management Personnel	Loan repaid	2.00	6.70	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	-	-	-	3.00	4.07	-
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	-	-	-	-	5.00	-
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	-	-	-	-	5.00	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan repaid	5.52	-	-	-	-	-
Mr Babulal S. Sanghvi	Key Management Personnel	Loan Taken	3.18	4.86	1.68	3.59	3.89	21.00
Mr Jayanti B. Sanghvi	Key Management Personnel	Loan Taken	3.46	5.77	4.63	6.19	7.06	7.00
Mr Naresh B. Sanghvi	Key Management Personnel	Loan Taken	3.61	6.73	3.83	5.83	8.10	1.50
Mr Vikram B. Sanghvi	Key Management Personnel	Loan Taken	-	-	3.85	5.50	4.88	2.25
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Loan Taken	1.61	3.45	2.78	0.90	0.51	10.00

Ms Meena J. Sanghvi	Relative of Key Management Personnel	Loan Taken	7.20	0.82	2.80	1.49	0.60	7.00
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Loan Taken	11.09	4.85	1.95	1.73	1.03	7.00
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Loan Taken	-	4.35	0.46	0.51	0.32	13.35
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Loan Taken	0.73	0.75	0.16	0.18	0.09	-

Related Party	Relationship	Nature of Transaction	As at March 31, 2010					As at December 31, 2010
			2006	2007	2008	2009	2010	
Mr Vikram Sanghvi	Relative of Key Management Personnel	Loan Taken	8.70	7.98	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	5.18	0.56	0.62	0.64	0.07	106.00
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	1.50	0.16	3.34	3.00	2.59	4.15
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	-	3.43	1.57	3.00	3.10	3.90
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key	Loan Taken	0.25	-	-	-	-	-

Vikram Sanghvi (HUF)	management Personnel or their Relatives Enterprises under Significant Influence of Key management Personnel or their Relatives	Loan Taken	-	-	-	-	2.52	7.45
Mr Babulal S. Sanghvi	Key Management Personnel	Interest paid/Payable	0.39	0.73	-	1.38	1.07	0.88
Mr Jayanti B. Sanghvi	Key Management Personnel	Interest paid/Payable	0.41	-	-	1.25	0.98	0.36
Mr Naresh B. Sanghvi	Key Management Personnel	Interest paid/Payable	0.37	-	-	1.03	0.67	0.19
Mr Vikram B. Sanghvi	Key Management Personnel	Interest paid/Payable	-	-	-	1.44	1.10	0.23
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.11	0.51	0.78	1.00	0.57	0.37
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.78	0.91	0.95	1.09	0.66	0.29
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	1.04	1.35	1.55	1.73	1.14	0.35
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	-	0.50	0.46	0.51	0.32	0.46
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.03	0.11	0.18	0.20	0.09	-
Mr Vikram Sanghvi	Relative of Key Management Personnel	Interest paid/Payable	0.34	1.64	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	0.03	0.62	0.69	0.71	0.08	3.42

Related Party	Relationship	Nature of Transaction	As at March 31, 2010					As at December 31,2010
			2006	2007	2008	2009	2010	
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	-	0.18	-	0.61	0.66	0.31
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	-	0.20	-	0.66	0.66	0.32
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Interest paid/Payable	-	-	-	-	0.02	0.32
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Rent Paid	1.08	1.08	1.08	1.08	1.08	-
Mr Babulal S. Sanghvi	Key Management Personnel	Remuneration	1.50	1.50	2.00	3.60	6.00	4.13
Mr Jayanti B. Sanghvi	Key Management Personnel	Remuneration	3.60	3.60	4.20	6.00	9.00	7.63
Mr Naresh B. Sanghvi	Key Management Personnel	Remuneration	3.60	3.60	4.20	6.00	9.00	7.63
Mr Vikram B. Sanghvi	Key Management Personnel	Remuneration	-	-	3.00	4.80	5.76	7.63
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Purchase of Goods/DEPB	-	20.69	14.56	9.85	1.93	-
Rajeshwari Forgings Pvt. Ltd.	Enterprises under Significant Influence of Key	Purchase of Goods/DEPB	-	-	7.98	10.62	-	-

Gautam Pipeline Product (Gautam Industries)	management Personnel or their Relatives Enterprises under Significant Influence of Key management Personnel or their Relatives Enterprises under Significant Influence of Key	Purchase of Goods/DEPB	5.84	0.05	0.07	-	0.17	-
Gautam Stainless Pvt .Ltd.	management Personnel or their Relatives Enterprises under Significant Influence of Key management Personnel or their Relatives Enterprises under Significant Influence of Key	Sale of Goods/DEPB	29.89	82.85	89.64	40.04	7.62	-
Gautam Pipeline Product (Gautam Industries)	management Personnel or their Relatives Enterprises under Significant Influence of Key management Personnel or their Relatives Enterprises under Significant Influence of Key	Sale of Goods/DEPB	0.17	-	-	-	-	-
Sanghvi Middle East (FZE)	management Personnel or their Relatives Enterprises under Significant Influence of Key management Personnel or their Relatives Enterprises under Significant Influence of Key	Sale of Goods/DEPB	-	-	-	-	41.17	19.24

Related Party	Relationship	Nature of Transaction	As at March 31, 2010					As at December 31, 2010
			2006	2007	2008	2009	2010	
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Rendering of Services	-	0.74	2.16	5.61	0.21	0.10
Rajeshwari Forgings Pvt. Ltd.	Enterprises under Significant Influence of Key management Personnel or	Rendering of Services	-	-	-	-	-	-

	their Relatives								
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Rendering of Services	-	-	-	-	-	-	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Receiving of Services	-	-	-	0.05	-	-	-
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Receiving of Services	-	-	-	-	9.57	-	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Share Application Money	-	-	-	-	15.00	-	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Share Application Money return	-	-	-	-	15.00	-	-
Sanghvi Middle East (FZE)	Subsidiary Company	Investment	-	-	-	0.66	7.65	-	-
Sanghvi Middle East (FZE)	Subsidiary Company	Outstanding (Receivable) /Payables	-	-	-	-	(32.92)	(50.65)	
Mr Babulal S. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	5.23	10.09	11.77	14.87	6.44	27.44	
Mr Jayanti B. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	6.91	7.47	11.01	15.54	8.30	11.30	
Mr Naresh B. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	6.60	7.14	9.24	13.42	6.76	5.76	

Mr Vikram B. Sanghvi	Key Management Personnel	Outstanding (Receivable) /Payables	-	-	12.33	17.08	6.95	7.20
Ms BhamriDevi Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable) /Payables	2.09	5.54	8.33	9.22	1.73	11.73
Ms Meena J. Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable) /Payables	7.75	6.57	9.07	9.76	2.36	7

Related Party	Relation ship	Nature of Transaction	As at March 31, 2010					As at December 31,2010
			2006	2007	2008	2009	2010	
Ms Kiran N. Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/Payables	9.92	12.77	14.11	15.84	4.57	7.00
Ms Sheetal V Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/Payables	-	3.98	4.26	4.77	1.05	14.40
Mr Mahesh Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/Payables	0.75	1.50	1.66	1.84	-	-
Mr Vikram Sanghvi	Relative of Key Management Personnel	Outstanding (Receivable)/Payables	8.26	9.54	-	-	-	-
Babulal Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relative	Outstanding (Receivable)/Payables	5.18	5.74	6.36	3.99	-	106.00

	s								
Jayanti Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	1.50	1.66	5.00	8.00	5.59	9.74	
Naresh Sanghvi (HUF)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	-	3.43	5.00	8.00	6.10	10.00	
Gautam Pipeline Product (Gautam Industries)	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	(0.03)	-	-	-	-	-	
Vikram Sanghvi (HUF)	Enterprises under Significant Influence of	Outstanding (Receivable)/Payables	-	-	-	-	2.52	9.97	

Gautam Pipeline Product (Gautam Industries)	Key management Personnel or their Relatives Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	0.68	-	-	-	-	-
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	(2.99)	(23.79)	(1.87)	(4.09)	(0.19)	
Gautam Stainless Pvt .Ltd.	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	-	16.48	0.26	0.05	-	-
Rajeshwari Forgings	Enterprises under	Outstanding (Receivable)/Payables	-	-	-	10.62	12.96	-

Pvt. Ltd.	Significant Influence of Key management Personnel or their Relatives							
Kanak Engineering Works	Enterprises under Significant Influence of Key management Personnel or their Relatives	Outstanding (Receivable)/Payables	-	-	-	-	1.56	0.22

ANNEXURE XVI
Break-up of Capital Work-in-Progress

(₹ in Lakhs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Advances Given against Purchase of Land	0.98	0.98	0.98	0.98	0.98	0.98
Advances Given against Purchase of Plant & Machinery	-	-	-	-	-	1071.23
Professional Fees	-	-	-	-	-	10.42
Technical Consultancy Fees	-	-	-	-	2.71	9.54
Paid to GIDC	-	-	-	-	-	13.47
Upfront fees for Approval of Term Loan	-	-	-	-	-	14.78
Travelling Expenses Incurred for New Project	-	-	-	-	-	4.29
TOTAL	0.98	0.98	0.98	0.98	3.69	1,124.71

ANNEXURE XVII

Details of Power Generated and net impact of Statement of Profit & Loss Account

Period	Units Generated (Nos.)	Transmission Loss (Nos.)	Net Units Generated (Nos.)	Amount (As in P&L A/c) (₹ in Lakhs)	Amount recorded as expenditure under the head 'Manufacturing Expenses' (₹ in Lakhs)	Net Impact on Profit & Loss Account (₹ in Lakhs)
FY 2007-08	67,621	-2705	64,916	2.19	NIL	2.19
FY 2008-09	5,31,610	-21264	5,10,346	17.19	13.87	3.32
FY 2009-10	5,16,835	-20673	4,96,162	26.97	25.37	1.6
Nine months ending December 2010	3,45,134	-13805	3,31,329	17.25	15.72	1.53

Annexure XVIII Capitalization Statement

(₹ in Lakhs)			
Particulars		Pre Issue as at 31.12.10	Post Issue (Refer Note 1)
Debt			
Short Term Debt (a)		1,351.56	[•]
Long Term Debt (b)		284.27	[•]
Total Debt	A	1,535.82	[•]
Shareholder's Funds			
Equity Share Capital		799.20	[•]
Reserves & Surplus - As restated			[•]
Profit & Loss Account		680.21	
General Reserve		40.54	
Securities Premium		238.67	
Less: Miscellaneous Expenditure to the extent not written off		49.83	[•]
Total Shareholder's Funds	B	1,708.80	[•]
Debt – Equity Ratio	A/B	0.90	[•]

Note 1:

Issue price will be decided in consultation with the Merchant Bankers to the Issue.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for the years ended March 31, 2006, 2007, 2008, 2009 and 2010 and for the period ended December 31, 2010, prepared in accordance with the Companies Act and Indian GAAP and restated in accordance with the ICDR Regulations, including the schedules, annexure and notes thereto and the reports thereon, included in the section titled "Financial Information" on page no. 124 of this Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our audited consolidated financial statements, as restated.

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those under U.S. GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with the Companies Act, Indian GAAP and ICDR Regulations.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the sections titled "Risk Factors" and "Forward Looking Statements" on page no. XIII and page no. XII, respectively. In this section, unless the context otherwise requires, a reference to "our Company" is a reference to Sanghvi Forging & Engineering Limited and a reference to "we", "us" and "our" refers to Sanghvi Forging and Engineering Limited and its subsidiary and joint venture companies, on a consolidated basis.

Overview

Our Present Business

We are manufacturer and exporter of forging products for the non-automotive sector. We have an installed capacity of 3600 MTPA for manufacturing of forged flanges and precision machined components (with single piece forging up to 4 MT) in the area of open and closed die forgings. We manufacture these products from carbon steel, alloy steel and stainless steel conforming to international standards. We operate from our existing plant based in Vadodara, Gujarat. Our registered office is located at Plot No. 244 /6-7 GIDC Industrial Estate, Waghodia-391760, District Vadodara which also houses our existing manufacturing unit. We also have an office located at A-8, Parvati Chamber, opposite Apsara Cinema, Pratapnagar Road., Vadodara – 390 004. We have been in this present business of manufacturing of forgings and machined components.

We manufacture forged flanges, forgings and machined components for various industries like oil & gas, fertilizers, power, desalination & water treatment, ship building, defence, fabrication of process equipments, instrumentation etc. We are capable of manufacturing both standardized as well as customized products. We have also established market for our products overseas. We regularly export various countries mainly to Europe, Middle East and Canada.

The key factor in our forging business is the vendor/consultant approval, given the critical end use of the product. We have, in the last few years, been successful in obtaining various such approvals in both the domestic and international markets. We share a good client relationship worldwide where we receive majority of our business from repeat clients.

The overview of the financial performance of our company based on re-stated consolidated audited financial information:

Particulars	For the Period ended December 31, 2011	FY2010	FY2009	FY2008
Total Sales	2257.09	2529.22	2583.31	1952.41
Total Income	2932.71	2889.93	2952.83	2387.18
% of Total Sales	76.96%	87.52%	87.49%	81.79%
Cost of materials Consumed	1680.28	1571.74	1786.07	1465.68
Net Expenditure	2320.95	2307.02	2413.03	1852.83
Raw Material Consumed as % of Total Income	57.29%	54.39%	60.49%	61.40%
Net Expenditure as % of Total Income	79.14%	79.83%	81.72%	77.62%
EBITDA	611.76	582.81	539.80	534.34
EBITDA % Margin	20.85%	20.17%	18.28%	22.38%
PBT	449.11	393.79	350.07	396.87
PBT % Margin	15.31%	13.63%	11.86%	16.63%
PAT	295.39	247.86	226.63	245.93
PAT Margin	10.07%	8.58%	7.67%	10.30%
Net Worth	1708.80	1183.32	875.92	649.27
EPS	3.86	5.66	5.76	6.25
Return on Net Worth (%)	17.28%	20.95%	25.87%	37.88%

Significant Developments Subsequent to Last Financial year which can affect operation of our Company

Except as stated in this Draft Red Hearing Prospectus, to our knowledge, no circumstances have arisen or developed since April 2010, being the last financial year of reporting in the restated financial information disclosed in the offer document which materially or adversely affect or are likely to affect the trading or profitability of our Company, or the value of our Company's assets or our ability to pay our liabilities within the next twelve months.

Factors Affecting Results of Operations

A number of factors have affected and we expect, will continue to affect our results of operations. Some of the factors on which our business operations and financial results are dependent are discussed below:

1. General Economic Conditions

Our financial condition is affected by the general economic condition prevailing in the country and countries where we export our forging products. Our operations are dependent on the demand from our customers, whose operations are directly dependent on economic condition of country.

Our major client industries include Oil & Gas, Power (comprising of Thermal, Hydro and Nuclear), Ship building and Repair and Aerospace and Defence.

The power and oil & gas sector is witnessing huge growth in India and world over. The government has set provision for large investments in power sector during eleventh five year plan. The demand for forging products is expected to receive significant boost from these sectors in the coming years.

We mostly cater to forging demands of non-automotive sectors and all these sectors are dependent on general economic conditions.

2. New Project

As described in the section “Objects of the Issue” on page no. 41, we are implementing New Project which envisages setting up a 15,000 MTPA open die forging unit (with single piece forging up to 40 MT) to manufacture proof machined products viz. stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, forging items etc. The successful completion of New Project is a major factor which will significantly impact our operations in the coming years. We intend to move up in supply chain of forging products and eliminate the intermediaries between final vendors and us. Our success depends on our ability to manage the expansion and inducing demands for new product line in coming years. Our knowledge of forging industry and demand analysis done by us in various industries leads us to conclude that there is strong potential demand for our products.

3. Raw material cost and availability

Like all manufacturing units, we are dependent on availability and price of our raw materials to manufacture our products. The major raw materials to produce forged products are vacuum degassed forging ingots of carbon and low alloy steels of various grades. We are in the business of forging products since long and are getting regular supplies of raw material for our existing activity. Our raw material for the proposed products will be procured from India and overseas markets from approved vendors. We believe that we will be able to procure raw material required for our business, without significant difficulty and at competitive prices.

4. Competition

In India, seventy percent of forging products are used by automotive industry and most of the forging companies are making products to cater to the automotive industry. We have strategically kept ourselves away from automotive industry to focus on non-automotive forging sector. In non-automotive forging sector, there are relatively lesser players. Indian demand for large forging is catered largely by import since there is no major supplier of large forgings in India. Now, anticipating high demands in future, large forging companies like Bharat Forge Ltd. and Larsen & Toubro Limited are planning to cater to non-automotive forging demands also, which will increase the competition in this sector.

5. Fluctuation in Exchange Rates

Since a significant portion of our Company revenue is derived from export to various countries, we are subject to the risk of fluctuation in exchange rates. As exporters, an appreciation of Indian Rupee will affect our profitability and our profitability will depend on fluctuations in currency market. Further, depreciation of Indian rupee will improve our profitability. The fluctuation in exchange rate is economy driven and we have no control on it.

6. Technology

Technology is a driving factor that affects overall operation in forging industry. In order to achieve Company objectives we need to apply advanced technology. We emphasize on the acquisition of new improved equipment to further assure quality. We are also continuously emphasizing on significant upgradation of manufacturing facility to improve product quality.

In the New Project we are adopting latest open die forging technology. This will enable us to reduce our material input by doing the forgings with close tolerances. Further, the new technology is fully automatic and will significantly reduce the manpower requirements. With the help of this technology we can control the reduction ratio of materials which will help us in meeting critical grain-size requirements. The implementation of SAP-ERP System has helped us on various counts; to name a few, cost control, optimal use of resources, successful tracking of material etc. Further, we have deployed CNC operated machines and well-calibrated instruments which add to the quality of our products.

In our New Project, we are acquiring critical machineries such as Manipulator and Forging Press from reputed international suppliers to ensure high quality and productivity. The specifications for these critical machineries are sufficiently advanced in technology and for the purpose intended. The plant and machineries selected have adequate capability to offer good process control, which can deliver good quality consistently.

7. Government Policies

Our major user industries comprise of Oil & Gas, Wind Energy, Power, Defence, Shipbuilding etc. These industries are capital intensive and considered to be sensitive sectors in the economy and are therefore subject to several government regulations. For instance, power and oil sector in India are largely guided by the government policies in this regard. So also, Defence is entirely within the domain of government policy. Growth of industries particularly in these segments would be strongly influenced by the nature of policies adopted by incumbent governments. Favourable policies will nurture growth and usher in fresh investments whereas unfavourable policies would lead to stagnation and eventual flight of capital from the affected industry.

DISCUSSION ON THE RESULTS OF OPERATIONS

The following discussion on the financial operations and performance is based on our restated consolidated financial statements for the FY 2009-10, 2008-09, 2007-08 and 2006-07. The same should be read in conjunction with the restated consolidated audited financial results of our Company for the years ended 31 March 2010, 2009, 2008 and 2007.

The financial figures for standalone and consolidated differ only in 2009-10 and 2008-09 since the company has only one subsidiary which was formed in 2008-09. There is no difference in standalone and consolidated accounts of the company during year 2006-07 and 2007-08.

The summary statement of Profit & Loss Account, as restated is as under:

Particulars	For the year ended March 31st						(₹ in Lacs)	
	2007-08	% of Total Income	2008-09	% of Total Income	2009-10	% of Total Income	For the period Ended December 31, 2011	% of Total Income
Incomes								
Sales :								
a. Of products manufactured by the Company	1952.41	81.79	2583.31	87.49	2529.22	87.52	2257.09	77
b. Scrap Sale Income	266.13	11.15	239.81	8.12	242.10	8.38	300.94	10
c. Sale of Power Generation	2.19	0.09	17.19	0.58	26.97	0.93	17.24	1

Other Income	79.36	3.32	96.88	3.28	103.12	3.57	94.74	3
(Increase)/Decrease in Stock	87.09	3.65	15.65	0.53	(11.57)	-0.40	262.69	9
Total Income	2387.18	100.00	2952.83	100.00	2889.83	100.00	2932.71	100
Expenditures								
Raw Material Consumption	1465.68	61.40	1786.07	60.49	1571.74	54.39	1680.28	57
Manufacturing Expenses	170.34	7.14	365.04	12.36	359.41	12.44	308.69	11
Personal Expenses	53.26	2.23	70.24	2.38	113.54	3.93	121.04	4
Administration & other Expenses	163.55	6.85	191.67	6.49	262.33	9.08	210.95	7
Total Expenditure	1852.83	77.62	2413.03	81.72	2307.02	79.83	2320.95	79
Net Profit before Interest Depreciation ,Tax and Extraordinary Items (EBITDA)	534.34	22.38	539.80	18.28	582.81	20.17	611.76	21
Financial Expenses	98.48	4.13	134.49	4.55	124.01	4.29	114.30	4
Depreciation	39.00	1.63	55.24	1.87	65.01	2.25	48.35	2
Profit Before Tax	396.87	16.63	350.07	11.86	393.79	13.63	449.11	15
Provision for Taxation:								
Current Tax	88.46	3.71	77.18	2.61	131.65	4.56	142.17	5
Deferred Tax	54.64	2.29	39.72	1.35	10.32	0.36	11.55	0
Fringe Benefit Tax	1.42	0.06	1.47	0.05	0.00	0.00	-	
Net Profit after Tax But before Extra Ordinary Items	252.35	10.57	231.69	7.85	251.82	8.71	295.39	10
Add/(Less) : Excess Income Tax Provision Made in Last Year	(6.41)	(0.27)	(5.07)	(0.17)	(3.96)	(0.14)	0.22	0
Profit as per restated Profit and Loss Account	245.93	10.30	226.63	7.67	247.86	8.58	295.61	10

No material part of our income is dependent upon a single customer or a few major customers. Also, we state the fact that no single foreign country accounts for a significant portion of our business.

COMPARISION OF FINANCIAL PERFORMANCE OF FY2010 AND FY2009

Sales of manufactured products

As shown in summary of consolidated financial statements, Sales of manufactured products of our company have remained broadly consistent for FY 2009 and FY 2010. It has maintained its contribution to total income at around 87%. The Sales of manufactured products of our company has decreased slightly from ₹ 2583.31 Lacs in FY 2009 to ₹ 2529.22 Lacs in 2010, posting a reduction of 2.09% on YoY basis.

Based on the standalone financials statements, Sales of manufactured products of our company has decreased from ₹ 2583.31 Lacs in FY 2009 to ₹ 2549.93 Lacs in FY 2010, posting a reduction of 1.29% on YoY basis.

Scrap Sale Income

On the basis of consolidated and standalone financials statements, the sale from scrap has changed from ₹ 239.81 Lacs in FY 2009 to ₹ 242.10 Lacs in FY 2010, posting an increase of 1%.

Sales of Power Generation

The sales from power generation have increased from ₹ 17.19 Lacs in FY 2009 to ₹ 26.97 Lacs in FY 2010, posting a growth of 57%. There is no change in standalone and consolidated financial statements in sales of power generation.

Other Income

On the basis of consolidated and standalone financial statements, the other income for our company has increased from ₹ 96.88 Lacs in FY 2009 to ₹ 103.12 Lacs in FY 2010 accounting for a growth of 6.29%. The other income includes interest income, miscellaneous income and government subsidy.

Raw Material Consumed

On the basis of consolidated financial statements, the raw material consumed in manufacturing of our forging products has declined from ₹ 1786.07 Lacs to ₹ 1571.74 Lacs, a decrease of 11.99%. Total sales has witnessed a reduction of approximately 2% while raw material consumption has witnessed reduction of approximately 12%. Also, the sale of scrap has shown an increase of 1% from previous year. It signifies that we have reduced our other expense and improved efficiency of our process

On standalone basis, the raw material consumed has shown a decrease from ₹ 1786.07 Lacs in FY 2009 to ₹ 1586.00 Lacs in FY 2010, posting a reduction of 11.19%.

Manufacturing Expenses

The manufacturing expenses in our operations has reduced slightly from ₹ 365.04 Lacs in FY 2009 to ₹ 359.41 Lacs in FY 2010 by 1.64%, which has improved the profitability of our company.

Personnel Expenses

We have improved in management of our human resource and made investments in bringing experienced professionals in our organization. The personnel expenses of our organization have increased from ₹ 70.24 Lacs in FY 2009 to ₹ 113.54 Lacs in FY 2010 posting a growth of 61.68%.

Administrative, Selling and Distribution Expenses

On the basis of consolidated financials statements, the administrative and other expenses has increased from ₹ 191.67 Lacs in FY 2009 to ₹ 262.33 Lacs in FY 2010 registering a growth of 36.88%. The major increase is attributable to repairing of machinery and loss on sales of assets, which includes impairment of fixed asset. We have ordered new machinery for our new proposed plants and repaired the existing machinery.

Depreciation and Amortization

The expenses under the head of depreciation and amortization has increased from ₹ 55.24 Lacs in FY 2009 to ₹ 65.01 Lacs in FY 2010 with a growth of 18%.

Interest and Financial Charges

The Interest and Financial charges is reduced from ₹ 134.49 Lacs in FY 2009 to ₹ 124.01 Lacs in FY 2010 posting a reduction of 7.73% under this head. This reduction in financial charges can be attributed to reduction in interest on term loans and unsecured loans which has reduced by 27.14% and 37.82% respectively.

Profit After Tax

On consolidated basis, the profitability of our company has increased from ₹ 226.63 Lacs in FY 2009 to ₹ 247.86 Lacs in FY 2010 registering a modest growth of 9.35%. We are able to increase profitability irrespective of reduced gross sales due to improving efficiency of our operations and reducing expenses in manufacturing operations.

On standalone basis, the profitability of our company has increased from 227.31 Lacs in FY 2009 to 270.13 Lacs in FY 2010, registering an increase of 18.82%.

COMPARISION OF FINANCIAL PERFORMANCE OF FY2009 AND FY2008

Sales of Products

As shown in summary of financial statements, sales of products of our company has increased from ₹ 1952.41 Lacs in FY 2008 to ₹ 2583.30 Lacs in FY 2009, registering a growth of 32.34%.

Scrap Sale Income

On the basis of financial statements, the sale from scrap has changed from ₹ 266.13 Lacs in FY 2008 to ₹ 239.81 Lacs in FY 2009, posting a reduction of 10.18%.

Sales from Power Generation

The sales from power generation has increased from ₹ 2.19 Lacs in FY 2008 to ₹ 17.19 Lacs in FY 2009, posting a growth of 681.8%. The contribution of sale from power generation in total income has increased from 0.1% to 0.6%. The growth from FY 2008 to FY 2009 is attributable to the power facility getting commissioned in February 2008.

Other Income

The other income for our company has increased from ₹ 79.36 Lacs in FY2008 to ₹ 96.88 Lacs in FY 2009 accounting for an increase of 22.78%. The major portion of other income are interest income, miscellaneous income and government grants etc.

Raw Material Consumed

The raw material consumed in manufacturing of our forging products has increased from ₹ 1465.68 Lacs to ₹ 1786.07 Lacs, a increase of 21.86%. The increase in raw material consumed is due to increase in demand of our products in market. The total sales have witnessed an increase of 32% during the year, and the raw material consumed as the percentage of total income has remained consistent at 60%. The increase in raw material consumed is justifiable on account of increase in sales.

Manufacturing Expenses

The manufacturing expenses in our operations have increased from ₹ 170.34 Lacs in FY 2008 to ₹ 365.04 Lacs in FY 2009 by 114.32%. The increase is due to significant rise in all components of

manufacturing expenses which includes inspection charges, labour & job work charges, packing & forwarding charges, power & fuel expenses and stores & spares consumed. The increase in manufacturing expenses is reasonable in relation to the increase in income from products and raw material consumed.

Personnel Expenses

We have improved in management of our human resource and made investments in professionalising our organization. The personnel expenses of our organization have increased from ₹ 53.26 Lacs in FY 2008 to ₹ 70.25 Lacs in FY 2009 posting an increase of 31.33%.

Administrative and Other Expenses

The administrative and other expenses of our organization have increased from ₹ 163.55 Lacs in FY 2008 to ₹ 190.99 Lacs in FY 2009 (on standalone basis) registering a rise of 16.9%. This increase in expense under this head is justifiable for meeting increased sales orders during the financial year.

Depreciation and Amortization

The expenses under the head of depreciation and amortization have increased from ₹ 39.00 Lacs in FY 2008 to ₹ 55.24 Lacs in FY 2009 with a growth of 41.1%.

Interest and Financial Charges

The Interest and Financial charges is increased from ₹ 98.48 Lacs in FY 2008 to ₹ 134.49 Lacs in FY 2009 posting a increase of 36.26% under this head.

Profit After Tax

Overall, the profitability of our company has decreased from ₹ 245.93 Lacs in FY 2008 to ₹ 227.31 Lacs in FY 2009 registering a reduction of 7.72%. Though we have increased total sales during the year, the total expenditure has also increased during the financial year. The effect of increase in sales on profitability is not reflected due to corresponding increase in expenditure.

COMPARISION OF FINANCIAL PERFORMANCE OF FY2008 AND FY2007

Sales of Products

As per the restated account, Sales of forging products of our company has increased from ₹ 1669.08 Lacs in FY 2007 to ₹ 1952.41 Lacs in FY 2008 posting a growth of 16.95%. The increase in gross sales can be attributed to commencement of open forging facility. We had also established the machining capability for big forgings besides installing various lathe machines and drilling machines in our plant.

Scrap Sale Income

On the basis of restated financials statements, the sale from scrap has increased from ₹ 187.50 Lacs in FY 2007 to ₹ 266.13 Lacs in FY 2008, posting an increase of 41.9%. The increase in sale of scrap was caused due to increase in Sales which was increased by 17% during the year.

Sales of Power Generation

During the FY 2007-2008, we have installed the wind energy project. We had purchased the wind mill for power generation which will be used for captive consumption. The income from sale of power generation for FY 2007-2008 is ₹ 2.19 lacs which forms a small part of our sale. Our power generation commenced in February 2008 and the sale represents power generated during February and March 2008.

Other Income

The other income for our company has increased from ₹ 49.00 Lacs in FY2007 to ₹ 79.36 Lacs in FY 2008 recording a growth of 61.22%.

Raw Material Consumed

The raw material consumed in manufacturing of our forging products has increased from ₹ 1275.43 Lacs in FY 2007 to ₹ 1465.68 Lacs in FY 2008, an increase of 15.35%. The increase in raw material consumed is due to increase in demand of our products in market. The total sales has witnessed an increase of 17% and as a result, raw material consumed has increased by 15.35%. The increase in raw material consumed is justifiable on account of increase in sales.

Manufacturing Expenses

The manufacturing expenses in our operations has increased from ₹ 148.43 Lacs in FY 2007 to ₹ 170.34 Lacs in FY 2008 by 15.5%. The increase is due to significant increase in prices of all components of manufacturing expenses which includes inspection charges, labour & job work charges, packing & forwarding charges, power & fuel expenses and stores & spares consumed.

Personnel Expenses

In line with the growth of our business operations and our reach among domestic and global customers, we have been augmenting our human resources assets to meet the challenges of growth. We have improved in management of our human resource and made investments by hiring professionals in our organization. The personnel expenses of our organization have increased from ₹ 36.54 Lacs in FY 2007 to ₹ 53.26 Lacs in FY 2008 posting a growth of 47.22%.

Administrative and Other Expenses

The administrative and other expenses in our organization have increased from ₹ 127.03 Lacs in FY 2007 to ₹ 163.55 Lacs in FY 2008 registering a rise of 28.34%. This increase in expense under this head is justifiable considering the growth in sales.

Depreciation and Amortization

The expenses under the head of depreciation and amortization have increased from ₹ 18.95 Lacs in FY 2007 to ₹ 39.00 Lacs in FY 2008 signifying a growth of 105%.

Interest and Financial Charges

The Interest and Financial charges increased from ₹ 67.80 Lacs in FY 2007 to ₹ 98.48 Lacs in FY 2008 posting an increase of 47.7% under this head.

Profit After Tax

Overall, the profitability of our company has increased from ₹ 184.61 Lacs in FY 2007 to ₹ 245.93 Lacs in FY 2008 registering a growth of 33.2%.

INFORMATION AS PER SCHEDULE VII PART A (IX) (E) OF THE SEBI ICDR

1. Unusual or infrequent events or transactions

Other than as stated in the section titled “Financial Information” on page no. 124 of this Red Herring Prospectus, there have been no unusual or infrequent transactions that have taken place during the last three years.

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

Other than as mentioned under “Factors Influencing Our Results of Operations” in “Management’s Discussion and Analysis of Financial Condition & Results of Operations” on page no. 207 of this Red Herring Prospectus, we believe that there are no other significant economic changes that materially affected or are likely to affect income from continuing operations.

3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Other than as described in this Red Herring Prospectus, particularly in “Risk Factors”, “Business Overview” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” on page nos. XIII, 74 and 206 of this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our income from continuing operations.

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

Other than as described in “Risk Factors”, “Business Overview” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” on page nos. XIII, 74 and 206 of this Red Herring Prospectus, there are no relationships between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

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

Changes in revenues during the last three fiscal years are explained in “Management’s Discussion and Analysis of Financial Condition & Results of Operations” under the subsections “Comparison of the financial performance of FY 2010 with FY 2009”, “Comparison of the financial performance of FY 2009 with FY 2008” and “Comparison of the financial performance of FY 2008 with FY 2007”.

6. Total turnover of each major industry segment in which the issuer company operates.

We are operating in the forging industry in the segment of forging and fittings. Other than forgings and fittings, there is no other major industry segment in which we operate.

7. Status of any publicly announced new products or business segment.

Except for the New Project and disclosed in “Business Overview” on page no. 87 of this Red Herring Prospectus, our Company has not publicly announced any new products.

8. The extent to which the business is seasonal

Our profitability depends on the demand generated for our products, which are used in expansion and erection of plants. Our client-base is well diversified and we are not dependent on any one or few of the clients for our revenues. With the proposed project, we seek to improve our client base and get it more diversified. We believe that our business is not subject to any form of seasonality.

9. Any significant dependence on a single or few suppliers or customers

Except as disclosed in “Risk Factors”, “Business Overview” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” on page nos. XIII, 74 and 206 of this Red Herring Prospectus, there is no significant dependence on a single or few suppliers or customers.

10. Competitive Conditions

Competitive conditions are described under “Risk Factors”, “Industry Overview”, “Business Overview” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”.

FINANCIAL INDEBTEDNESS

A. Secured borrowings as on December 31, 2010

Our Company's outstanding secured borrowing amounted to ₹ 1187.02 Lacs as of March 31, 2010.

Our Company has availed of working capital and term loan facilities from the State Bank of India Limited. Set forth is a brief summary of the credit facilities availed by our Company from State Bank of India Limited as of March 31, 2010 together with a brief description of certain significant terms of the financing arrangements:

Name of Lender	Loan Documentation	Facility	Amount outstanding as on December 31, 2010 (In ₹Lacs)	Interest Rate	Security	Repayment Schedule
State Bank of India	Sanction Letter dated February 16, 2010	Fund Based Working Capital Cash Credit facility: ₹ 800 Lacs EPC/ FBD: ₹ 400 Lacs (sub-limit of Cash credit facility) Stand by limit: ₹ 100 Lacs Non-Fund based Letter of Credit: ₹ 100 Lacs Bank Guarantee: ₹ 400 Lacs Stand by Limit: ₹ 25 Lacs Credit Exposure: ₹14 Lacs	₹ 1187.02	Cash Credit: SBAR Standby Line of Credit: 2% above SBAR	(i) Primary Cash Credit: Hypothecation of stocks, receivables and other current assets of the Company present and future; Standby Letter of Credit: Hypothecation of stocks, receivables and other current assets of the Company present and future; Letter of Credit: Documents to title to goods/merchandise covered under LC and charge on entire current assets of the Company; Bank Guarantee: Counter guarantee of the Company and charge on the fixed assets of the Company. (ii) Collateral Security Working Capital, Standby Letters of Credit, Credit Exposure Limit : Extension of equitable mortgage over factory land	Working Capital: Repayable on demand

					<p>and equitable mortgage of factory/ windmill site and charge over the Company's plant and machinery situated at 244/6 & 7, GIDC, Waghodia, Baroda;</p> <p>Working Capital, Standby Letters of Credit and Credit Exposure Limit:</p> <p>Pledge of the Promoter Directors Shares</p> <p>(1) Babulal S. Sanghvi – No. of Shares: 4,44,975;</p> <p>(2) Jayanti B. Sanghvi – No. of Shares: 4,50,666</p> <p>(3) Naresh B. Sanghvi No. of Shares: 4,43,499</p> <p>TOTAL 13,39,140</p> <p>(iii) Guarantee:</p> <p>Personal guarantee of Mr. Babulal S. Sanghvi, Mr. Jayanti B. Sanghvi and Mr. Naresh Sanghvi</p>	
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Sanction Letter dated December 23, 2004; Sanction Letter dated May 15, 2006 ¹ Ancillary agreement for medium term loan against pledge of movable machineries dated February 14, 2005	Term Loan – I: ₹ 13 Lacs; Term Loan – II: ₹ 24 Lacs; Term Loan – III: ₹ 153 Lacs Total term loan facility: ₹ 190 Lacs		0.25% above SBAR SBAR (Minimum of 13.75% on existing term loans)	Term Loan: (I) Equitable mortgage over: (a) Factory Land and building situated at 244/6 & 7, GIDC, Waghodia, Baroda; and (b) Leasehold rights over windmill site situated at Non-agricultural land admeasuring H. 0.80.94 equivalent to approximately A. 2. 00 land situated at village gandhvi forming part of RS No. 192/1p of Mouje, Gandhvi Taluka- Kalyanpur, Jamnagar from out of land admeasuring 8094 square meters or thereabouts. and; (II) Hypothecation of plant and machinery including the wind mill; (III) Pledge of the Promoters Shares; (1) Babulal S. Sanghvi – No. of Shares: 4,44,975 ; (2) Jayanti B. Sanghvi – No. of Shares: 4,50,666 (3) Naresh B. Sanghvi No. of Shares: 4,43,499 TOTAL 13,39, 140	Term Loan I – 20 equal quarterly instalments of ₹ 0.65 Lacs each starting from April 1, 2005 Term Loan II - 8 equal quarterly instalments of ₹ 2. 96 Lacs starting from April 1, 2005 Term Loan III - 20 quarterly instalments of ₹ 7.65 Lacs each commencing from July 30, 2006 upto April 30, 2011
Sanction Letter dated March 13, 2007; Agreement of loan cum hypothecation dated March 30, 2007	Term Loan – IV: ₹ 335 Lacs		SBTL – 1 SBAR (Minimum of 13.75% on existing term loans)		Term Loan – IV: 20 quarterly instalments of ₹ 16.75 Lacs commencing from April 30, 2008 upto April 30, 2012

¹ Term Loans – I, II and III was originally sanctioned vide Sanction Letter dated December 23, 2004 against a collateral security being mortgage over immovable property located at office premises situated at Shop No. A-8 and godown Nos. G-13, G-14 and G- 15 situated at Parvati Chambers, Pratapnagar Road, Baroda and fixed assets of the Company including land, building, plant, machinery situated at 244/ 6 & 7 GIDC Waghodia, Baroda; however vide Sanction dated May 15, 2006, the Term Loan was secured against a collateral security of only the mortgage of factory land and building and charge over the Company's plant and machinery situated at 244/6& 7 GIDC, Waghodia, Baroda.

Significant terms and restrictive covenants

Under the terms of the above mentioned working capital debt facilities our Company is subject to certain special conditions and restrictive covenants as listed below:

Our Company cannot, without the prior consent of the State Bank of India, undertake, inter- alia, any of the following:

- a. Effect any change in the Company's capital structure;
- b. Formulate any scheme of amalgamation or reconstruction;
- c. Undertake any new project, implement any scheme of expansion or acquire assets except those indicated in the funds flow statement submitted to and approved by the Bank from time to time;
- d. Invest by way of share capital in or lend or advance funds to, or place deposits with any other concern (including group companies);
- e. Enter into borrowing arrangement either secured or unsecured with any bank, financial institution, company otherwise or accept deposits apart from the arrangement indicated in the funds flow statements submitted to the Bank;
- f. Undertake any guarantee obligation on behalf of any other company (including group company);
- g. Declare dividends for any year out of the profits relating to that year or of the previous years. It is however necessary for the borrower to ensure first that provisions are made and that no repayment obligations remain unmet at the time of making the request for Bank's approval for the declaration of dividend;
- h. Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution bank, company, firm or persons;
- i. Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the State Bank of India;
- j. Enter into any contractual obligation of a long-term nature affecting the Company financially to a significant extent;
- k. Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.
- l. Undertake any trading activity other than the sale of products arising out of its own manufacturing operations;
- m. Permit any transfer of the controlling interest or make any drastic change in the management set-up;
- n. Repay monies brought in by the promoters/ directors/ principal shareholders and their friends and relatives by way of deposits/ loans/ advances. Further the rate of interest charges by the Bank should be lower than the rate of interest charged by the Bank on its terms loan and payment of such interest will be subject to regular repayment of installments under the terms loans granted/ deferred payment guarantees executed by the Bank or other repayment obligations, if any, due from the Company to the Bank;
- o. Repayment of any unsecured loans/ deposits raised by the Company for financing a project

Special Conditions

- a. Prepayment Penalty: In case the Company proposes to prepay, the Bank will be entitled to recover a prepayment penalty equal to 2% per annum for the residual period of the prepaid amount on all term loans as per the extant instructions of the Bank.
- b. Default rate of interest: 2%

The State Bank of India has consented to this issue vide its no objection letter dated September 28, 2010.

B. Unsecured Borrowings as on December 31, 2010

As on December 31, 2010, we have availed unsecured facilities of ₹ 348.80 Lacs.

SECTION VIII - LEGAL AND OTHER REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as stated in this Red Herring Prospectus, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company, our Directors or our Promoters or companies promoted by our Promoters and there are no defaults to banks/financial institutions, non-payment of or overdue statutory dues, or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters or Directors. Further, except as stated in this Red Herring Prospectus, there are no past cases in which penalties have been imposed on our Company or our Promoters, Directors or companies promoted by the Promoters by concerned authorities, and there is no outstanding litigation against any other company whose outcome could have a material adverse effect on the position of our Company.

Neither our Company nor its Promoters, members of the Promoter Group, Subsidiary, associates and Directors have been declared as willful defaulters by the RBI 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.

A) LITIGATION AGAINST OUR COMPANY

Civil cases

I. Cases filed against our Company

Nil

II. Cases filed by our Company

A Winding up Petition bearing No. Co. P. No. 117/2004 under Section 433(e) of the Companies Act, 1956 ("Act") has been filed by our Company before the High Court of Karnataka on August 2, 2004 against Shree Ganesh Gears Private Limited ("**Respondents**") alleging non-payment of a sum aggregating to ₹ 46.14 Lacs being the value of various forging materials supplied to the Respondents from time to time. Our Company has alleged that despite various bills being raised, the Respondent failed to discharge its liability of making full payment within 45 days of delivery as per the terms of the contract entered into between our Company and the Respondents. Our Company has prayed for an order winding-up of the Respondents. By an order dated December 6, 2007, the High Court of Karnataka dismissed the petition on the ground that the Respondents were declared as a sick company and the matter is pending before the Board for Industrial and Financial Reconstruction. The said matter is pending.

Claims and notices from statutory authorities

I. Income tax related proceedings

- ii) A show cause notice dated February 9, 2010 under sections 201 (1) and 206C (7) of the Income Tax Act, 1961 ("**IT Act**") was issued to our Company by the Income Tax Officer. It was inter-alia alleged in the notice that our Company has failed to pay TDS amounting to ₹ 0.19 Lacs. Our Company vide its letter dated April 30, 2010 has replied to the said notice along with necessary proofs for deduction and payment of TDS. The said matter is pending.
- iii) An intimation under section 115WE of the IT Act dated January 29, 2009 and a Demand Notice dated July 25, 2009 had been issued to our Company by the Assistant Commissioner of Income Tax, Baroda wherein a demand for payment of ₹ 0.18 Lacs was made alleging non-payment of fringe benefit tax. A further demand was made by the Income Tax officer for payment of the outstanding amount vide its letter dated January 9, 2010. By a letter dated April 21, 2010, our Company has replied to the aforesaid notices stating inter-alia that the demand has been raised on account of non-granting of credit of advance tax paid on March 3, 2007. Since there has been a mistake apparent from the record our Company has requested that it be rectified under section 154 of the IT Act. The said matter is pending.

- iv) A notice dated August 25, 2009 under Section 143 (2) of the IT Act was issued to our Company by the Assistant Commissioner of Income Tax, directing us to attend their Office to clarify certain points in connection with the return of income for the assessment year 2008-2009. Thereafter, a notice dated November 13, 2009 under section 142(1) of IT Act was issued to our Company directing us to submit certain details such as audited Profits & Loss Accounts, balance sheet, tax report, etc with respect to our return of income for the Assessment Year 2008-09. Further, by a notice dated September 14, 2010 a detailed questionnaire was issued to our Company wherein our Company was required to produce certain documents and clarifications. Pursuant to the said notices, our Company attended the office of the Assistant Commissioner of Income Tax and submitted the documents as requested by them. An Assessment Order dated December 21, 2010 was passed by the Additional Commissioner of Income Tax, Baraoda wherein it was, inter-alia, held that (a) income to the tune of ₹ 18.9 lacs be added back to the total income of our Company for the assessment year 2008-2009; (b) interest to be levied on the re-assessed income; (c) demand notice and notice under section 274 r/w 274(1)(c) of the IT Act be issued to the Company ("**the Impugned Order**"). Our Company vide its letter dated January 18, 2011 has appealed against the Impugned Order, inter-alia, on the grounds that the Learned Additional Commissioner of Income Tax has erred in law and on the facts of the case in disallowing certain expenses. The said matter is currently pending.
- v) A notice dated August 27, 2010 under Section 143(2) of the IT Act was issued to our Company by the Assistant Commissioner of Income Tax, Baroda directing us to attend its Office to clarify certain points in connection with the return of income for the assessment year 2009-2010. The authorised representatives of the Company have attended their office from time to time. There has been no further communication in the matter.

II. Central Sales tax and VAT related proceedings

- (i) A notice dated February 11, 2011 under Rule 9(4) of the Central Sales Tax (Gujarat) Rules, 1970 was issued to our Company by the Assistant Commissioner of Commercial Tax, Unit-7, Vadodara, inter-alia, alleging (i) that turn over in respect of sales has escaped assessment/ been underassessed or assessed at a lower rate and (ii) deduction of certain sales have been wrongly made from the turnover for the period April 1, 2008 to March 31, 2009. The said notice has further directed us to attend the Office of Assistant Commissioner of Commercial Tax, Unit-7, Vadodara togetherwith any evidence supporting the returns filed by us and to show cause as to why the Company should not be assessed/reassessed to tax and penalty under Section 9 of the Central Sales Tax Act, 1956 should not be imposed in respect of the said period. The said matter is currently pending.
- ii) A notice dated March 31, 2010 under Rule 9(4) of the Central Sales Tax (Gujarat) Rules, 1970 was issued to our Company by the Assistant Commissioner of Commercial Tax, Unit-7, Vadodara, inter-alia, alleging (i) that turn over in respect of sales has escaped assessment/ been underassessed or assessed at a lower rate and (ii) deduction of certain sales have been wrongly made from the turnover for the period April 1, 2007 to March 31, 2008. The said notice has further directed us to attend the Office of Assistant Commissioner of Commercial Tax, Unit-7, Vadodara togetherwith any evidence supporting the returns filed by us and to show cause as to why the Company should not be assessed/reassessed to tax and penalty under Section 9 of the Central Sales Tax Act, 1956 should not be imposed in respect of the said period. The said matter is currently pending.
- iii) A notice for audit assessment dated November 15, 2008 under section 34(2) of the Gujarat Value Added Tax Act, 2003 was issued to our Company by the Assistant Commissioner of Commercial Tax, Unit-7, Vadodara wherein it was stated that a detailed scrutiny of the books of accounts, documents and evidence of our Company was necessary and therefore, directed us to attend its office togetherwith the books of accounts and all evidence in support of the annual return filed by our Company for the period April 1, 2006 to March 31, 2007. The authorised representatives of the Company have attended the office of the Assistant Commissioner of Commercial Tax from time to time providing necessary documents and clarifications. The said matter is, however, presently pending.
- iv) A notice for audit assessment dated March 31, 2010 under section 34(2) of the Gujarat Value Added Tax Act, 2003 was issued to our Company by the Assistant Commissioner of Commercial Tax, Unit-7, Vadodara wherein it was stated that a detailed scrutiny of our books of accounts, documents and evidence of our Company was necessary and therefore, directed us to attend its office togetherwith the books of accounts and all evidence in support of the annual return filed by our Company for the period April 1, 2007 to March 31, 2008. The authorised representatives of the Company have attended the office of the Assistant Commissioner of Commercial Tax from time to time providing necessary documents and clarifications. The said matter is, however, presently pending.

v) A notice for audit assessment dated February 11, 2011 under section 34(2) of the Gujarat Value Added Tax Act, 2003 was issued to our Company by the Assistant Commissioner of Commercial Tax, Unit-7, Vadodara wherein it was stated that a detailed scrutiny of our books of accounts, documents and evidence of our Company was necessary and therefore, has directed us to attend its office togetherwith the books of accounts and all evidence in support of the annual return filed by our Company for the period April 1, 2008 to March 31, 2009.

III. Central Excise and Service Tax related proceedings

- (i) A show cause notice dated December 22, 2009 was issued to our Company by the Assistant Commissioner of Central Excise and Customs, Waghodia Division, Vadodara II, wherein it is alleged that our Company had wrongly availed CENVAT credit to the tune of ₹ 1.02 Lacs in respect of service tax charged by providers of services like cargo handling, steamer agent, courier agency etc. for the period April to November 2009 (“**Show Cause Notice**”). The Company was required to show cause as to why (i) Cenvat credit of ₹ 1.02 Lacs wrongly availed by them should not be disallowed and recovered under Rule 14 of Cenvat Credit Rules, 2004 (“**Rules**”) read with proviso to Section 11 A (1) of Central Excise Act, 1944 (“**the Excise Act**”) ; (ii) Penalty should not be imposed under Rule 15 (4) of the Rules with Section 11AC of the Excise Act ; and (iii) Interest should not be recovered under the Rules read with Section 11AB of the Excise Act for wrongful availment and utilization of Cenvat credit. Our Company has submitted its reply to the Show Cause Notice dated January 6, 2010 denying the allegations set out therein, clarifying its position and requesting for a speaking order to be passed. Our Company has also appeared for a personal hearing pursuant to the notice dated January 28, 2010. There has been no further communication in this matter.
- (ii) A show cause notice dated December 2, 2009 was issued to our Company by the Assistant Commissioner of Central Excise and Customs, Waghodia Division, Vadodara II, wherein it was alleged that our Company had wrongly availed of Cenvat credit to the tune of ₹ 2 Lacs in respect of service tax charged by providers of services like cargo handling, steamer agent, courier agency etc. for the period from July 2007 to March 2009 (“**Show Cause Notice**”). The Company was required to show cause as to why (i) Cenvat credit of ₹ 2 Lacs wrongly availed by us should not be disallowed and recovered under Rule 14 of Cenvat Credit Rules, 2004 (“**Rules**”) read with proviso to Section 11 A (1) of Central Excise Act, 1944 (“**the Excise Act**”); (ii) penalty should not be imposed under Rule 15 (4) of the Rules with Section 11AC of the Excise Act; and (iii) interest should not be recovered under the Rules read with Section 11AB of the Excise Act for wrongful availment and utilization of Cenvat Credit. Our Company has replied to the said Show Cause Notice on February 1, 2010, denying the allegations set out therein and requesting a speaking order to be passed. The matter is currently pending.
- (iii) A show cause notice dated December 2, 2009 was issued to our Company by the Assistant Commissioner of Central Excise and Customs, Waghodia Division, Vadodara II, wherein it was alleged that our Company had wrongly availed of Cenvat credit in respect of items falling under Chapters 48, 72 and 73 of CETA, 1985 which do not fall under the definition of capital goods as provided under Rule 2(a) (A) & (B) of Cenvat Credit Rules, 2004 (“**Rules**”) for the period from July 2007 to March 2009 (“**Show Cause Notice**”). The Company was required to show cause as to why (i) Cenvat credit of ₹ 3.77 Lacs, education cess of ₹ 0.08 Lacs and secondary and higher education cess of ₹ 0.04 Lacs aggregating to ₹ 3.89 Lacs, wrongly availed by them should not be disallowed and recovered under Rule 14 of the Rules read with proviso to Section 11 A (1) of Central Excise Act, 1944 (“**the Excise Act**”); (ii) penalty should not be imposed under Rule 15 (4) of the Rules read with Section 11AC of the Excise Act ; and (iii) interest should not be recovered under the Rules read with Section 11AB of the Excise Act for wrongful availment and utilization of cenvat credit. Our Company has submitted its reply to the Show Cause Notice dated February 18, 2010 denying the allegations set out therein, clarifying its position and requesting for a speaking order to be passed. An order in original dated March 23, 2010 was passed by the Assistant Commissioner of Central Excise and Customs division, Waghodia, Vadodra – II wherein (i) the demand of ₹ 3.89 Lacs was confirmed; (ii) interest was to be recovered at the appropriate rate under the Rules read with Section 11AB of the Act for wrongful availment and utilization of Cenvat Credit till the payment of duty; and (iii) penalty of ₹ 3.89 Lacs was imposed under Rule 15 (4) of the Rules read with Section 11AC of the Act (“**Impugned Order**”). Our Company has filed a stay petition and appeal against the Impugned Order before the Commissioner of Central Excise and Customs (Appeals), Vadodara inter-alia praying for (i) dismissal of the Impugned Order; (ii) a personal hearing before the matter is disposed off. The matter is currently pending.
- (iv) A show cause notice dated December 2, 2009 was issued to our Company by the Assistant Commissioner of Central Excise and Customs (“**Assistant Commissioner**”) wherein it was alleged that our Company had evaded payment of customs duty for the period July 2007 to March 2009 by wrongly availing credit in respect of items falling under Chapters 48, 72 and 73 of Central Excise Tariff Act, 1985 which do not fall under the definition of

capital goods as provided under Rule 2(a)(A) & (B) of Cenvat Credit Rules, 2004 (“**the Rules**”). Our Company was called upon to show cause as to why (i) the Cenvat credit amount of ₹ 3.45 Lacs alleged to have been wrongly availed by us should not be disallowed (ii) penalty should not be imposed and (iii) interest should not be recovered. Our Company replied to the said show cause notice on February 1, 2010, denying the allegations set out therein and requesting a speaking order to be passed. By a letter dated January 20, 2010 the Assistant Commissioner called upon our Company to attend his office. By an order dated March 29, 2010 passed by the Assistant Commissioner the Company was held liable for the payment of ₹ 3.45 Lacs along with an interest as per the Rules read with Section 11AB of the Central Excise Act, 1994 (“**Impugned Order**”). A stay petition and appeal has been filed by our Company against the Impugned Order before the Commissioner of Central Excise and Customs (Appeals), Vadodara inter-alia praying for setting aside of the impugned order. The matter is currently pending.

- (v) A notice dated November 10, 2009 was issued to our Company by the Superintendent of Central Excise & Customs, Vadodara alleging non-payment of service tax of ₹ 0.08 Lacs in accordance with provisions of section 66A of the Finance Act, 1994 (“**Finance Act**”) read with Rule 2(1)(d)(iv) of the Service Tax Rules, 1994 and Rule 3(ii) of the Taxation of services provided from outside of India and received in India Rules, 2006 as well as a sum of ₹ 600/- as interest leviable on aforementioned sum of ₹ 0.08 Lacs. Our Company has vide its letter dated November 19, 2009 inter-alia denied the allegations contained in the said notice. Pursuant to such response, a show cause notice dated December 24, 2009 was issued to our Company by Assistant Commissioner of Central Excise and Customs (“**Assistant Commissioner**”) under section 73 of the Finance Act requiring our Company to show cause as to why (i) service tax of ₹ 0.08 Lacs should not be recovered (ii) interest at the appropriate rate should not be demanded and (iii) penalty thereon should not be imposed. Our Company has submitted its response to the said show cause notice on March 1, 2010 opposing the allegations set out therein. The Assistant Commissioner, vide its order dated August 20, 2010 has demanded (i) service Tax amounting to ₹ 0.08 Lacs; (ii) interest on the aforesaid amount; (iii) penalty amounting to ₹ 0.05 Lacs and ₹ 0.08 Lacs under the provisions of section 77 and 78 of the Finance Act, 1994 respectively (“**the Impugned Order**”). Our Company has filed Stay Petition and an Appeal against the Impugned Order on November 24, 2010 before the Commissioner of Central Excise and Customs (Appeal), Vadodara, inter-alia, praying for (i) dispensation with the requirement of pre-deposit of the dues; (ii) unconditional stay for recovery of the said amount and (iii) setting aside of the Impugned Order. The matter is currently pending.
- (vi) A show cause notice dated March 25, 2011 was issued to our Company by the Assistant Commissioner, Central Excise and Customs, Waghodia Division, Vadodara II, wherein it was, inter-alia, alleged that our Company had wrongly availed of Cenvat credit of ₹ 0.43 Lacs in contravention of the provisions of Rule 2(1), Rule 3 & Rule 4 of the Cenvat Credit Rules, 2004, considering the same as input services for the period December 2009 to December 2010 and the same is liable to be recovered under Rule 14 of Cenvat Credit Rules, 2004 (“**Show Cause Notice**”). Our Company is required to show cause as to why (i) Cenvat credit of ₹ 0.42 Lacs, education cess of ₹ 0.008 Lacs and secondary and higher education cess of ₹ 0.004 Lacs aggregating to ₹ 0.43 Lacs, wrongly availed by them should not be disallowed and recovered under Rule 14 of the Rules read with proviso to Section 11 A (1) of Central Excise Act, 1944 (“**the Excise Act**”); (ii) penalty should not be imposed under Rule 15 (4) of the Rules read with Section 11AC of the Excise Act ; and (iii) interest should not be recovered under the Rules read with Section 11AB of the Excise Act for wrongful availment and utilization of cenvat credit. We are in the process of filing a reply to the said Show Cause Notice.

IV. Customs related proceedings

A notice dated September 15, 2009 was issued by the Assistant Commissioner of Customs, EPCG (Monitoring Cell), Mumbai (“**Custom Authority**”) to our Company, wherein it is alleged that our Company had defaulted in meeting its export obligations under the Export Promotion Capital Goods Scheme and were therefore liable to pay a sum of ₹ 1.09 Lacs towards customs duty along with interest thereon at the rate of 15% per annum from May 26, 2004 to April 5, 2008 amounting to approximately ₹ 0.63 Lacs. The Company has vide its letter dated February 10, 2010 submitted its reply to the Custom Authorities denying the allegations and submitting the relevant documentation as required. The Jt. Director General of foreign trade vide its letter dated September 16, 2010 issued Export Obligation discharge Certificate (EODC)/Redemption certificate to us which we have received on October 6, 2010 and same we have submitted to the commissioner of Custom, Ballard estate Mumbai. There has been no further communication in this regard.

V. Other Statutory Notice

Notices dated December 12, 2007 and October 28, 2009 were issued to our Company by the Assistant Accounts Officer for Regional Provident Fund Commissioner, Employees Provident Fund Organisation, Ministry of Labour, Government of India alleging short payment with respect to the provident fund of its employees

amounting to ₹ 0.25 Lacs and ₹ 0.52 Lacs for the years 2006-07 and 2008-09 respectively our Company has vide its letter dated May 26, 2010 submitted its reply to the notices along with copies evidencing payments to employee providednt fund account.

B) LITIGATION INVOLVING PROMOTERS/DIRECTORS

Criminal Cases

Cases filed against Promoters/Directors

Nil

Civil Cases

I. Cases filed against Promoters/Directors

Nil

II. Cases filed by Promoters/Directors

Nil

Claims and notices from statutory authorities

Nil

C) LITIGATION INVOLVING SUBSIDIARY

Nil

Civil cases

I. Cases filed against the Subsidiary

Nil

II. Cases filed by the Subsidiary

Nil

Claims and notices from statutory authorities

Nil

D) LITIGATION INVOLVING THE GROUP COMPANIES

Civil cases

I. Cases filed against the Group Company

Nil

II. Cases filed by the Group Company

Nil

Claims and notices from statutory authorities

Nil

Miscellaneous

Our Company allotted certain equity shares to foreign shareholder on December 29, 2010 and filed the Form FC GPR on February 9, 2011. RBI has vide its letter dated March 1, 2011 informed us that we have delayed in filing the necessary report within the prescribed time and in the event such delay occurs in the future it may initiate appropriate proceedings against us.

C) PENALTIES IMPOSED IN PAST CASES IN THE LAST FIVE YEARS

A show cause notice was issued to our Company, by the Office of the Assistant Commissioner, Central Excise and Customs, Vadodara- II (“**the Assistant Commissioner**”) for not regularly filing ARE-1 copy in time. The Assistant Commissioner called upon our Company to show cause as to why a penalty should not be imposed upon us for this irregularity, pursuant to Rule 27 of the Central Excise Rules, 2002. The Assistant Commissioner conducted a personal hearing on January 27, 2010 as per his letter dated January 20, 2010 and after considering the defence submissions imposed a total fine of ₹0.10 Lacs vide two orders both dated February 24, 2010. Our Company has duly paid both fines on March 2, 2010.

Except as provided aforesaid, there are no penalties which have been levied on our Company, Promoter, Directors or Promoter Group in last five years.

D) AMOUNTS OWED TO SMALL SCALE UNDERTAKINGS

The name of Small Scale Undertakings and other creditors to whom our Company owes a sum exceeding ₹ 1 Lac which is outstanding more than 30 days, as on December 31, 2010 is ₹ 2.02 Lacs

Material developments occurring after the last Balance Sheet Date

Except as disclosed in the section title “Management Discussion and Analysis of Financial Conditions and Results of Operations” at page no. 207, there are no material developments which would affect the business and operations of our Company.

Adverse Events

There has been no adverse event affecting the operations of our Company, occurring within one year prior to the date of filing of the Draft Red Herring Prospectus with SEBI.

GOVERNMENT AND OTHER STATUTORY APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the Government and various Government agencies required for our present business and carrying on our business activities. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

A. APPROVALS FOR THE ISSUE

The following approvals have been obtained or will be obtained in connection with the Issue:

1. Our Board of Directors has, pursuant to a resolution passed at its meeting held on June 1, 2010, authorized the Issue subject to the approval by the shareholders of our Company under Section 81 (1A) of the Companies Act, such other authorities as may be necessary.
2. The shareholders of our Company have approved this Issue under Section 81 (1A) of the Companies Act, 1956 vide a Special Resolution passed at our Company's Annual General Meeting held on August 25, 2010.
3. In-principle approval for listing from the National Stock Exchange of India Limited dated December 29, 2010.
4. In-principle approval for listing from the Bombay Stock Exchange Limited dated January 14, 2011.

B. APPROVALS/LICENSES/PERMISSIONS RECEIVED TO CONDUCT OUR BUSINESS

(i) Constitutional Registration

Sr. No.	Nature of Registration/License	Registration /License No.	Issuing Authority	Date of Issue
1.	Certificate of Incorporation	04-12015	Registrar of Companies, Gujarat	March 16, 1989
2.	Fresh Certificate of Incorporation pursuant to conversion to public limited Company	U28910GJ1989PLC012015	Registrar of Companies, Gujarat	July 29, 1992

(ii) Taxation Registration

Sr. No.	Nature of Registration/License	Registration Number	Issuing Authority	Issuing Date / Commencement Date	Date of Expiry
1.	Tax Deduction Account Number	BRDS02165C	Deputy Commissioner of Income-tax, Income Tax Department	January 24, 2003	N/A
2.	Permanent Account Number	AADCS2903E	Commissioner of Income Tax	March 16, 1989	NA
3.	Professional Tax Number	181320	Professional Tax Officer	June 25, 2010	NA
4.	Service Tax Number (Input Service Distributor and Business Auxillary Services)	AADCS2903EST002	Superintendent (Service Tax), Central Excise and Customs, Vadodara II	October 1, 2009	NA

5.	Service Tax Registration (Goods Transport Agency)	GTA/VAD-II (CITY)/61/SFEL/2005	Superintendednt Central Excise & Customs Range- V, City Division, Vadodara-II	January 3, 2005	NA
6.	Central Sales Tax Registration	24692200243	Department of Sales Tax	September 19, 1992	NA
7.	Gujarat Value Added Tax No.	24192200243	Sales Tax Officer (I) CL-I Unit-46, Vadodara, Department of Sales Tax	July 1, 2002	NA
8.	Central Excise Registration Certificate (Manufacturer)	AADCS2903EXM001	Superintendent Central Excise and Customs Range VI, Div. V, Vadodara	November 29, 2001	NA
9.	Central Excise Registration Certificate (Dealer)	AADCS2903EXD001	Assistant Commissioner, Central Excise and Customs City Division, Vadodara-II	May 28, 2009	NA

(iii) Licenses Related to Factories

Sr. No.	Nature of Registration/ License	Registration Number	Issuing Authority	Issuing Date / Commencement Date	Date of Expiry
1.	Factory License	012704	Chief Superintendent of the Factories, Government of Gujarat	October 29, 2010	December 31, 2011
2.	Explosive License	P/WC/GJ/15/27 (P162292)	Deputy Controller of Explosives, Baroda, Petroleum and Explosives Safety Organisation, Government of India	November 11, 2005	NA
3.	License for Boiler	3366	Deputy Director Boiler, Indian Boilers Act	April 6, 2011	October 5, 2011
4.	Approval from the Secretariat for Industrial Assistance	4383/SIA/IMO/2005	Ministry of Commerce and Industry	September 14, 2005	-

(iv) Labour Registration

Sr. No.	Nature of Registration/License	Registration /License No.	Issuing Authority	Date of commencement /Issue	Date of expiry
2.	Registration for contract labour under section 7(2) of the contract Labour (Regulation Aboilition Act)	1179/09	Registering Officer, Contract Labour (Regulation Abolition) Act.	December 11, 2009	N/A

(v) **Quality Certification**


Sr. No.	Nature of Registration/License	Registration /License No.	Issuing Authority	Date of commencement/Issue	Date of expiry
1.	Certificate of Registration under ISO 9001:2008	31853/A/0001/UK/En	UKAS Quality Management 043	September 18, 2008 (Original Certificate) Issue No. 2 April 6, 2009	September 17, 2011
2.	Certificate Quality Assurance System for material manufacturer	Certificate No. 01 202 IND/Q-080009	Certificate Body for Pressure Equipment, TUV CERT	May 23, 2008	May 2011

(vi) **Other Approvals**

Sr. No.	Nature of Registration/License	Registration /License No.	Issuing Authority	Date of commencement /Issue	Date of expiry
1	Certificate of Importer-Exporter Code (IEC)	3495005510	Foreign Trade Development Officer, Ministry of Commerce, Government of India	March 6, 1996	N/a
2.	Shops and Commercial Establishment Registration	Registration Certificate No. B-26/7887 Premises A/8- Paravati Chambers, Opposite Apsara Cinema, Pratapnagar Road, Baroda - 390004	Inspector under the Bombay Shops and Establishment Act, 1948	January 17, 2011	Valid for the year 2011-2013
3.	Industrial Approval Entrepreneur's Memorandum No.setting up Micro, Small or Medium Enterprise	24-019-12-00708	General Manager District Industries Centre, Vadodara	October 9, 2007	NA

PENDING GOVERNMENT APPROVALS

(i) **Intellectual Property**

Sr. No.	Mark	Date of Application	Issuing Authority	Description of Class
1.	Sanghvi Forging and Engineering Limited 	28.05.2010	Office of Registrar of Trade Mark, Ahmedabad	07

(iii) Other Approvals

Sr. No.	Authority	Date of Application	Reasons
1.	Water & Air Pollution (Consent to Operate) & Hazardous Waste (Management and Handling) Rules	March 17, 2011	For existing Factory

C. APPROVALS/LICENSES/PERMISSIONS RELATED TO THE PROPOSED PROJECT

Sr. No.	Nature of Registration/License	Registration /License No.	Issuing Authority	Date of commencement /Issue	Date of expiry
1.	Approval from the Secretariat for Industrial Assistance	2943/SIA/IMO /2010	Ministry of Commerce and Industry	September 3, 2010	-

D. PENDING APPROVAL FOR PROPOSED PROJECT

Sr. No.	Authority	Date of Application	Reasons
1.	Government Environment Clearance Committee, Department of Environment and Forest	May 8, 2010	Application for prior environmental clearance for setting up a Heavy Steel Forging Project

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The has been authorized by a resolution of the Board passed at their meeting held on June 1, 2010, subject to the approval of shareholders through a special resolution to be passed pursuant to section 81 (1A) of the Companies Act.

The shareholders of our Company have approved this Issue under section 81 (1A) of the Companies Act, 1956 *vide* a Special Resolution passed at our Company's Annual General Meeting held on August 25, 2010.

Prohibition by SEBI or RBI

Our Company, our Subsidiary, our Directors, our Promoters, the Group Companies, companies promoted by or Promoters and companies or entities with which our Company's Directors are associated as Directors / Promoters / partners have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. The listing of any securities of our Company has never been refused at anytime by any of the Stock Exchanges in India. Our Company, our Promoters, their relatives, Group Companies and Associate Companies has, not been detained as willful defaulters by RBI/government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(1) of the SEBI (ICDR) Regulations, 2009 as explained under, with the eligibility criteria calculated in accordance with Restated Financial Statements:

- a) Our Company has net tangible assets of at least ₹ 300 Lacs in each of the preceding 3 full years, of which not more than 50% are held as monetary assets.

Particulars	Year ended March 31,				
	2006	2007	2008	2009	2010
Fixed Assets (Net)	287.10	606.65	941.57	1059.74	1097.17
Less: Intangible Assets (Net)	5.00	5.00	34.59	37.79	32.79
Current Assets, Loans & Advances	628.52	954.59	1020.82	1342.55	1674.07
Investments	-	-	-	0.66	7.65
Less: Current Liabilities & provisions	706.57	1158.89	1314.10	1527.35	1578.74
Net Tangible Assets*	204.05	397.35	613.70	837.31	1167.36
Monetary Assets	18.27	17.96	23.83	34.01	25.11

* Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (including Cash Credit and excluding deferred tax liabilities and secured as well as unsecured long term liabilities). Monetary assets include cash on hand and bank balances.

- b) Our 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.

Particulars	March 31,				
	2006	2007	2008	2009	2010
Net Profit after tax, as restated	107.00	184.61	245.93	227.31	270.13

- c) Our Company has a Net Worth of at least ₹ 649.27 Lacs in each of the preceding 3 full years (of 12 months each).

Particulars	March 31,				
	2006	2007	2008	2009	2010
Equity Share Capital	80.30	98.30	393.19	393.19	478.19
Reserves & Surplus	129.73	305.04	256.08	483.39	725.64
Less: Revaluation Reserves	-	-	-	-	-
Less: Misc Exp.	-	-	-	-	-
Net Worth	210.03	403.34	649.27	876.58	1203.83

- d) Our Company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. public issue by way of offer document + firm allotment + Promoters' contribution through the offer document) does not exceed five (5) times our pre- issue net worth as per the audited balance sheet of the last financial year.
- e) Except as stated otherwise in this Red Herring Prospectus, there has not been any change in the name of our Company since inception.

Further, 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.

None of our Directors are associated with any entities, which are engaged in securities market related business and are registered with SEBI for the same.

Disclaimer Clauses

SEBI DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN 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 THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ARIHANT CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS 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 AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ARIHANT CAPITAL MARKETS LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 30, 2010 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN 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 THIS 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 SHALL SATISFY 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 THE 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 CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
 7. WE CERTIFY THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 ARE SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S 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 SECURITIES AND EXCHANGE BOARD OF INDIA. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S 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 SHALL BE 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 DRAFT RED HERRING PROSPECTUS. WE SHALL ENSURE 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 ALLOTTED SHARES IN THE DEMAT MODE ONLY.
 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 COMPANY 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 RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 AND 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 BRLM, ANY IRREGULARITIES OR LAPSES IN THE 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 RoC in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

Disclaimer from the Issuer and the Book Running Lead Manager

Investors may note that our Company and BRLM accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisement or any other material issued by or at the instance of the Issuer and that any one, placing reliance on any other source of information including our Company's website, www.sanghviforge.com, would be doing so at his own risk.

All information will be made available by the Book Running Lead Manager, Underwriters, Syndicate members and our Company to the public and investors at large and no selective or additional information would be available for any section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc. We shall not be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

The BRLM accepts no responsibility; save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and our Company and the Underwriting Agreement to be entered into between the Underwriters and our Company.

Neither our Company nor the Book Running Lead Manager or any other member of the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Caution

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and the Underwriters 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.

The BRLM and its associates and affiliates may engage in transactions with, and perform services for, our Company and Promoter Group Entities, affiliates or associates of our Company in the ordinary course of business and have engaged, and may in future engage, in the provision of financial services for which they have received, and may in future receive, compensation.

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 majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. The Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus comes is required to inform himself or herself about, and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Gujarat only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus was submitted to SEBI for its observations and SEBI has given its observation. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of 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 US Securities Act (“the Securities Act”) or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), The Equity Shares shall be sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Disclaimer Clause of the Bombay Stock Exchange Limited

Bombay Stock Exchange Limited (“the Exchange”) has *vide* its letter dated January 14, 2011, given permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the BSE; 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 to mean that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of National Stock Exchange of India Limited

As required, a copy of this offer document has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given *vide* its letter dated December 29, 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 the Draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with the Corporation Finance Department, Division of Issues & Listing of SEBI at Western Regional Office, Unit No:002, Ground floor, SAKAAR I, near Gandhigram Railway Station, Opposite Nehru Bridge Ashram Road, Ahmedabad – 380 009. A copy of the 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 Registrar of Companies, RoC Bhavan Opposite Rupal Park Society, Naranpura, Ahmedabad-380013

Listing

Applications have been made to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. Our existing Equity Shares are not listed on any Stock Exchanges in India.

BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB, Non Institutional and Retail portion.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier, then we and all our Directors jointly and severally shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE and NSE are taken within seven working days of finalization of Basis of Allotment for the Issue.

Consents

Necessary Consents for the issue have been/will be obtained from the following:

1. Directors of our Company
2. Bankers to our Company
3. Auditors to our Company
4. Book Running Lead Manager to the Issue
5. Legal Advisor to the Issue
6. Registrar to the Issue
7. IPO Grading Agency
8. Company Secretary cum Compliance Officer
9. Syndicate Member(s)
10. Underwriter(s)
11. Escrow Collection Banker(s) to the Issue

The said consents would be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Ahmedabad, as required under Sections 60 and 60B of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus, for registration with the Registrar of Companies, Ahmedabad.

In accordance with the Companies Act and the SEBI Regulations, M/s. Shah and Bhandari Chartered Accountants, our Company's Statutory Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except for the report of CARE in respect of IPO Grading of this Issue (a copy of which is annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange, the Audit Reports of the Auditors of our Company on the restated financial information, and the Tax Benefit Statement by the Auditors of our Company included in this Red Herring Prospectus, our Company has not obtained any expert opinions.

Public Issue Expenses

The expenses for this Issue include Issue management fees, IPO Grading Expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

Activity	Expense (In ₹ Lacs)	Expense (% of total expenses)	Expense (% of issue size)
Lead Management fee and underwriting and selling commissions	[●]	[●]	[●]
SCSB's commission	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationary	[●]	[●]	[●]
Registrar's fee, legal counsel, IPO grading	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total estimated expenses	300	100%	7.05%

Previous Public or Rights Issues in the last 5 years

Our Company has not made any public or rights issue of Equity Shares/Debentures in the last 5 years.

Previous Issue of Shares otherwise than for Cash

Our Company has not issued any Equity Shares for consideration other than cash except as mentioned in the *Chapter titled "Capital Structure" on page no. 22 of the Red Herring Prospectus.*

Commission or Brokerage on Previous Issues

There has been no public issue of the Equity Shares in the past. Thus, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of our Company since inception.

Details of capital issue made during last three years in regard to the issuer company and other listed companies under the same management within the meaning of section 370(1)(B) of the Companies Act, 1956.

There have been no capital issue during last 3 years by us. There are no other listed companies under the same management within the meaning of Sec 370(1)(B) of the Act at present or during the last three years.

Promise vis-à-vis Performance – Last 3 issues

Our Company has not made any Public Issue in the past.

Listed ventures of Promoters

There are no listed ventures of our Promoters.

Promise vis-à-vis Performance – Last One Issue of Group Companies

There are no listed ventures of our Promoters.

Outstanding Debentures or Bonds or Redeemable Preference shares

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of filing of the Red Herring Prospectus.

Stock Market Data

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for redressal of Investors' grievance

The agreement between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar with a copy to the relevant 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 of the SCSB where the ASBA Form was submitted by the ASBA Bidders.

Disposal of Investors' Grievances and Redressal Mechanism

Our Company estimates that the average time required by our Company or the Registrar to the Issue or the SCSB in case of Bidders applying through ASBA process for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Kiran Mohanty as the Company Secretary and Compliance Officer and he may be contacted in case of any pre issue/post issue related problems at the following address:

Mr. Kiran Mohanty
Compliance Officer
Sanghvi Forging and Engineering Limited
244/6-7, GIDC Industrial Estate,
Waghodia – 391 760,
Vadodara
Tel. No: +91 2668 263020/262105
Fax No: +91 2668 263411
Email: cs@sanghviforge.com

Our Company has not received any investor complaints during the three years preceding the filing of the Draft Red Herring Prospectus with SEBI. Further, no investor complaints are pending as on the date of filing the Draft Red Herring Prospectus with SEBI.

Changes in Auditors during the last three years and reasons thereof

There has not been any change in the statutory auditors of our Company during the last three years.

Capitalization of Reserves or Profits during last five years

Except as stated in the Chapter titled "Capital Structure" on page no. 21 of the Red Herring Prospectus, our Company has not capitalised its reserves or profits at any time since inception.

Revaluation of Assets during the last five years

There has not been any revaluation of Assets during the last five years.

SECTION IX – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (ICDR) Regulations, 2009, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, the ASBA form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari-passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment. *For further details, please refer to Chapter titled “Main Provisions of Articles of Association” on page no. 315 of the Red Herring Prospectus.*

Mode of Payment of Dividend

As and when the dividend is declared by our Company, we shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956, our Articles of Association, listing agreement when entered into by our company and other regulatory guidelines in respect of payment of dividend by listed companies issued by SEBI or other regulatory authorities from time to time. The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. We shall pay dividends in cash.

Face Value and Issue Price per Share

The face value of the Equity Shares is ₹ 10 each. The Floor Price of Equity Shares is ₹ [●] per Equity Share and the Cap Price is ₹ [●] per Equity Share. The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by way of Book Building. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws. The Issue Price is [●] times the face value of the Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed Public Limited Company under the Companies Act, the terms of the listing agreements with the Stock Exchange(s) and the Memorandum and Articles of Association our Company.

For a detailed description of the main provisions of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, *please refer to Chapter titled “Main Provisions of Articles of Association” on page no. 271 of the Red Herring Prospectus.*

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allocation and Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful Bidders subject to a minimum Allotment of [●] Equity Shares. *For details of Allocation and Allotment, please refer to the paragraph titled "Basis of Allotment" under Chapter titled "Issue Procedure" on page no. 265 of the Red Herring Prospectus.*

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale 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 our Registered Office 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:

- a) to register himself or herself as the holder of the Equity Shares; or
- b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to 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 moneys 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 our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

Bid/Issue Program

The period of operation of subscription list of public issue:

BID/ISSUE OPENS ON MAY 4, 2011	BID/ISSUE CLOSES (FOR QIB BIDDERS) ON MAY 6, 2011
	BID/ISSUE CLOSES (FOR NON-QIB BIDDERS) ON MAY 9, 2011

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the offer through the offer document including devolvement of Underwriters, if any, within sixty (60) days from the date of closure of the issue, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days, after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

If the number of allottees in the proposed Issue is less than 1,000 allottees, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after we become liable to pay the amount, we shall pay interest at the rate of 15% per annum for the delayed period.

Arrangements for Disposal of Odd Lots

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for (a) the lock-in of the pre-Issue capital of our Company and the Promoters' Contribution as provided in "Capital Structure" on page no. 26, and (b) otherwise provided in our Articles, as described in "Main Provisions of the Articles of Association" on page no. 271, there are no restrictions on transfer and transmission of shares/ debentures and on their consolidation/ splitting.

Compliance with SEBI (ICDR) Regulations, 2009

Our Company shall comply with all requirements of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, notified on August 26, 2009 as amended from time to time. Our Company shall comply with all disclosure norms as specified by SEBI from time to time.

Option to Receive Securities in Dematerialized Form

Equity Shares being offered through the Red Herring Prospectus can be applied for and will be allotted in dematerialized form only.

ISSUE STRUCTURE

The present Issue comprising of [●] Equity Shares of ₹ 10 each aggregating ₹ 3690.02 Lacs is being made through the 100% Book Building process. Details of the Issue structure are tabulated below:

<u>Particulars</u>	<u>QIBs</u>	<u>Non Institutional Bidders</u>	<u>Retail Individual Bidders</u>
Number of Equity Shares available for allocation*	Not more than [●] Equity Shares	Not less than [●] Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than [●] Equity Shares or Issue size less allocation to QIB Bidders and Non Institutional Bidders.
Percentage of Issue Size available for allocation	Not more than 50% of the Issue (of which 5% shall be reserved for Mutual Funds) * Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The Unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Issue or Issue less allocation to QIBs and retail individual bidders *	Not less than 35% of the Issue or Issue less allocation to QIBs and non institutional bidders *
Basis of Allocation if respective category is oversubscribed	In the QIB Portion, proportionate as follows : (a) upto [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 2,00,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 2,00,000.	[●] Equity Shares
Maximum Bid	Not exceeding the size of the Issue, subject to the investment limit applicable to the Bidder	Not exceeding the size of the Issue, subject to the investment limits applicable to the Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid amount does not exceed ₹ 2,00,000.
Mode of Allotment	Dematerialized mode	Dematerialized mode	Dematerialized mode
Bid Lot	[●] Equity Shares and in multiples	[●] Equity Shares and in multiples	[●] Equity Shares and in

	of [●] Equity Shares thereafter.	of [●] Equity Shares thereafter.	multiples of [●] Equity Shares thereafter.
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot/Market lot	One (1) Equity Share	One (1) Equity Share	One (1) Equity Share
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of ₹ 25000 Lacs and pension funds with minimum corpus of ₹ 25000 Lacs, National Investment Fund in accordance with applicable law and Insurance funds set up and managed by Army, Navy or Air Force of the Union of India; and Insurance funds set-up and managed by the Department of Posts, India.	Companies, Corporate Bodies, Scientific Institutions, Societies, Trusts, Resident Indian individuals, HUF (in the name of Karta), NRIs, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals. (applying for an amount exceeding ₹ 2,00,000)	Individuals (including ASBA Bidders, NRIs and HUFs in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed ₹ 2,00,000 in value.
Terms of payment	Amount shall be payable at the time of Bid Cum Application Form to the members of the syndicate ##	Amount shall be payable at the time of submission of Bid cum Application Form ##	Amount shall be payable at the time of submission of Bid cum Application Form.##
Margin Amount	Full amount on bidding	Full amount on bidding	Full amount on bidding

In case of Bidders submitting ASBA Bid cum Application Form, the SCSB shall be authorised to block such funds in the bank account of the Bidder that are specified in the ASBA Bid cum Application Form.

*Subject to valid Bids being received at or above the Issue Price, under subscription, if any, in any Category would be met with spill-over from other categories or a combination of categories at the discretion of the Company, in consultation with the BRLM and the Designated Stock Exchange and subject to applicable provisions of the SEBI (ICDR) Regulations. Investors may note that in case of over-subscription in the Issue, allotment to Bidders in all categories shall be on a proportionate basis.

** 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.

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.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation to Qualified Institutional Buyers on a proportionate basis (of which 5% shall be allocated for 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.

Under-subscription, if any, in any category, 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 BRLM and the Designated Stock Exchange.

All Bidders other than the ASBA Bidders are required to submit their Bids through the Syndicate or their affiliates. ASBA Bidders are required to submit their Bids to the SCSBs.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid-cum-Application Forms which do not have the details of the Bidders' depository account including the DP ID Numbers and the beneficiary account number 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.

Bid-cum-Application Form

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category		Colour of Bid-cum-Application Form
Indian Public including QIBs, Non-Institutional Bidders or NRIs applying on a non-repatriation basis	:	WHITE
Non-residents, NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	:	BLUE
ASBA Bidders	:	WHITE

Bidders (other than ASBA Bidders) are required to submit their Bids through the Syndicate. Such 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 Bidders, the Bid-cum-Application Form (except in relation to ASBA Bidders) shall be serially numbered and the date and time shall be 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.

ASBA Bidders shall submit an ASBA Form either in physical or electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding) to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Form only.

The Bid-cum-Application Form shall contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered multiple Bids.

On the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as a valid Application Form. Upon completion and submission of the Bid-cum-Application Form to a member of the Syndicate or the SCSB, the Bidder or the ASBA Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus as would be required under SEBI

ICDR Regulations and other applicable laws, for filing the Prospectus with the RoC and as would be required by SEBI and/or RoC after such filing, without prior or subsequent notice of such changes to the Bidder or the ASBA Bidder.

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are not minors 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, cooperative 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 Funds registered with SEBI;
- Multilateral and bilateral development financial institutions;
- 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 respective constitutions 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 a minimum corpus of ₹ 2500 Lacs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of ₹ 2500 Lacs and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund set up by resolution F. No. 2/3/2005 – DDII dated November 23, 2005, by the GoI, published in the gazette 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.

As per the existing regulations, OCBs cannot participate in this Issue.

Participation by associates and affiliates of the BRLM and the Syndicate Members

The BRLM and the Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLM 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 Bidders, where the allocation is on a proportionate basis.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion.

In the event that the demand is greater than [●] 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.

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.

As per the existing regulations, no mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single 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.

The Bids made by asset management companies or custodians of Mutual Funds shall clearly indicate the name of the concerned scheme for which application is being made.

Bids by Non Residents

There is no reservation for Eligible NRIs or FIIs or FVCIs registered with SEBI. Such Eligible NRIs, FIIs and FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

Bids by Eligible NRIs

1. Bid-cum-Application Forms have been made available for Eligible NRIs at the Registered Office and with the members of the Syndicate.
2. Eligible NRIs applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form meant for Resident Indians (Blue in colour).

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 our post-Issue paid-up share capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total paid-up share capital or 5% of our total paid-up share capital in case such sub-account is a foreign corporate or a foreign individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total paid-up share capital.

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, deal or hold, offshore derivative instruments (as defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised 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's norms. An FII is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it 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 BRLM and the Syndicate Members 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, our Company.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Funds

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulations, 2000 *inter alia* prescribe the following investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI:

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. 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.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of ₹ 2500 Lacs (subject to applicable law) and pension funds with a minimum corpus of ₹ 2500 Lacs 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 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 therefore.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- (a). With respect to Bids by FVCIs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form.
- (b). With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged with the Bid-cum-Application Form.
- (c). With respect to Bids made by provident funds with minimum corpus of ₹ 2500 Lacs (subject to applicable law) and pension funds with a minimum corpus of ₹ 2500 Lacs, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form.

Our Company in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that our Company and the BRLM may deem fit.

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.

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 Amount payable by the Bidder does not exceed ₹ 200,000. In

case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed ₹ 200,000. In case the Bid Amount is over ₹ 200,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off Price option, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price 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 in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 200,000 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 Bid Amount upon submission of the Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than ₹ 200,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to ₹ 200,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at “Cut-off Price”

Information for the Bidders:

- (a) Our Company and the BRLM shall declare the Bid/Issue Opening Date and 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 Gujarati newspaper with wide circulation. This advertisement shall be in the prescribed format.
- (b) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- (c) Copies of the Bid-cum-Application Form and copies of the Red Herring Prospectus will be available with the Syndicate. The SCSBs shall ensure that the abridged prospectus is made available on their websites.
- (d) Any Bidders (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the Registered Office.
- (e) Eligible Bidders who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Members or their authorised agent(s) to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- (f) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms (other than the ASBA Forms) should bear the stamp of the Syndicate, otherwise they 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 Form in electronic form.

Bidders may note that in case the DP ID and Client ID and PAN mentioned in the Bid-cum-Application Form and entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate do not match with the DP ID and Client ID and PAN available in the Settlement Depository database, the application is liable to be rejected.

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 ASBA Bidders, the ASBA Form or the ASBA Revision Form shall be submitted to the Designated Branches.

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.

Method and Process of Bidding

- (a) The Company and the BRLM 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 also publish the same in widely circulated national newspapers (one each in English and Hindi) and a widely circulated Gujarati newspaper.
- (b) The Company in consultation with the BRLM will decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in two national newspapers (one each in English and Hindi) and in one Gujarati newspaper with wide circulation at least two Working Days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period.
- (c) 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 Gujarati newspaper with wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.
- (d) During the Bid/Issue Period, Bidders, who are interested in subscribing for the Equity Shares should approach the Syndicate Members or their authorised agents to register their Bids. The Syndicate Members 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.
- (e) Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (f) 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 the SCSBs. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate or SCBS 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”.
- (g) The members of the Syndicate/the SCSBs 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.
- (h) Along with the Bid-cum-Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in “Payment Instructions” on page no. 258.
- (i) Upon receipt of the ASBA 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 Form, prior to uploading such Bids with the Stock Exchanges.
- (j) 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.
- (k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA 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.

- (l) 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 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 Price Band and the minimum Bid lot size shall be decided by The Company in consultation with the BRLM and advertised at least two working days prior to the Bid/Issue Opening Date, in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper, each with wide circulation at least two working days prior to the Bid/Issue Opening Date.
- (b) Our Company, in consultation with the BRLM and without the prior approval of, or intimation, to the Bidders, reserves the right to revise the Price Band during the Bid/ 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 days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper, each with wide circulation and also by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the Syndicate Member(s).
- (c) In case of revision in the Price Band, the Bid/Issue Period will be extended for at least 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 Stock Exchanges, by issuing a public notice in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper, each with wide circulation and also by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the Syndicate Member(s).
- (d) Our Company, in consultation with the BRLM will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (e) The 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.
- (f) 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, shall submit the Bid-cum-Application Form along with a cheque/demand draft for the Bid Amount based on the Cap Price with the Syndicate. In case of ASBA Bidders (excluding Non-Institutional Bidders and QIB Bidders) bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block an amount based on the Cap Price.
- (g) In the event of any revision in the Price Band, whether upward or downward, 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 ₹ 5,000 to ₹7,000.

Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please see “Issue Procedure - Payment Instructions” on page no. 258.

Electronic Registration of Bids

- (a) The Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges.

- (b) 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.
- (c) There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The BRLM, The Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the Syndicate and/or the SCSBs shall be responsible for any error 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.
- (d) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bid/ Issue Period. The Syndicate Members and the Designated Branches of the SCSBs 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 Syndicate and the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis.
- (e) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges would be made available at the Bidding centres during the Bid/Issue Period.
- (f) At the time of registering each Bid other than ASBA Bids, the Syndicate shall enter the following details of the Bidders in the on-line system:
- Name of the Bidder: 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.
 - Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.
 - Numbers of Equity Shares Bid for.
 - Bid Amount.
 - Cheque Details.
 - Bid-cum-Application Form number.
 - DP ID and client identification number of the beneficiary account of the Bidder.
PAN.

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;
- Bid Amount;
- DP ID and Client Number of the beneficiary account of the Bidder;
- Bank Account Number
- PAN (of First Bidder, in case of more than one Bidder);
- Investor Category and Sub-Category:

Retail	Non- Institutional	QIB
(No sub category)	<ul style="list-style-type: none"> • Individual • corporate 	<ul style="list-style-type: none"> • Mutual Funds • Financial Institutions

	<ul style="list-style-type: none"> • other 	<ul style="list-style-type: none"> • Insurance companies • Foreign Institutional • Investors other than corporate and individual • sub-accounts
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- (a) 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.
- (b) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (c) In case of QIB Bidders, Members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page no. 261 of this Draft Herring Prospectus. SCSBs shall no right to reject Bids except on technical grounds.
- (k) 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, or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of 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, our Promoters, our management or any scheme or project of the Company.

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 will be given upto one day after the Bid/Issue Closing Date to verify DP ID and Client ID uploaded in the online IPO system during the Bid/Issue Period after which the data will be sent to the Registrar to the Issue for reconciliation and Allotment of Equity Shares. In case of discrepancy of data between BSE, NSE and the members of the Syndicate or the Designated Branches of the SCSBs, the decision of our Company, in consultation with the BRLM and the Registrar to the Issue, shall be final and binding on all concerned. (l) 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 received from various Bidders through the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges main frame on a regular basis.
- (b) The Book gets built up at various price levels. This information will be available with the BRLM on a regular basis at the end of the Bid/Issue Period and can be obtained from them.
- (c) During the Bid/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 such Bidder 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 Syndicate and the Designated Branches of the SCSBs 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 the SCSB through

whom such Bidder 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) 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 ₹ ₹ 200,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds ₹ 200,000, 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 allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (g) 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.
- (h) Our Company, in consultation with the BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹ 5,000 to ₹ 7,000.
- (i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. 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 Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders. In such cases, the Syndicate will revise the earlier Bids details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.
- (d) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the Syndicate or the SCSB, as applicable. 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.

Price Discovery and Allocation

- a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- b) Our Company, in consultation with the BRLM shall finalize the 'Issue Price', the number of Equity Shares to be allotted in each category of Bidders.
- c) The allocation available to QIBs for not more than 50% of the Issue to the Public, of which 5% shall be reserved for Mutual Funds, would be on a proportionate basis, subject to valid bids being received at or above the Issue Price in the manner as described in the section titled 'Basis of Allotment'. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Issue to the Public, respectively, would be on proportionate basis, in the manner specified in the SEBI (ICDR) Regulations, 2009, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d) Under subscription, if any, in QIBs, Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of The Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
- e) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue/Allocation of Equity Shares to them.
- f) The BRLM, in consultation with us, 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.

- g) The Company in consultation with the BRLM, reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allocation, without assigning reasons whatsoever.

The allotment details shall be uploaded on the website of the Registrar to the Issue.

Signing of the Underwriting Agreement and the RoC Filing

- (a) Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, The Company will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed as the “Prospectus”. The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

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 English language national daily newspaper, one Hindi language national daily newspaper and one Gujarati language daily newspaper, each 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. 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 Allotment Note (“CAN”)

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Syndicate a list of the Bidders who have been Allotted Equity Shares in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the Basis of Allotment for the Retail and Non-Institutional Bidders. However, Bidders should note that The Company shall ensure that (i) the Allotment of the Equity Shares and (ii) the instructions by the Company for the demat credit of the Equity Shares, to all Bidders in this Issue shall be done on the same date.
- (b) The Registrar will then dispatch a CAN to the Bidders who have been Allotted Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder.
- (c) The Issuance of CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder's depository account will be completed within 12 Working Days of the Bid/Issue Closing Date.
- (b) In accordance with 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.

GENERAL INSTRUCTIONS

Do's:

- (a) Check if you are eligible to apply;
- (b) Ensure that you have Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Bid-cum-Application Form;
- (d) Ensure that the details about the Depository Participant and the beneficiary account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- (e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders, ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account;
- (f) With respect to ASBA Bids ensure that the ASBA 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 Form;
- (g) Ensure that you request for and receive a TRS for all your Bid options;
- (h) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Form to the respective Designated Branch of the SCSB;
- (i) Ensure that the full Bid Amount is paid for the Bids submitted to the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted through the SCSBs.
- (j) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- (e) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (l) Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court, all Bidders should mention their PAN allotted under the IT Act;
- (m) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- (n) Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise Bid Amount to 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 Syndicate or the SCSBs, as applicable;
- (d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;
- (e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate or the SCSBs only;
- (f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders, for Bid Amount in excess of ₹ 200,000);

- (g) Do not Bid for a Bid Amount exceeding ₹ 200,000 (for Bids by Retail Individual Bidders bidding under the Employee Portion);
- (h) Do not fill up the Bid-cum-Application Form such that the Equity Shares Bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- (j) Do not submit the Bids without the full Bid Amount.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

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. Bidders should note that the Syndicate and / or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid-cum-Application Forms or Revision Forms.
- (c) Information provided by the Bidders will be uploaded in the online IPO system by the Syndicate 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.
- (d) 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 ₹ 200,000.
- (e) 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 ₹ 200,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's PAN, Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the Bidders, DP ID and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar 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) or unblocking of ASBA Account. 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 to Bidders or unblocking of ASBA Account at the Bidders sole risk and neither the BRLM or the Registrar 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.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records.

Refund orders/ 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/ 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 (other than ASBA Bidders) 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 such Bidder's sole risk and neither our Company, the Escrow Collection Banks, Registrar, the BRLM 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, PAN of the sole/First Bidder, the DP ID and the beneficiary's identity, then such Bids are liable to be rejected.

Bids by Non-Residents including Eligible NRIs, FIIs and Foreign Venture Capital Funds on a repatriation basis

Bids and revision to Bids must be:

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 in the Red Herring Prospectus, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision are liable to be rejected.
2. Bids by Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to a maximum Bid Amount of ₹ 200,000.
3. Bids by QIBs bidding in the QIB Portion and Non- Institutional Bidders must be for a minimum of such number of Equity Shares that the Bid Amount exceeds ₹ [●] and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of this Issue, subject to applicable investment limits under laws or regulations to the Bidders. QIBS bidding in the QIB Portion cannot withdraw their Bids after the Bid Closing Date.
4. Made in a single name or joint names (not more than three and in the same order as their Depository Participant Details).
5. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to ₹ 200,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 200,000 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 and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

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 under Power of Attorney or by Limited Companies, Corporate Bodies or Registered Societies

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 & Article 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.

Certain additional documents are required to be lodged along with the Bid cum Application Form by the following entities:

- (a). With respect to Bids by FVCIs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- (b). With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the Bid cum Application Form.
- (c). With respect to Bids made by provident funds with minimum corpus of ₹ 25.00 crore (subject to applicable law) and pension funds with a minimum corpus of ₹ 25.00 crore, a certified copy

The Company in our absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney and additional documents, as specified above, along with the Bid cum Application Form, subject to such terms and conditions that the Bank and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

The Company and the Syndicate shall open Escrow Account(s) 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 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 Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the 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 Bankers 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 our Company, the Syndicate, the Escrow Collection Banks and the Registrar to facilitate collections from the Bidders.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Form or for unsuccessful ASBA 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

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism 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. The 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 the Syndicate. 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 A/c– SFEL QIB - R"
 - (b) In case of Non-Resident QIB Bidders: "Escrow A/c SFEL QIB - NR"
 - (c) In case of Resident Retail and Non-Institutional Bidders: "Escrow A/c SFEL - R"
 - (d) In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow A/c SFEL - 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 authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
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, 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 (other than ASBA Bidders) till the Designated Date.
9. Where a Bidder has been allocated lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on Bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Accounts.
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 Working Days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on bidding, if any, after adjusting for allocation/Allotment to such Bidders.
12. Payments should be made by cheque, or a demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/money orders/postal orders will not be accepted.

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 Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the ASBA 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 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.

In this regard, the procedures which would be followed by the Registrar to detect multiple Bids are given below:

1. All Bids will be checked for common PAN and will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid data and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The Bids with same name and same address will be treated as multiple Bids.
5. The Bids will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

Permanent Account Number or PAN

The Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the I.T. Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid-cum-Application Form without the PAN is 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.**

REJECTION OF BIDS

In case of QIB Bidders, The Company in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, The Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by RTGS/NEFT/NES/Direct Credit/cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. 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.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- 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 Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- 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 mentioned in the Bid-cum-Application Form;
- 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 the Floor Price;
- Bids at a price more than the Cap Price;
- Submission of more than five ASBA Forms per bank account;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders;
- Bids for number of Equity Shares which are not in multiples of [];
- Category not ticked;
- Multiple Bids as defined in the 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;
- Bid-cum-Application Forms does not have the stamp of the BRLM or Syndicate Members or the SCSB except for ASBA Bid Forms downloaded from the websites of the Stock Exchanges, in which case the ASBA Bid Forms shall bear unique Application Number;
- 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;
- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by QIBs not submitted through the BRLM or in case of ASBA Bids for QIBs not intimated to the BRLM;
- Bids by persons in the United States in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids by OCBs;
- Bids by NRIs not disclosing their residential status;
- ASBA Applications made by using duplicate copy of ASBA Form downloaded from the website of the Stock Exchanges (i.e two ASBA Forms bearing the same unique identification number)
- Bids not uploaded on the terminals of the Stock Exchanges; 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 OR THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES.

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, two agreements have been signed among our Company, the respective Depositories and the Registrar:

Agreement dated July 8, 2010, between NSDL, The Company and the Registrar;

Agreement dated June 26, 2010, between CDSL, The Company and the Registrar.

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-à-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 Bidders in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate or the Designated Branch of the SCSBs where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

Bidders 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 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 the names of the Bidders, Depository Participant's name, DP ID, beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch 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, nor the Book Running Lead Managers, the Registrar, Escrow Collection Bank(s),

Bankers to the Issue, the BRLM 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, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. **NECS** – Payment of refund would be done through NECS for applicants having an account at any of the 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. **Direct Credit** – Applicants having bank accounts with the Refund Bank (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 our Company.

3. **RTGS** – Applicants having a bank account at any of the abovementioned centres and whose refund amount exceeds ₹ 50 Lacs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. **NEFT** – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. 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.
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 ₹ 1,500 and through Speed Post/ Registered Post for refund orders of ₹ 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 Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 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 Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 12 Working Days of the Bid/Issue Closing Date.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 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/ Issue 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 12 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 12 Working Days of the Bid/Issue Closing Date; and

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 12 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 12 Working days from the Bid/Issue Closing Date.

The Company shall pay interest at 15% p.a. for any delay beyond the 12 Working days from the Bid/Issue Closing Date as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 12 Working days prescribed above.

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 share 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 shall be available for Allotment to Non- Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate Basis of Allotment refer below.

C. For QIBs

Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Issue size less Allotment to Non Institutional Bidders and Retail shall be available for Allotment to Non- QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price. The Allotment to all the QIB Bidders will be made at the Issue Price. The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

Allotment shall be undertaken in the following manner:

- (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
- In the event that Bids by Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
 - 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:
- In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis, upto a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter for up to 95% of the QIB Portion.
 - 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, upto a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, along with other QIB Bidders.
 - Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis. The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

The Book Running Lead Managers, the Registrar to the Issue and the Designated Stock Exchange shall ensure that the 'Basis of Allocation' is finalized in a fair and proper manner in accordance with the SEBI Regulations. The drawing of lots (where required) to finalize the 'Basis of Allocation' shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.

A. Illustration of Allotment to QIBs and Mutual Funds ("MF")

Sr. No	Particulars	Issue Details
1.	Issue Size	200 Crores equity shares
2.	Allocation to QIB (50%)	100 Crores Equity Shares
3.	Anchor Investor Portion	30 Crores Equity shares
4.	Portion available to QIBs other than Anchor	70 Crores Equity shares
	Of which	
	a. Allocation to Mutual Funds	3.5 Crores Equity Shares
	b. Balance for all QIBs including MFs	66.5 Crores Equity Shares
5.	No. of QIB applicants	10
6.	No of Shares applied for	500 Crores Equity shares

B. Details of QIB Bids

Sr.No	QIB Bidders	No. of shares bid (in crores)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

#A1-A5 : (QIB bidders other than MFs), (MF1-MF5) : (QIB Bidders other than Mutual Funds)

C. Details of Allotment to QIB Bidders

Type of QIB Bidders	Equity shares bid for	Allocation of 3.5 crores equity shares to MFs proportionately	Allocation of balance 66.5 crores equity shares to QIBs proportionately	Aggregate allocation to MFs
A1	50	0	6.65	0
A2	20	0	2.66	0
A3	130	0	17.29	0
A4	50	0	6.65	0
A5	50	0	6.65	0
MF1	40	0.7	5.32	6.02
MF2	40	0.7	5.32	6.02
MF3	80	1.4	10.64	12.04
MF4	20	0.35	2.66	3.01
MF5	20	0.35	2.66	3.01
	500	3.5	66.5	30.1

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” on page no. 242.
2. Out of 70 crores equity shares allocated to QIBs, 3.5 crores (i.e. 5 %) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 equity shares in QIB category.
3. The balance 66.5 crores equity shares (i.e. 70 – 3.5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 equity shares (including five MF applicants who applied for 200 equity shares).
4. The figures in the fourth column entitled “Allocation of balance 66.5 crores 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 66.5 / 496.5

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 66.5 / 496.5

The numerator and denominator for arriving at allocation of 66.5 crore Equity shares to the 10 QIBs are reduced by 3.5 crores Equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Allotment

In the event of the Issue being over-subscribed, the basis of allotment shall be finalised by The Company in consultation with the Designated Stock Exchange. The Executive Director/Managing Director/authorized employees of the Bombay Stock Exchange (Designated Stock Exchange) along with the post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportional basis as explained below:

- (a) Bidders will be categorized 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, in that category subject to a minimum allotment of [●] Equity Shares. The allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.

- (d) In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
- Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (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 the decimal is less than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- (f) Investors should note that the Equity Shares will be allocated to all successful Bidders in dematerialised form only. Bidders will not have the option of being allocated Equity Shares in physical form.

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 Equity 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.

Letters of Allotment or Refund Orders or instructions to the SCSBs, disposal of application and application moneys

The Company shall give credit to the beneficiary account with depository participants within 12 Working Days from the 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. The Company shall ensure dispatch of refund orders, if any, of value up to ₹ 1,500, by “Under Certificate of Posting”, and shall dispatch refund orders above ₹ 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 12 Working days of the Bid/Issue Closing Date. Bidders 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 12 Working days of the Bid/ Issue Closing Date. In case of ASBA Bidders, the Registrar shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 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.

The Company agrees that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidders' depository accounts will be completed within 12 Working Days of the Bid/ Issue Closing Date. The Company further agrees that it shall pay interest at the rate of 15% p.a. if the Allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS , the refund instructions have not been given in the disclosed manner within 12 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. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank 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 centres will be payable by the Bidders.

UNDERTAKING BY OUR COMPANY

We undertake as follows:

1. that the complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily;

2. that all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed are taken within 12 Working days of finalization of the basis of allotment;
3. 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 our Company.
4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. that certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time.
6. that no further issue of securities shall be made till the securities offered through the Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
7. that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges where the specified securities were proposed to be listed shall also be informed promptly.

If our Company withdraws the issue after closure of bidding, the issuer shall be required to file a fresh draft offer document with SEBI.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of our Company certifies that:

- i) All monies received out of this issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- ii) Details of all monies utilized out of the issue referred to in sub-item (a) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the Balance Sheet of our Company indicating the purpose for which such monies had been utilized; and
- iii) Details of all unutilized monies out of the issue of Equity Shares, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Balance Sheet of our Company indicating the form in which such unutilized monies have been invested;
- iv) 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; and
- v) Our Company shall not have recourse to the proceeds of the Issue until the approval for trading of the Equity Shares from the Stock Exchanges has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made.

Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. As per current foreign investment policies, foreign direct investment in the sector in which our Company operates (Forgings) is allowed upto 100% under the automatic route.

RBI, *vide* its circular A.P (DIR Series) Circular No. 53 dated December 17, 2003, permitted FIIs to subscribe to shares of an Indian Company in the public issue without prior approval of RBI, so long as the price of Equity Shares to be issued is not less than the price at which the Equity Shares are issued to residents.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian Companies are available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell Equity Shares of our Company through a registered broker on the Stock Exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of our Company. No single NRI may own more than 5% of the post- issue paid up capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non repatriable.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of Equity Shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of our Company. However, the limit of 24% can be raised up to the permitted sectoral cap for that Company after approval of the board of Directors and shareholders of our Company. The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of a 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 that Company.

Registration of Equity Shares under US Laws

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended 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 U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Bidders and neither our Company nor the BRLM are liable for any changes in the regulations after the date of the Red Herring Prospectus.

SECTION X- DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of our Articles relating to, *inter alia*, 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, shall not apply to our Company except in so far as the same are repeated, contained or expressly made applicable in these Articles or by the said Act.

SHARE CAPITAL AND VARIATION OF RIGHTS

5. (a) The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/ or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.
- (b) Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up in such equity shares respectively at the commencement of the winding up.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The Company may from time to time in general meeting increase its share capital by the issue of new shares of such amounts as it thinks expedient.

On what conditions the new shares may be issued

- (a) Subject to the provisions of Sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the general meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of the said sections with special or without any right of voting and subject to the provisions of Section 80 of the Act any preference shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.

Further issue of Shares

- (b) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of un-issued share capital or out of the increased share capital.
 - (I) such further shares shall be offered to the persons who at the date of 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.
 - (ii) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
 - (iii) 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 shall contain a statement of this right.

PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

- (iv) after the expiry of the specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.
- (c) Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever.
 - (i) If a special resolution to that effect is passed by the Company in General Meeting, or
 - (ii) Where no such special resolution is passed if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (d) Nothing in sub-clause (c) of (1) hereof shall be deemed:
 - (i) To extend the time within which the offer should be accepted; or
 - (ii) 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.
- (e) Nothing in this Article shall apply to the increase of the subscribed capital of, the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company :
 - (i) To convert such debentures or loans into shares in the Company; or
 - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

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;

- (i) 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
- (ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

Directors may allot shares as fully paid up

- (f) Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partially paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as the case may be.

Same as original capital

- (g) 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 original capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

Power to issue Redeemable Preference Shares

7. (a) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the Company may issue preference shares, which are or at the option of the Company are liable to be redeemed;

Provided that :

- (i) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purpose of redemption;
 - (ii) no such shares shall be redeemed unless they are fully paid;
 - (iii) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed.
 - (iv) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the capital redemption reserve account", a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the capital redemption reserve account were paid up share capital of the Company.
- (b) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be effected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.
- (c) The redemption of preference shares under these provisions by the company shall not be taken as reducing the amount of its Authorised Share Capital.
- (d) Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares up to the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued; and accordingly the Share Capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of shares in pursuance of this clause.

Provided that where new shares are issued before redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.

- (e) The Capital Redemption Reserve Account may, notwithstanding anything in this Article, be applied by the Company, in paying up un-issued shares of the Company to be issued to members of the Company as fully paid bonus shares.

Provision in case of Redemption of Preference Shares

8. The Company shall be at liberty at any time, either at one time or from time to time as the Company shall think fit, by giving not less than six months' previous notice in writing to the holders of the preference shares to redeem at par the whole or part of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated up to the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect:

- (a) The shares to be redeemed shall be determined by drawing of lots which the Company shall cause to be made at its registered office in the presence of one Director at least; and
- (b) Forthwith after every such drawing, the Company shall notify the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the registered office of the Company at the time and on the date to be named against surrender of the Certificates in respect of the shares to be so redeemed and at the time and date so notified each such shareholder shall be bound to surrender to the Company the Share Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount payable to such shareholders in respect of such redemption. The shares to be redeemed shall cease to carry dividend

from the date named for payment as aforesaid. Where any such certificate comprises any shares which have not been drawn for redemption, the Company shall issue to the holder thereof a fresh certificate therefore.

Power to Issue Sweat Equity Shares

- (c) The Board shall have a power to issue sweat equity shares in manner and subject to conditions contained in section 79 (A) of the Act.

Reduction of capital

9. The Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account or premium account in any manner for the time being authorised by law and in particular without prejudice to the generality of the foregoing power may be:

- (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up; (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
- (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company;
- and may, if and so far as is necessary, after its Memorandum by reducing the amount of its share capital and of its shares accordingly.

Division, Sub-Division, Consolidation, Conversion and Cancellation of shares

10. Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, it may:

- (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub-division one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares.
- (c) convert, all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination.
- (d) cancel, shares which at the date of such general meeting 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.

Notice to Registrar of Consolidation of Share Capital, Conversion of shares into stocks etc.

11. (a) If the Company has :
- (i) consolidated and divided its Share Capital into shares of larger amount than its existing shares;
- (ii) converted any shares into stock; (iii) reconverted any stock into shares; (iv) sub-divided its share or any of them;
- (v) redeemed any redeemable preference shares; or
- (vi) cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act.
- the Company shall within one month after doing so, give notice thereof to the Registrar specifying as the case may be, the shares consolidated, divided, converted, sub-divided, redeemed or cancelled or the stocks reconverted.

- (b) the Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.

Modifications of rights

12. If at any time the share capital by reason of the issue of Preference Share or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article is omitted. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Articles 102 is not present, those persons who are present shall be quorum.

SHARES AND CERTIFICATES

Issue of further shares not to affect right of existing shareholders

13. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise be deemed to be varied or modified or affected by the creation or issue of further shares ranking *pari passu* therewith.

Provisions of Sections 85 to 88 of the Act to apply

14. The provisions of Sections 85 to 88 of the Act in so far as the same may be applicable shall be observed by the Company.

Register of Members and Debenture holders

15. (a) The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company may also keep a foreign Register of Members and Debenture holders in accordance with Section 157 of the Act.
- (b) The Company shall also comply with provisions of Sections 159 and 161 of the Act as to filling of Annual Returns.
- (c) The Company shall duly comply with the provisions of Section 163 of the Act in regard to keeping of the Registers, Indexes, copies of Annual Returns and giving inspection thereof and furnishing copies thereof.

Commencement of business

16. The Company shall comply with the provisions of Section 149 of the Act.

Restriction on allotment

17. The Board shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

Sub-Division / Consolidation of Share Certificates

- 17A. Share certificates shall be issued without payment, in marketable lots, for the shares of each class or denomination registered in the members name, and where the share certificates are issued in lots other than market lots, members shall be entitled to subdivision or consolidation of share certificates into marketable lots free of charge or if the directors so approve (upon paying such fees as the directors may from time to time determine) to several certificates each for one or more shares.

Shares to be numbered progressively and no shares to be sub-divided

18. The shares in the Capital shall be numbered progressively according to the several denominations and except in the manner hereinbefore mentioned no share shall be subdivided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

Payment by Registered Holder or Legal Representative

18A. If by the terms of issue of any securities or otherwise the whole or any part of the amount or issue price thereof shall be payable by installments at fixed time, every such installment shall, when due, be paid to the Company by the person who for the time being and from time to time is the registered holder of the shares or by his legal representatives.

Share at the disposal of the Directors

19. 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 persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in general meeting to give to any person the option to call for any shares either at par or at a 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 for any property sold and transferred or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares.
- 19A. Subject to the Compliance of provisions of section 81(1A) or any other provisions of the Company read with the rules or regulations and guidelines framed there under, if any, the Company have an authority to create, other, issue or allot to or for the benefit of any person(s) or Company(ies) or body(ies) corporate including Promoters or Directors or relatives and friends of Directors or employees of the Company, shares of securities of any kind whether convertible or non-convertible into shares, or warrants giving an option to holder thereof to subscribe to shares or securities of any kind whether convertible or non-convertible into shares, on such terms and conditions including condition as to price as may be determine by the general meeting authorizing issue/offer and allotment of such shares or securities on preferential basis or private placement basis or in any manner and where no such terms and conditions determined by the general meeting, on such terms and conditions including the conditions as to price as may be determined by the Board of Directors.

Every share transferable etc

20. (i) The shares or other interest of any member in the Company shall be a movable property, transferable in the manner provided by the Articles.
- (ii) Each share in the Company shall be distinguished by its appropriate number.
- (iii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be prima facie, evidence of the title of the member of such shares.

Application of premium received on issue of shares

21. (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called "the share premium account" and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.
- (b) The Share premium account may, notwithstanding, anything in clause (a) above, be applied by the Company:
- (i) in paying up un-issued shares of the Company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off the preliminary expenses of the Company;
- (iii) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iv) in providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company.

Sale of fractional shares

22. If and whenever, as the result of issue of new or further shares or any consolidation or sub-division of shares, any share are held by members in fractions, the Directors shall, subject to the provisions of the Act and the Articles and to the directions of the Company in general meeting, if any, sell those shares, which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he

shall not be bound to see to 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.

Acceptance of Shares

23. (a) An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Director shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.

Power of Company to purchase its own Securities

- (b) Notwithstanding anything contained in the Act, but subject to the provision of Sub-section (2) and Section 77 B of the Act, the Company shall have power to purchase its own shares or other specified securities (Referred to as Buy-Back) from.

(A) Out of free Reserve or,

(B) Out of Share Premium Account or,

(C) Out of proceeds of an earlier Issue other than fresh Issue of share made specifically for the purpose of Buy-Back Shares.

Liability of Members

- 23A Every member, or his heirs, executors or administrators, shall pay to the company the proportion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts at such time or times and in such manner, as the Board of Directors shall from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

Deposits and calls etc, to be a debt payable immediately

24. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, immediately, on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares become a debt, due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Trusts not recognised

25. Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami, trust of equity or equitable, contingent, future, or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply.

Issue of Certificate of Shares to be governed by Section 84 of the Act etc.

26. (a) The issue of certificates of shares or of duplicate or renewal of certificates of Shares shall be governed by the provisions of Section 84 and other provisions of the Act, as may be applicable and by the Rules or notifications or orders, If any, which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules or regulations of any stock exchange where the shares of the Company may be listed for the time being.

Certificate of Shares

- (b) The certificate of title to shares shall be issued under the Seal of the Company and shall be signed by such Directors or Officers or other authorised persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed in such manner and by such persons as the Directors may determine from time to time.
- (c) The Company shall comply with all rules and regulations and other directions which may be made by any competent authority under Section 84 of the Act.

Limitation of time of issue of certificate

27. (a) Every member shall be entitled, without payment, to one Certificate for all the Shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time 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 the time provided by Section 113 of the Act unless the conditions of issue thereof otherwise provide. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and the amount paid up thereon and shall be in such form as the Director shall prescribe or 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 of several joint holders shall be sufficient delivery to all such holders.

- (b) Notwithstanding anything contained in Clause (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where Shares of the Company may be listed or such requirements of any rules made under the Act or such requirements of the Securities Contracts (Regulation) Act, 1956 as may be applicable.

Issue of new certificate in place of one defaced, lost or destroyed

28. 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 be 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 certificates under this Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Re.1/- for each certificate) as the Directors shall prescribe. Out-of-pocket expenses incurred by the Company in investigating the evidence as to the loss or destruction shall be paid to the Company if demanded by the Directors.

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 the Rules made under Securities Contract (Regulation) Act, 1956 or any other Act, or Rules applicable in this behalf.

Employees Stock Option

- 28A. Subject to the applicable rules, regulations, permissions, guidelines, the Board of Directors of the Company shall have power to formulate a scheme detailing the terms of Employees Stock Option Plan (ESOP), Employees Share Purchase Scheme (ESPS) and implementing the same.

INTEREST OUT OF CAPITAL

Interest out of Capital

29. Where any shares are issued for the purposes of raising money to defray the expenses of the construction of any works 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 provision of the plant.

UNDERWRITING COMMISSION AND BROKERAGE

Power to pay certain commission and prohibition of payment of all other commissions, discounts etc.

30. [A] The Company may pay a commission to any person in consideration of :
- (i) his subscribing or agreeing to subscribe whether absolutely or conditionally, for any shares in or debentures of the Company, subject to the restrictions specified in sub-section (4A) of Section 76 of the Act, or
 - (ii) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company, if the following conditions are fulfilled, namely :
 - (a) the commission paid or agreed to be paid does not exceed in the case of shares, five percent of the price at which the shares are issued and in the case of debentures, two and half percent of the price at which the debentures are issued;

- (b) the amount or rate percent of the commission paid or agreed to be paid on shares or debentures offered to the public for subscription, is disclosed in the Prospectus, and in the case of shares or debentures not offered to the public for subscription, is disclosed in the Statement in lieu of Prospectus and filed before the payment of the commission with the Registrar, and where a circular or notice, not being a Prospectus inviting subscription for the shares or debentures is issued is also disclosed in that circular or notice;
 - (c) the number of shares or debentures which such persons have agreed for a commission to subscribe, absolutely or conditionally is disclosed in the manner aforesaid and
 - (d) a copy of the contract for the payment of commission is delivered to the Registrar at the time of delivery of the prospectus or the statement in lieu of prospectus for registration.
- [B] Save as aforesaid and save as provided in Section 75 of the Act, the Company shall not allot any of its shares or debentures or apply any of its moneys, either directly or indirectly, in payment of any commission, discount or allowance, to any person in consideration of:
- (i) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in, or debentures of the Company or;
 - (ii) his procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any shares in, or debentures of the Company whether the shares, debentures or money be so allotted or applied by, being added to the purchase money of any property acquired by the Company or to the contract price of any work to be executed for the Company or the money be paid out of the nominal purchase money or contract price, or otherwise.
- [C] Nothing in this Article shall affect the power of the Company to pay such brokerage as it has hereto before been lawful for the Company to pay.
- [D] A vendor to, promoter of, or other person who receives payment in shares, debentures or money from the Company shall have and shall be deemed always to have had power to apply any part of the shares, debentures or money so received for payment of any commission, the payment of which, if made directly by the Company would have been legal under Section 76 of the Act.
- [E] The commission may be paid or satisfied (subject to the provisions of the Act and these Articles) in cash, or in shares, debentures or debenture-stocks of the Company.

CALLS

Director may make calls

31. The Directors may from time to time and subject to Section 91 of the Act and subject to the terms on which any shares/debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members/debenture holders in respect of all moneys unpaid on the shares/debentures held by them respectively and such member/debenture holders shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine.

Calls to date from resolution

32. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed and may be made payable by members/debenture holders on a subsequent date to be specified by the Directors.

Notice of call

33. Thirty days notice in writing shall be given by the Company of every calls made payable otherwise than on allotment specifying the time and place of payment provided that before the time of payment of such call, the Directors may by notice in writing to the members/debenture holders revoke the same.

Directors may extend time

34. The Directors may, from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members/debenture holders who from residence at a distance or other cause, the Directors may deem fairly entitled to such extension, but no member/ debenture holder shall be entitled to such extension, save as a matter of grace and favour.

Sums deemed to be calls

35. Any sum, which by the terms of issue of share/debenture becomes payable on allotment or at any fixed date whether on account of the nominal value of the share/debenture or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

Installments on shares to be duly paid

36. If by the condition of allotment of any shares the whole or part of the amount of issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who, for the time being and from time to time, shall be the registered holder of the share or his legal representative.

Calls on shares of the same class to be made on uniform basis

37. Where any calls for further Share Capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class.

Explanation : For the purpose of this provisions, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

Liability of joint holders of share

38. The joint holders of a share shall be severally as well as jointly liable for the payment of all installment and calls due in respect of such shares.

When interest on call or Installment payable

39. If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof or any such extension thereof, the holder for the time being or allottee of the share in respect of which a call shall have been made or the installment shall be due, shall pay interest as shall be fixed by the Board from the day appointed for the payment thereof or any such extension thereof to time of actual payment but the Directors may waive payment of such interest wholly or in part.

Partial payment not to preclude forfeiture

40. Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the forfeiture of such shares as herein provided.

Proof on trial of suits for money due on shares

41. On the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any money claimed to be due to the Company in respect of any shares it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered appears in the Register of Members as the holder or one of the holders, at or subsequent to the date at which the money sought to be recovered is alleged to have become due, of the shares in respect of which such money is sought to be recovered, and that the resolution making the call is duly recorded in the Minutes Book; and that the notice of such call was duly given to the member or his representatives, sued in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such calls nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment in anticipation of calls may carry interest

42. (a) The Directors may, if they think fit, subject to the provision 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, to the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls not confer a right to participate in profits or dividends. The Directors may at any time repay the amount so advanced.

- (b) The member shall not however 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.
- (c) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

Term of issue of Debenture

- 43. 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 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.

LIEN

Company's lien on Shares/Debentures

- 44. The Company shall have first and paramount lien upon all the shares/debentures (other than fully paid up shares/debentures) registered in the name of each member/debenture holder (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any shares/debentures shall be created except upon the footing and condition that Article 25 hereof 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 share/ 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 to be exempt from the provisions of this Clause.

As to enforcing lien by sale

45. For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorise one of their member or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member/debenture holder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of proceeds of sale

- 46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and/or debentures at the date of the sale.

Outsiders lien not to affect Company's lien

- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or by statute required) be bound to recognise equitable or other claim to, or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

FORFEITURE

If call or installment not paid notice must be given

- 47. (a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Form of Notice

- (b) The notice shall name a day not being less than one month from the date of the notice and a place or places, on and at which such call, or installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited.

In default of payment shares or debentures to be forfeited

48. If the requirements of any such notice as aforesaid are not complied with any share/debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the company, in respect of the payment of any such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as herein provided. Such forfeiture shall include all dividends declared or interest paid or any other moneys payable in respect of the forfeited shares or debentures and not actually paid before the forfeiture.

Entry of forfeiture in Register of member/debenture holders

49. When any shares/debenture shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder 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 or debenture holders but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Forfeited share/debenture to be property of Company and may be sold

50. Any share or debenture 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 Directors shall think fit.

Power to annul forfeiture

51. The Directors may, at any time, before any share or debenture so forfeited shall have been sold, re-allotted or otherwise disposed of, annul forfeiture thereof upon such conditions as they think fit.

Shareholders or Debenture holders still liable to pay money owing at time of forfeiture and interest

52. Any member or debenture holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, installments, interest expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.

Effect of forfeiture

53. The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Certificate of forfeiture

54. A Certificate in writing under the hand of one Director and counter signed by the Secretary or any other officer authorised by the Directors for the purpose, that the call in respect of a Share or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share or debenture was made by the resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Validity of sales under Articles 45 and 50

55. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove given, the Directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of members or Register of debenture holders in respect of the shares or debentures sold, and the purchaser

shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of members or debenture holders in respect of such shares or debentures the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damages only and against the Company exclusively.

Cancellation of share/debenture Certificate in respect of forfeited shares/debentures

56. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member or debenture holder) stand cancelled and become null and void and be of no effect, and the Directors shall be entitled to issue a duplicate certificate/s in respect of the said shares or debentures to the person/s entitled thereto.

Title of purchaser and allottee of forfeited shares/debentures

57. The Company may receive the consideration, if any, given for the share or debenture on any sale, re-allotment or other disposition thereof, and the person to whom such share or debenture is sold, re-allotted or disposed of may be registered as the holder of the share or debenture and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share or debenture.

Surrender of Shares or Debentures

58. The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or debenture holder desirous of surrendering them on such terms as they think fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of transfers

59. The company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Form of transfer

60. The instrument of transfer of any share shall be in the prescribed form as per and in accordance with the requirements of Section 108 of the Act.

Instrument of transfer to be executed by transferor and transferee

61. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.

Directors may refuse to register transfer

62. (a) Subject to the provisions of Section 111 of the Act, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused..
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission on legal documents by operation of law of the rights to, any shares or interest of a member in, any shares or debentures of the Company.

Transfer of shares

63. (a) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this Article, the Company shall unless

objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent 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 to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company alongwith the Certificate relating to the shares and if no such Certificate is in existence, alongwith the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.
- (d) Nothing in clause (c) above shall prejudice any power of the company to register as shareholder any person to whom the right to any share has been transmitted by operation of law.
- (e) The company shall accept all applications for transfer of shares/debentures, however, this condition shall not apply to requests received by the company for proposals of transfer of shares/debentures comprised in a share/debenture certificate to several parties involving, splitting of a share/debenture certificate into small denominations and that such split/transfer appears to be unreasonable or without any genuine need.
 - (i) transfer of Equity shares/debentures made in pursuance of any statutory provision or an order of a competent court of law;
 - (ii) the transfer of the entire Equity shares/debentures by an existing shareholder/debenture holder of the Company holding under one folio less than 10 (ten) Equity Shares or 10 (ten) debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.
 - (iii) the transfer of not less than 10 (ten) Equity shares or 10 (ten) debentures (all relating to the same series) in favour of the same transferee(s) under two or more transfer deeds, out of which one or more relate(s) to the transfer of less than 10 (ten) Equity Shares/ 10 (ten) debentures.
 - (iv) the transfer of less than 10 (ten) Equity shares or 10 (ten) debentures (all relating to the same series) to the existing share holder/debenture holder subject to verification by the Company.

Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case(s) and the decision of the Board shall be final in such case(s).

- (f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Custody of Instrument of transfer

64. [A] The instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All instruments of transfer which the Directors may decline to register, shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

Dematerialisation/Rematerialisation

- [B] Notwithstanding anything contained in these Articles the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depository Act, 1996.

Option for Investors

- [C] Every holder of or subscriber to securities of the Company shall have the option to receive secu-

rity certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the Securities can at any time option out of a Depository, if permitted, by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed, issued to the beneficial owner the required Certificates for the Securities.

If a person options to hold its Security with Depository, the Company shall intimate such depository the details of allotment of the Security.

Securities in Depository to be in fungible form

- [D] All securities of the Company held by the Depository shall be dematerialised and be in fungible form.

Nothing contained in Sections 153, 153A, 153B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities of the Company held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners

- [E] (i) Notwithstanding anything to the contrary contained in the Act a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Security of the Company on behalf of the beneficial owner.
- (ii) Save as otherwise provided in (i) above, the depository as the registered owner of the Securities shall not have any voting rights or any other rights in respect of the Securities held by it.
- (iii) Every person holding Securities of the Company and whose name is entered as the beneficial owner in the record of the depository shall be deemed to be a member of the Company. The beneficial owner of Securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his Securities which are held by a depository.

Service of Documents

- [F] Notwithstanding anything contained in the Act to the contrary, where Securities of the Company are held in depository, the records of the beneficial ownership may be served by such depository to the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- [G] Nothing contained in Section 108 of the Act, shall apply to a transfer of Securities effect by a transferor and transferee both of whom are entered as beneficial owners in the record of a depository.

Allotment of Securities dealt with in a depository

- [H] Notwithstanding anything contained in the Act, where Securities are dealt with by a depository the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Register and Index of Members.

- [I] The company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Act and the Depositories Act, 1996 with the details of Shares held in physical and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or Country.

Applicability of the depositories Act

- [J] In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form with a Depository, the provisions of the Depositories Act, 1996 shall apply.

Buy – Back of Shares

- [K] Subject to and in full compliance of the requirements of Section 77 A, 77AA and 77 B of the Companies Act, 1956 or corresponding provisions of any re-enactment thereof and any Rules and regulations that may be prescribed by the Central Government, the Securities and Exchange Board of India {SEBI} or any other appropriate authority in this regard, the Company, upon a resolution at the Board or a Special Resolution at a General Meeting authorize Buy Back of any part of the Share Capital of the Company fully paid on that date.

Transfer books and Register of members when closed

65. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate, to close the Transfer books, the Register of members or Register of debenture 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 in each year.

Transfer to Minors etc.

66. Only fully paid shares or debentures shall be transferred to a minor acting through his/her legal or natural guardian. Under no circumstances, shares or debentures be transferred to any insolvent or a person of unsound mind.

Title to shares of deceased holder

67. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such member, and the company shall not be bound to recognise such executors or administrators or the legal representatives unless they shall have first obtained Probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of Probate or Letter of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

Registration of persons entitled to share otherwise than by transfer

68. (a) Subject to the provisions of Articles 67 and 77 (d), any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Directors (which they 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 titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares.
- (b) A transfer of the shares or other interest 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.

Nominations

- (c) (i) Every Shareholder or Debenture-holder or deposit holder of the Company, may at any time, nominate a person to whom his Shares or Debentures or Deposit shall vest in the event of his death in such manner as may be prescribed under the Act, and shall have all powers vested under Section 1098 of the Depository Act, 1996.
- (ii) Where the Shares of Debentures or deposits of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the Shares or Debentures or Deposits as the case may be shall vest in the event of death of all the joint holders.
- (iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purpose to confer on any person the right to vest the Shares or Debentures or Deposits, the nominee shall, on the death of the Shareholder or Debenture holder or deposit holder, as the case may be on the death of the joint holders become entitled to all the rights in such Shares or Debentures or Deposits as the case may be, all the joint holders, in relation to such Shares or Debentures or Deposits, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may prescribed under the Act.
- (iv) Where the nominee is a minor, it shall be lawful for the holder of the Shares or Debentures or

Deposits, to make the nomination to appoint any person to become entitled to Share in, or Debentures or deposits of, the Company, in the manner prescribed under the Act, in the event of his death, during the minority.

Claimant to be entitled to same advantage

69. The person becoming entitled to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall be entitled to the same dividends and others advantages to which he would be entitled as if he were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if the notice is not complied within sixty days, the Board may thereafter withhold payment of all dividends, interests, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Persons entitled may receive dividend without being registered as member

70. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends, bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share/ debenture.
71. Article 70 shall not prejudice the provisions of Articles 44 and 55.

Refusal to register nominee

72. The Directors shall have the same right to refuse on legal ground to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Directors may require evidence of transmission

73. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

No Fee on transfer or transmission

74. No fees shall be charged for registration of transfer, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other documents.

The Company not liable for disregard of a notice prohibiting registration of transfer

75. 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 referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some 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 Directors shall so think fit.
76. The provisions of these Articles shall mutatis mutandis apply to the transfer or transmission by operation of law, of debentures of the Company.

JOINT HOLDERS

Joint-holders

77. Where two or more persons are registered as the holders of any shares/debentures, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles.

No transfer to more than four persons as joint-holders

- (a) The joint holders of any share/debenture shall be liable severally four persons as the holders of any share/debenture.

Transfer by joint holders

- (b) In the case of a transfer of shares/ debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders.

Liability of joint holders

- (c) The joint holders of any share/debenture shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share/ debenture.

Death of one or more joint holders

- (d) On the death of any one or more of such joint holders the survivor/ survivors shall be the only person or persons recognised by the company as having any title to the share/debenture, but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares/debentures held by him jointly with any other person.

Receipt of one sufficient

- (e) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share/debenture.

Delivery of certificate and giving of notices to first named holder

- (f) Only the person whose name stands first in the Register of Members/debenture holders as one of the joint holder of any shares/debentures shall be entitled to the delivery of the certificate relating to such share/debenture or to receive notice (which expression shall be deemed to include all documents as defined in Article (2) (a) hereof and any document served on or sent to such person shall be deemed service on all the joint holders.

Vote of joint holders

- (g) (i) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the meeting provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by Attorney or by proxy although the name of such joint holder present by an Attorney or proxy although the name of such joint holder present by an Attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares.
- (ii) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint holders.

Two or More Joint Allottees Shall be Treated as a Single Member

- (h) Any two or more joint allottees or holders of shares shall, for purpose of these Articles be treated as a single member and the certificate for any share, which may be subject of joint ownership, may be delivered to any of such joint owners on behalf of all of them.

BORROWING POWERS**Restriction on powers of the Board**

- 78. The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of articles of the Association of the Company:

- (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 after the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time.

- (d) borrow monies 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 percent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding whichever is greater.

Explanation : Every resolution passed by the Company in general meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount upto which money may be borrowed by the Board of Directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e).

Conditions on which money may be borrowed

- 79. The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable, debenture or debenture stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

Bonds, debentures etc. to be subject to control of Directors

- 80. Any bonds, debentures, debenture stocks 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 conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company. Provided that bonds, debentures, debenture stock or other securities so issued or to be issued by the Company with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting by a special resolution.

Securities may be assignable free from equities

- 81. Debentures, debenture stocks, bonds or other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.

Issue at discount etc. or with special privileges

- 82. Any bonds, debenture stocks, or other securities may be issued, subject to the provisions of the Act, at a discount premium or otherwise and with any special privileges as to redemption, surrender, drawings, appointment of Directors and otherwise and subject to the following :

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) Payment 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 mentioned in Section 125 of the Act shall be void against the liquidators or creditors unless registered as provided in Section 125 of the Act.
- (e) The term 'charge' shall include mortgage in these Articles.
- (f) A contract with the Company to take up and pay for any debentures of the Company may be enforced by a decree for specific performance.

Limitation of time for issue of certificate

- (g) The Company shall, within three months after the allotment of any of its debentures or debenture stock, and within one month after the application for the registration of the transfer of any such debentures or debenture stocks have complete and have ready for delivery the Certificate of all the debentures and the Certificates of all debenture stocks allotted or transferred unless the conditions of issue of the debentures or debenture stocks otherwise provide.

The expression 'transfer' for the purpose of this clause means a transfer duly stamped and otherwise valid and does not include any transfer which the company is for any reason entitled to refuse to register and does not register.

Right to obtain copies of and inspect Trust Deed

- (h) (i) A copy of any Trust Deed for securing any issue of debentures shall be forwarded to the holder of any such debentures or any member of the Company at his request and within seven days of the making thereof on payment.
- (1) In the case of a printed Trust Deed of the sum of Rupee One and
- (2) In the case of a Trust Deed which has not been printed of thirty seven paise for every one hundred words or fractional part thereof required to be copied.
- (ii) The Trust Deed referred to in item (i) above shall also be open to inspection by any member or debenture holder of the Company in the same manner, to the same extent, and on payment of the same fees, as if it were the Register of Members of the Company.

Mortgage of uncalled capital

83. If any uncalled capital of the Company is included in or charged by any mortgage or other security the Directors shall, 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 is executed.

Indemnity may be given

84. If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability.

Registration of charges

85. (a) The provisions of the Act relating to registration of charges shall be complied with.
- (b) In the case of a charge created out of India and comprising solely property situated outside India, the provisions of Section 125 of the Act shall also be complied with.
- (c) Where a charge is created in India but comprises property outside India, the instrument creating or purporting to create the charge under Section 125 of the Act or a copy thereof verified in the prescribed manner, may be filed for registration, notwithstanding that further proceedings may be necessary to make the charge valid or effectual according to the law of the country in which the property is situate, as provided by Section 125 of the Act.
- (d) Where any charge on any property of the Company required to be registered under Section 125 of the Act has been so registered any person acquiring such property or any part thereof or any share or interest therein shall be deemed to have notice of the charge as from the date of such registration.
- (e) In respect of registration of charges on properties acquired subject to charge, the provisions of Section 127 of the Act shall be complied with.
- (f) The Company shall comply with the provisions of Section 128 of the Act relating to particulars in case of series of debentures entitling holders *pari passu*.
- (g) The Company shall comply with the provisions of Section 129 of the Act in regard to registration of particulars of commission, allowance or discount paid or made, directly or indirectly, in connection with the debentures.
- (h) The provisions of Section 133 of the Act as to endorsement of Certificate of registration on debenture or Certificate of debenture stock shall be complied with by the Company.
- (i) The Company shall comply with the provisions of Section 134 of the Act as regards registration of particulars of every charge and of every series of debentures.
- (j) As to modification of charges the Company shall comply with the provisions of Section 135 of the Act.

- (k) The Company shall comply with the provisions of Section 136 of the Act regarding keeping a copy of instrument creating charge at the registered officer of the company and comply with the provisions of Section 137 of the Act in regard to entering in the register of charges any appointment of Receiver or Manager as therein provided.
- (l) The Company shall also comply with the provisions of Section 138 of the Act as to reporting satisfaction of any charge and procedure thereafter.
- (m) The Company shall keep at its registered office a Register of charges and enter therein all charges specifically affecting any property of the Company and all floating charges on the undertaking or on any property of the company giving in each case.
 - (i) a short description of the property charged. (ii) the amount of the charge; and
 - (iii) except in the case of securities to bearer, the names of persons entitled to the charge.
- (n) Any creditor or member of the Company and any other person shall have the right to inspect copies of instruments creating charges and the Company's Register of charges in accordance with and subject to the provisions of Section 144 of the Act.

Trust not recognised

- 86. No notice of any trust, express or implied or constructive, shall be entered on the Register of Debenture holders.

SHARE WARRANTS

Powers to issue share warrants

87. The Company may issue share warrants subject to and in accordance with the 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 person 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.

Deposit of share warrants

- 88. (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 calling a meeting of the Company, and of attending, and voting, and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.
- (b) Not more than one person shall be recognised as depositor of the Share Warrant.
- (c) The Company shall on two days' written notice return the deposited share warrant to the depositor.

Privileges and disabilities of the holders of share warrant

- 89. (a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any of the 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 shares included in the warrant and he shall be a member of the Company.

Issue of new share warrant or coupon

90. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Shares may be converted into stock

- 91. The Company in general meeting may convert any paid up shares into stock and when any shares

shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein or any part of such interests, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arise might have been transferred, if no such conversion had taken place, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid up shares of any denomination.

Rights of stock holders

92. 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 the share from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and the assets on winding up) shall be conferred by an amount of stock which would not if existing in shares, have conferred that privilege or advantage.

GENERAL MEETINGS

Annual General Meeting

93. Subject to the provisions contained in Sections 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the company and that of the next.

Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

Summary of Annual General Meeting

The Company may in any one general meeting fix the place for its any annual general meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company, there shall be laid on the table, the Director's report, the audited statements of accounts and auditor's report (if any, not already incorporated in the audited statements of accounts). The proxy registered with the Company and Register of Director's Share holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to prepare 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.

Time and place of Annual General Meeting

94. Every annual general meeting shall be called at any time during business hours, on a day that is not a public holiday, and shall be held either at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situate, and the notice calling the meeting shall specify it as the annual general meeting.

Sections 171 to 186 of the Act shall apply to meetings

95. Sections 171 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or debenture holders of the Company in like manner as they apply with respect to general meetings of the Company.

Powers of Director's to call Extraordinary General meeting

96. The Directors may call an extraordinary general meeting of the Company whenever they think fit.

Calling of Extra Ordinary General Meeting on requisition

97. (a) The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in clause (d) of this Article, forthwith proceed duly to call an Extraordinary general meeting of the Company.
- (b) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists, and shall be deposited at the registered office of the Company.
- (c) The requisition may consist of several documents in the like form, each signed by one or more requisitionists.
- (d) The number of members entitled to requisition a meeting in regard to any matter shall be such number of them 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 at that date carried the right of voting in regard to that matter.

- (e) Where two or more distinct matters are specified in the requisition the provisions of clause (d) above, shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
- (f) 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 then 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;
 - (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 such of the paid-up share capital of the Company as is referred to in clause (d) above, whichever is less.

Explanation : For the purpose of this clause, the Board shall in the case of a meeting at which 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 189 of the Act.

- (g) A meeting called under clause (f) above, by the requisitionists or any of them:
 - (i) shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board; but
 - (ii) shall not be held after the expiration of three months from the date of the deposit of the requisition.

Explanation : Nothing in clause (g) (ii) above, shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.

- (h) Where two or more persons hold any shares or interest in the Company jointly, a requisition, or a notice calling a meeting, signed by one or some of them shall, for the purposes of this Article, have the same force and effect as if it had been signed by all of them.
- (i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company; and any sum so repaid shall be retained by the Company out of any sums due 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.

Length of notice for calling meeting

- 98. (a) A general meeting of the Company may be called by giving not less than twenty one days' notice in writing.
- (b) A general meeting of the Company may be called after giving shorter notice than that specified in clause (a) above, if consent is accorded thereto;
 - (i) in the case of an 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 95 (ninety five) per cent of such part of the paid up 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 the meeting and not on the others, those members shall be taken into account for the purposes of this clause in respect of the former resolution or resolutions and not in respect of the latter.

Contents and manner of service of notice and persons on whom it is to be served

- 99. (a) Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.
- (b) Notice of every meeting of the Company shall be given.
 - (i) to every member of the Company, in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act;

- (ii) to the persons entitled to a share in consequence of the death or insolvency of a member, by sending it through the post in a prepaid letter addressed to them by name, or by the title or representatives of the deceased or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred;
- (iii) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of any member or members of the Company and
- (iv) to all the Directors of the Company.

Provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood of the registered office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

- (c) The accidental omission to give notice to, or the non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

Explanatory statement to be annexed to notice

100. (A) For the purpose of this Article :

- (i) in the case of an annual general meeting, all business to be transacted at the meeting shall be deemed special with exception of business relating to:
 - (a) the consideration of the accounts, balance sheet and the reports of the Board of Directors and auditors.
 - (b) the declaration of a dividend;
 - (c) the appointment of Directors in the place of those retiring, and
 - (d) the appointment of and the fixing of the remuneration of the auditors, and
- (ii) in the case of any other meetings, all business shall be deemed special.
- (B) Where any items of business to be transacted at the meeting 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 item of business including in particular the nature of the concern or interest, if any, therein of every Director, and the manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the Company relates to, or affects, any other company, the extent of shareholding interest in that other Company of any such person shall be set out in the circumstances specified in the proviso to sub-section (2) of Section 173 of the Act.

- (C) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the documents can be inspected shall be specified in the statements aforesaid.

Quorum for meeting

101. (a) Five members personally present shall be the quorum for a general meeting of the company.

If quorum not present meeting to be dissolved or adjourned

- (b) (i) 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 upon by requisition of members, shall stand dissolved.
- (ii) In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place, as the Board may determine.

Adjourned meeting to transact business

- (c) If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.

Presence of quorum

102. (a) No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

Business confined to election of chairman whilst chair is vacant

- (b) No business shall be discussed or transacted at any general meeting except the election of a Chairman whilst the Chair is vacant.

Chairman of general meeting

- (c) (i) The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be the Chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.
- (ii) If at any meeting a quorum of members shall be present, and the Chair shall not be taken by the Chairman or Vice Chairman of the Board or by a Director at the expiration of 15 (fifteen) minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their members to be the Chairman of the meeting.

Chairman with consent may adjourn the meeting

- (d) The Chairman with the consent of the meeting may adjourn any meeting from time to time and from place to place in the city, town or village where the registered office of the Company is situate.

Business at adjourned meeting

- (e) No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

Notice of adjourned meeting

- (f) When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.

In what cases poll taken with or without adjournment

- (g) Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith, save as aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Proxies

103. (a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in the case of joint holders all holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provided that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

- (b) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and that a proxy need not be a member.
- (c) The instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy shall be lodged with the Company not less than 48 (fourty eight) hours before the meeting in order that the appointment may be effective thereat.
- (d) The instrument appointing a proxy shall : (i)
- be in writing and
- (ii) be 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 an officer or an attorney duly authorised by it.

Form of Proxy

- (e) Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in usual common form.
- (f) An instrument appointing a proxy, if in any of the forms set out in Schedule IX to the Act shall not be questioned on the ground that it fails to comply with any special requirements specified for such instrument by these Articles.
- (g) Every member entitled to vote at a meeting of the Company, or on any resolution to be moved thereat, shall be entitled during the period beginning 24 (twenty four) hours before the time fixed for the commencement of the meeting and ending with conclusion of the meeting, to inspect the proxies lodged at any time during the business hours of the Company, provided not less than 3 (three) days' notice in writing of the intention so to inspect is given to the Company.

VOTES OF MEMBERS**Restriction on exercise of voting rights of members who have not paid calls**

- 104. (a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.
- (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187B of the Act.

Restriction on exercise of voting right in other cases to be void

- 105. A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 104.

Equal rights of share holders

- 106. Any shareholder whose name is entered in the Register of Members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

Voting to be by show of hands in first instance

107. At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.

- 108. (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by proxy on show of hands

- (b) No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorised under Sections 187 or 187A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

How members non-compos, minutes and minor may vote

- (c) A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on poll vote by proxy; if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

Votes in respect of shares of deceased or insolvent members etc.

- (d) Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least 48 (forty eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Custody of Instrument

- (e) If any such instrument of appointment be confined to the object of appointing proxy or substitute 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 embracing other objects a copy thereof examined with the original, shall be delivered to the Company to remain in the custody of the Company.

Validity of votes given by proxy notwithstanding death of members etc.

- (f) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the meeting.

Time for objections for vote

- (g) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by an agent or proxy or representative not disallowed at such meeting or poll shall be deemed valid for all purpose of such meeting or poll whatsoever.

Chairman of any meeting to be the judge of any vote

- (h) 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.

Chairman's declaration of result of voting by show of hands to be conclusive

109. A declaration by the Chairman in pursuance of Section 177 of the Act 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 books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Demand for poll

110. (a) Before or on the declaration of the result of the voting on any resolution of a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company 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.
- (b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand

Time of taking poll

111. (a) A poll demanded on a question of adjournment shall be taken forthwith.
- (b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in Section 175 of the Act) shall be taken at such time not being later than 48 (forty eight) hours from the time when the demand was made, as the Chairman may direct.

Right of a member to use his votes differently

112. On a poll taken at a meeting of the Company a member or other person entitled to vote for him as the case may be, need not, if he votes, use, all his votes or cast in the same way all the votes he uses.

Scrutinizers at poll

113. (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinise the votes given on the poll and to report thereon to him.
- (b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of scrutinizer arising from such removal or from any other cause.
- (c) Of the two scrutinizers appointed under this Article, one 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.

Manner of taking poll and result thereof

114. (a) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- (b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Casting Vote

115. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.

Representation of Body Corporate

116. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorise such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting of creditors of the Company.

Representation of the President of India or Governors

117. (a) The President of India or the Governor of a State if he is a member of the Company 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 members of the Company in accordance with provisions of Section 187A of the Act or any other statutory provision governing the same.
- (b) A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and 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.

Public Trustee

- (c) The Company shall observe the provisions of Section 187B of the Act, in regard to the Public Trustee.

Circulation of member's resolution

118. The Company shall comply with provisions of Section 188 of the Act, relating to circulation of member's resolutions.

Resolution requiring special notice

119. The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

Resolutions passed at adjourned meeting

120. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.

Registration of resolutions and agreements

121. The Company shall comply the provisions of Section 192 of the Act relating to registration of certain resolutions and agreements.

Minutes of proceedings of general meeting and of Board and other meetings

122. (a) The Company shall cause minutes of all proceedings of general meetings, and of all proceedings of every meeting of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed:
- (i) in the case of minutes of proceedings of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- (ii) in the case of minutes of proceedings of the general meeting by Chairman of the said meeting within the aforesaid period, of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

- (e) All appointment of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain:
 - (i) the names of the Directors present at the meetings, and
 - (ii) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from or not concurring in the resolution.
- (g) Nothing contained in Clauses (a) to (d) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting :
 - (i) is or could reasonably be regarded, as defamatory of any person
 - (ii) is irrelevant or immaterial to the proceedings; or
 - (iii) is detrimental to the interests of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or no-inclusion of any matter in the minutes on the grounds specified in this clause.

Minutes to be considered to be evidence

- (h) The minutes of meetings kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Presumptions to be drawn where minutes duly drawn and signed

- 123. Where minutes of the proceedings of any general meeting of the Company or of any meeting of its Board of Directors or of a Committee of the Board have been kept in accordance with the provisions of Section 193 of the Act then until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein.

Inspection of Minute Books of General Meetings

- 124. (a) The books containing the minutes of the proceedings of any general meeting of the Company shall;
 - (i) be kept at the registered office of the Company, and
 - (ii) be open, during the business hours to the inspection of any member without charge subject such reasonable restrictions as the Company may, in general meeting impose so however that not less than two hours in each day are allowed for inspection.
- (b) Any member shall be entitled to be furnished, within seven days after he has made a request in that behalf of the Company, with a copy of any minutes referred to in Clause (a) above, on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.

Publication of reports of proceeding of general meetings

- 125. No document purporting to be a report of the proceedings of any general meeting of the Company shall be circulated or advertised at the expenses of the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.

MANAGERIAL PERSONNEL

Managerial Personnel

- 126. The Company shall duly observe the provisions of Section 197A of the Act regarding prohibition of simultaneous appointment of different categories of managerial personnel therein referred to.

BOARD OF DIRECTORS

Board of Directors

- 127. The First Directors of the Company shall be :

1. **SHRI BABULAL SAGARMAL SANGHVI**
2. **SMT. BHAMRIBEN BABULAL SANGHVI**
3. **SHRI SHANTILAL SAGARMAL SANGHVI**
4. **SHRI GHEWARCHAND SAGARMAL SANGHVI**
5. **SHRI DARSHAN SINGH SHINGARA SINGH**
6. **SHRI BHANWAR SINGH HARISINGH SHEKHAWAT**

and the maximum number of Directors shall not exceed 12 (Twelve) and minimum number of Directors shall not be less than 3 (Three).

Appointment of Senior Executive as Wholetime Directors

128. (a) Subject to the provisions of the Act and within the overall limit prescribed under these Articles for the number of Directors on the Board, the Board may appoint any Senior Executive of the Company as a Wholetime Director of the Company for such period and upon such terms and conditions as the Board may decide. The Senior Executive so appointed shall be governed by the following provisions:
- (i) He shall be liable to retire by rotation as provided in the Act but shall be eligible for reappointment. His reappointment as a Director shall not constitute a break in his appointment as Wholetime Director.
 - (ii) He shall be reckoned as Director for the purpose of determining and fixing the number of Directors to retire by rotation.
 - (iii) He shall cease to be a Director of the Company on the happening of any event specified in Sections 283 and 314(2C) of the Act. He shall cease to be a Director of the Company, if for any reason whatsoever, he ceases to hold the position of Senior Executive in the Company or ceases to be in the employment of the Company.
 - (iv) Subject to what is stated hereinabove he shall carry out and perform all such duties and responsibilities as may, from time to time, be conferred upon or entrusted to him by the Managing Director/s and/or the Board, shall exercise such powers and authorities subject to such restrictions and conditions and/or stipulations as the Managing Director/s and/or the Board may, from time to time determine.
- (b) Nothing contained in this Article shall be deemed to restrict or prevent the right of the Board to revoke, withdraw, alter, vary or modify all or any of such powers, authorities, duties and responsibilities conferred upon or vested in or entrusted to such Wholetime Directors.

Debenture Director

129. Any Trust Deed for securing debentures or debenture stocks, may, if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture stocks, of some person or persons to be a Director or Directors of the Company and may empower such Trustees or holders of debentures or debenture stocks from time to time, to remove and reappoint any Director/s so appointed. The Director/s so 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(s) shall not be bound to hold any qualification shares and 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 arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Nominee Director

130. Whenever the Company enters into an agreement or contract with the Central or State Government, a local authority, bank of financial institution or any person or persons (hereinafter referred to as "the appointer") for borrowing any money or for providing any guarantee or security or for underwriting shares or debentures or other securities of the Company, the Board shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have if and to the extent provided by the terms of such agreement or contract, the right to appoint or nominee, by a notice in writing addressed to the Company, one or more Directors on the Board, for such period and upon such conditions as may be mentioned in the agreement or contract and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Board may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy in that office for any reason whatsoever. The directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the other Directors of the Company, including payment of remuneration and traveling expenses to such Directors, as may be agreed by the Company with the appointer.

Special Director

131. (a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advice, the Directors may authorise such Company, Corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint from time to time any person or persons as Director or Directors of the Company (hereinafter referred to as "Special Director") and may agree that such Special Direc-

tor shall not be liable to retire by rotation and need not possess any qualification share to qualify him for the 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 collaboration arrangements or at any time thereafter.

- (b) The collaborator 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 a 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.
 - (c) It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as Director(s) and so that if more than one Collaborator is so entitled there may at any time be as many Special Directors as the Collaborators eligible to make the appointment.
132. Subject to the provisions of Section 255 of the Act, the number of Directors appointed under Articles 130 and 131 shall not exceed in the aggregate one-third of the total number of Directors for the time being in office.

Appointment of Alternate Director

133. (a) The Board of Directors of the Company may appoint an Alternate Director to act for a Director (hereinafter in this Article called "the Original Director") during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.
- (b) An Alternate Director appointed under this Article shall not hold office as such for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State in which meeting of the Board are ordinarily held.
 - (c) If the term of office of the Original Director is determined before he returns to the State aforesaid any provision for the automatic reappointment of retiring Directors in default of another appointment shall apply to the original and not to the Alternate Director.

Appointment of Additional Directors

134. Subject to the provisions of Section 260 of the Act, the Board of Directors shall have power at any time to appoint any person as an additional Director to the Board, but so that the total number of Directors shall not exceed the maximum number fixed by these Articles. Any Director so appointed shall hold the office only upto the next annual general meeting of the Company and shall then be eligible for re-appointment.

Appointment of Director to fill the casual vacancy

135. (a) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in general meeting is vacated before his term of office expires 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 upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid but he shall then be eligible for re-election.

Individual Resolution for Directors' appointment

- (b) At a general meeting of the Company a motion shall not be made for the appointment of two or more persons as Director of the Company by a single resolution unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. Resolution moved in contravention of this Article shall be void whether or not objection was taken at the time of its being so moved. Provided that where a resolution so moved is passed no provision for the automatic reappointment of retiring Director by virtue of these Articles and the Act in default of another appointment shall apply.

Appointment of chairman

136. The directors may from time to time elect among themselves a chairman of the Board and determine the period for which he is to hold office if at any meeting of the Board, the chairman is not present within fifteen minutes after the time appointed for holding the same, the directors present may choose one of their members to be chairman of the meeting.

Qualification of Director

137. A Director need not hold any shares in the Company to qualify him for the office of a Director of the Company.

Remuneration of Directors

138. (a) Subject to the provisions of the Act, a Managing Director or a Director who is in the whole time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (b) Subject to the provisions of the Act, a Director, who is neither in the whole time employment nor a Managing Director may be paid remuneration either :
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or
- (ii) by way of commission if the Company by a special resolution has authorised such payment. (c) the fee payable to Directors (other than Managing or Wholetime Director, if any) for attending each meeting of the Board or Committee thereof shall be such sum as may be prescribed by the Act or the Central Government from time to time.

Traveling and other expenses

139. The Board may allow and pay to any Director for the purpose of attending a meeting such sum either as fixed allowance and/or actual as the Board may consider fair compensation for traveling, board and lodging and incidental and/or such actual out of pocket expenses incurred by such Director in addition to his fees, for attending such meeting to and from the place at which the meetings of the Board or Committees thereof or general meetings of the Company are held from time to time or any other place at which the Director executes his duties.

Remuneration for extra services

140. If any Director, being willing shall be called upon to perform extra services or to take any special exertions for any of the purposes of the Company and in that event the Company may, subject to provision of the Act, remunerate such Director either by a fixed sum or by a percentage of profit or otherwise, as may be determined by the Directors but not exceeding that permitted under Section 309 of the Act and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.

Increase in remuneration of Directors

141. (a) Any provisions relating to the remuneration of any Director including a Managing or Joint Managing or Wholetime Director or any amendment thereof, which purports to increase or has the effect of increasing, whether directly or indirectly, the amount thereof, whether that provision is contained in the Company's Memorandum or its Articles, or in an agreement entered into by it or any resolution, passed by the Company in general meeting or by the Board of Directors, shall require 310, 311 Schedule XIII and other applicable provisions of the Companies Act, 1956, and their amendment from time to time.

Increase in remuneration of Managing Director on re-appointment or appointment

- (b) If the terms of any re-appointment of a Managing or Joint Managing or Wholetime Director, purport to increase or have the effect of increasing, whether directly or indirectly, the remuneration which the Managing or Joint Managing or Wholetime Director, as the case may be was receiving immediately before such reappointment or appointment shall require the approval of the Central Government unless they are in accordance with Sections 198, 269, 309, 311 Schedule XIII and other applicable provisions of the Companies Act, 1956, and their amendment from time to time.

Directors not to act when number falls below minimum

142. When the number of Directors in Office falls below the minimum above fixed, the Directors, shall not act except in emergencies or for the purpose of filling up vacancies or for summoning a general meeting of the Company and so long as the number is below the minimum they may so act notwithstanding the absence of the necessary quorum.

Eligibility

143. A person shall not be capable of being appointed a Director if he has the disqualifications referred to in Section 274 of the Act.

Directors vacating office

144. (a) The Office of a Director shall become vacant if;
- (i) he is found to be of unsound mind by a Court of competent jurisdiction; (ii) he applied to be adjudicated an insolvent;
 - (iii) he is adjudged an insolvent;
 - (iv) he is convicted by a Court, of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
 - (v) 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 Notification in the Official Gazette removes the disqualification incurred by such failure;
 - (vi) he absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
 - (vii) 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;
 - (viii) he acts in contravention of Section 299 of the Act;
 - (ix) he becomes disqualified by an order of Court under Section 203 of the Act; (x) he is removed in pursuance of Section 284 of the Act;
 - (xi) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company;
 - (xii) he resigns his office by notice in writing given to the Company.
- (b) Notwithstanding anything in sub-clauses (iii), (iv) and (v) of clause (a) above, the disqualifications referred to in these sub-clauses shall not take effect;
- (i) for thirty days from the date of the adjudication, sentence or order;
 - (ii) where any appeal or petition is preferred within the 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 off, or
 - (iii) 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 off.

Removal of Directors

145. (a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles) remove any Director other than ex-officio Directors or special Directors or debenture Directors or a nominee Director or 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 Section 190 of the Act shall be required of any resolution to remove a Director under this 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 the 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 a 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 members of the Company states the fact of the representations having been made, and
 - (ii) send a copy of the representation to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of 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 representations be read out at the meeting provided that copies of the representations need not be sent or read out at the meeting if so directed by the Court.
- (e) A vacancy created by the removal of a Director under this Article may, if he had been appointed in pursuance of Section 262 of the Act be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under clause (b) 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 clause (e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they may be applicable, of Section 262 of the Act, and all the provisions of that Section shall apply accordingly;

Provided that the Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

- (g) Nothing contained in this Article shall be taken;
- (i) as depriving a person removed thereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as Director; or
 - (ii) as derogating from any power to remove a Director which may exist apart from this Article.

Directors may contract with Company

146. (a) Subject to the restrictions imposed by these Articles and by Sections 292, 293, 294, 295, 297, 300, 311, 370 and 373 and any other provisions of the Act, no Director, Managing Director, or other Officer or employee of the Company shall be disqualified from holding his office by contracting with the Company either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director, Managing Director, Joint Managing Director, Executive Director, other officer or employee shall be in any way interested, be avoided, nor shall the Director, Managing Director or any officer or employee so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director, Managing Director, Officer or employee holding that office or of the fiduciary relation thereby established, but the nature of his or their interest must be disclosed by him or them in accordance with the provisions of Section 299 of the Act where that section be applicable.
- (b) In accordance with Section 300 of the Act, no Director shall, as a Director, vote or take part in any discussion in respect of any contract or arrangement in which he is interested and if he does so vote, his vote shall be void nor shall his presence count for the purpose of forming the quorum at the time of any such discussion or vote.

Provided that above prohibition or restriction shall not apply to the extent or under the circumstances mentioned in sub-section (2) of Section 300 of the Act.

- (c) A General notice such as is referred to in sub-section (3) of Section 299 of the Act shall be sufficient disclosure under this Article as provided in that Section.

Directors may be Directors of companies promoted by the company

147. A Director, Managing Director, Officer or employee of the Company may be, or become a Director, of any Company promoted by the Company or in which it may be interested as a vendor, member or otherwise, and no such Director shall be accountable for any benefits received as Director or member of such company except to the extent and under the circumstances as may be provided in the Act.

Duty of Directors etc. to make disclosure

148. (a) Every Director (including a person deemed to be a Director by virtue of the explanation to sub-

section (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company, who is appointed to or relinquishes the office of Director, Managing Director, Manager or Secretary of any other body corporate shall, within twenty days of his appointment or relinquishment of such office, as the case may be, disclose to the Company aforesaid the particulars relating to the office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.

- (b) Every Director of the Company and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act and every other person referred to in sub-section (11) of Section 307 of the Act, shall give notice to the Company of such matters as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section and Section 308 of the Act.

Directors etc. not to hold office or place of profit

149. The provisions of Section 314 of the Act shall be complied with when applicable in regard to holding of office or place of profit under the Company or under any subsidiary of the Company by any person mentioned in the said section. The words office or place of profit shall have the meaning assigned to them by Section 314 of the Act.

Loans to Directors

150. The Company shall observe the restrictions imposed on the Company in regard to granting of loans to Directors and other persons as provided in Section 295 and other applicable provisions, if any of the Act.

Appointment of Sole Selling Agents

151. (a) The appointment, re-appointment and extension of the term of a Sole Selling Agent, shall be regulated in accordance with the provision of Section 294 of the Act and any rules or Notifications issued by 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 Notification, if any, as may be applicable.
- (b) The payment of any compensation to a Sole Selling Agent shall be subject to the provisions under Section 294 A of the Act.

Board resolution at a meeting necessary for certain contract

152. (a) Except with the consent of the Board of Directors of the Company and with the previous approval of the Central Government a Director of the Company or his relative, a firm in which such a Director or relative is a 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;
- (i) for the sale, purchase or supply of any goods, materials or services, or
- (ii) for underwriting the subscription of any shares in, or debentures of the Company; (b)

Nothing contained in the foregoing sub-clause (a) 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 side of sale, purchase, or supply of any goods, materials and services in which either the Company or the Directors, 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 service cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts.

- (c) Notwithstanding anything contained in the foregoing sub-clause (a) and (b) 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, materials or services exceeds five thousand rupees 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.

- (d) Every consent of the Board required under this clause shall be accorded by a resolution passed at a meeting of the Board and not otherwise; and the consent of the Board required under sub- clause (a) above shall not be deemed to have been given within the meaning of that sub-clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.
- (e) If consent is not accorded to any contract under this clause, anything done in pursuance of the contract shall be voidable at the option of the Board.
- (f) 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.
- (g) The Company shall also comply with such other provision of Section 297 of the Act, as may be applicable.

ROTATION OF DIRECTORS

Rotation of Directors

153. Not less than two thirds of the total number of Directors shall:

- (a) be persons whose period of office is liable to determination by retirement of Directors by rotation, and
- (b) save as otherwise expressly provided in the Act, be appointed by the Company in general meeting.

The remaining Directors shall, in default of and subject to any regulations in the Articles of the Company, also be appointed by the Company, in general meeting.

Ascertainment of Directors retiring by rotation and filling up vacancies

154. (a) At every annual general meeting one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearer to one-third, shall retire from office.
- (b) The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who 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 lot.
- (c) At the annual general meeting at which a Director retires as aforesaid, the Company may fill up the vacancy by appointing the retiring Director or some other person thereto.
- (d) (i) If the place of the retiring Director is not so filled up and that 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.
- (ii) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting, unless:
- (1) at that meeting or at the previous meeting a resolution for the reappointment of such Director has been put to the meeting and lost;
 - (2) 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;
 - (3) he is not qualified or is disqualified for appointment;
 - (4) a resolution, whether special or ordinary, is required for his appointment or re-appointment in virtue of any provisions of the Act; or
- (e) The proviso to sub-section (2) of Section 263 of the Act is applicable to the case.

Explanation : In this Article and Article 156 the expression ‘Retiring Director’ means Director retiring by rotation.

Right of persons other than retiring Directors to stand for Directorship

155. (a) A person who is not a retiring Director shall, in accordance with Section 257 of the Act and subject to the provisions of the Act, be eligible for appointment to the office of Director at any general

meeting if he or some member or members intending to propose him has, not less than fourteen days before the meeting, left at the registered office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member or members to propose him as a candidate for that office, as the case may be alongwith 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.

- (b) The Company shall inform its members of the candidature of a person for the office of Director or the intention of a member(s) to propose a person as a candidate for that office by serving individual notices on the members not less than seven days before the meeting in the manner provided under Section 257 of the Act.

Consent of candidate for Directorship to be filed with the Registrar

156. Every person who is proposed as a candidate for the office of Director of the Company shall sign and file with the Company and with the Registrar, his consent in writing to act as a Director, if appointed, in accordance with the provisions of Section 264 of the Act in so far as they may be applicable.

PROCEEDINGS OF DIRECTORS

Meeting of Directors

157. The Directors may meet together as a Board for the dispatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year and they may adjourn and otherwise regulate their meetings and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that meetings of the Board, which had been called in compliance with the terms herein mentioned could not be held for want of quorum.

When meeting to be convened

158. Any Director of the Company may and the Manager or Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board.

Directors entitled to notice

159. Notice of every meeting of the Board of the Company shall be given in writing to every Director for the time being in India and at his usual address in India.

Questions at Board meeting how decided

160. Question arising at any time at a meeting of the Board shall be decided by majority of votes and in case of equality of votes, the Chairman, in his absence the Vice Chairman or the Director presiding shall have a second or casting vote.

Who to preside at meetings of the Board

161. (a) The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office. The Directors may also appoint a Vice Chairman of the Board of Directors to preside at the meetings of the Board of Directors at which the Chairman shall not be present and determine the period for which he is to hold office.
- (b) All the meetings of the Directors shall be presided over by the Chairman, if present, but if at any meeting of Directors the Chairman be not present at the time appointed for holding the same, the Vice Chairman, if present, shall preside and if he be not present at such time then and in that case the Directors shall choose one of the Directors then present to preside at the meeting.

Quorum at Board Meeting

162. (a) The quorum at a meeting of the Director shall be as prescribed by Section 287 of the Act.

Quorum competent to exercise power

- (b) A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the regulations or the Articles of the Company for the time being vested in or exercisable by the Directors generally.

Procedure in case of want of quorum

- (c) If a meeting of the Board could not be held for want of quorum, then the meeting shall automatically 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.

Directors may appoint committee

163. Subject to the provisions of Section 292 and other provisions of the Act and Article 165 the Directors

may delegate all or any of their powers to committees consisting of such member or members of their body as they think fit, and they may, from time to time revoke and discharge any such Committee either wholly or in part, and either as to persons or purposes, but every Committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors. All acts done by any such Committee in conformity with such regulations and in fulfillment of the purposes of their appointments but not otherwise, shall have the like force and effect as if done by the Board. Subject to the provisions of the Act the Board may from time to time fix the remuneration to be paid to any member or members of that body constituting a Committee appointed by the Board in terms of these Articles, and may pay the same.

Resolution by circular

164. Subject to the provisions of Section 289 of the Act, a resolution passed without any meeting of Directors, or of a Committee of Directors appointed under these Articles and evidenced by writing under the hands of all the Directors or members of such Committee as aforesaid, for the time being in India, be as valid and effectual as a resolution duly passed at a meeting of the Directors or of such committee called and held in accordance with the provisions of these Articles.

Provided that the resolution has been circulated in draft, together with the necessary papers, if any, to such Directors, or members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or the Committee as the case may be) and all other Directors or members at their usual address in India and has been approved by such Directors as are then in India or by majority of such of them, as are entitled to vote on the resolution.

Limit of Directors' numbers

165. Subject to the provisions of Sections 252, 255 and 259 of the Act, the Company in general meeting may, by ordinary resolution, increase or reduce the number of Directors within the limits fixed in that behalf by these Articles.

Acts of Board or Committee valid notwithstanding defect of appointment

166. All acts done by any meeting of the Directors or by a Committee of Directors 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 such Directors or persons acting as aforesaid, or they or any of them were or was disqualified or that their or his appointment had terminated by virtue of any provisions contained in these Articles or the Act, be as valid as if every such person has been duly appointed and was qualified to be a Director.

Minutes of proceedings of the Board and the Committees to be valid

167. The Directors shall cause minutes to be duly entered in a book or books provided for the purpose in accordance with these Articles and Section 193 of the Act.

Board Minutes to be evidence

168. Minutes of any meeting of the Board of Directors or of any Committees of the Board if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be for all purposes whatsoever prima facie evidence of the actual passing of the resolution recorded and the actual and regular transaction or occurrence of the proceedings so recorded and the regularity of the meeting at which the same shall appear to have taken place.

Register of Directors and Managing Directors etc.

169. The Directors shall cause to be kept at the registered office of the Company:
- (a) (i) A Register of the Directors, Managing Directors, Manager and Secretary of the Company containing the particulars required by Section 303 of the Act.
 - (ii) A Register of Contracts with companies and firms in which the Directors are interested, containing the particulars required by Section 301 of the Act, and
 - (iii) A Register of Directors shareholding containing the particulars required by Section 307 of the Act. They shall also cause to be kept other registers and indexes as required by the Act.
 - (b) The Company shall comply with the provisions of Sections 301, 303 and 307 and other Section of the Act with regard to the inspection of registers and furnishing copies or extracts so far as the same be applicable to the Company.

POWERS OF DIRECTORS

Certain powers to be exercised by the Board only at meeting

170. (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board.

- (i) The power to make calls on shareholders in respect of money unpaid on their shares; (ii) The power to issue debenture;
- (iii) The power to borrow moneys otherwise than on debentures;
- (iv) The power to invest the funds of the Company, and
- (v) The power to make loans.

Provided that the Board may by resolution passed at the meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company or in the case of a branch office of the Company, a principal officer of the branch office, the powers specified in sub-clause (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board may prescribe.

- (b) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.
- (c) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.
- (d) Every resolution delegating the power referred to in sub-clause (v) of clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be and the maximum amount upto which loans may be made for each such purpose in individual cases.
- (e) Nothing in this Article shall be deemed to affect the right of the Company in general meeting to impose restrictions and conditions on the exercise by the Board of any other powers referred to in sub-clauses (i), (ii), (iii), (iv) and (v) of clause (a) above.

Restriction on powers of Board

171. (a) The Board of Directors of the Company shall not except with the consent of the Company in general meeting:

- (i) 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.;
- (ii) remit, or give time for the repayment of any debt, due by a Director;
- (iii) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in sub-clause (i) above, or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (iv) borrow moneys, where the money to be borrowed, together with the moneys already borrowed by the Company (apart from the 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; or
- (v) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years, immediately proceedings, whichever is greater.

(b) Nothing contained in sub-clause (a) above shall affect:

- (i) the title of a buyer or other person who buys or takes a lease of any such undertaking as is referred to in that sub-clause in good faith and after exercising due care and caution, or
 - (ii) the selling or leasing of any property of the Company where the ordinary business of the Company consists of, or comprises such selling or leasing.
- (c) Any resolution passed by the Company permitting any transaction such as is referred to in sub-clause (a) above, may attach such conditions to the permission as may be specified in the resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transaction. Provided that this clause shall not be deemed to authorise the Company to effect any reduction in its capital except in accordance with the provisions contained in that behalf in the Act.
- (d) No debt incurred by the Company in excess of the limit imposed by sub-clause (iv) of clause (a) above, 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 that clause had been exceeded.

Prohibition regarding making of political contributions

- (e) Due regard and compliance shall be observed in regard to matters dealt with by or in the Explanation contained in sub-section (1) of Section 293 of the Act and in regard to the limitations on the power of the Company contained in Section 293A of the Act.

General powers of the Company vested in Directors

172. Subject to the provisions of the Act, the management of the business of the Company shall be vested in the Directors and the Directors may exercise all such powers and do all such acts and things as the Company is by the Memorandum of Association or otherwise authorised to exercise and do and not hereby or by the statute or otherwise directed or required to be exercised or done by the Company in General Meeting, but subject nevertheless to the provisions of the Act and other Act and of the Memorandum of Association and these Articles and to any regulations, not being inconsistent with the Memorandum of Association and these Articles or the Act, from time to time made by the company in general meeting provided that no such regulation shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

Specific powers given to Directors

173. Without prejudice to the general powers conferred by Article 172 and the other powers conferred by these presents and so as not in any way to limit any or all of those powers, it is hereby expressly declared that the Directors shall have the following powers :

To pay registration expense

- (i) to pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company;
- (ii) to pay and charge to the capital account of the Company any interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.

To acquire property

- (iii) Subject to the provisions of the Act and these Articles to purchase or otherwise acquire any lands, buildings, machinery, premises, hereditaments, property effects, assets, rights, credits, royalties, bounties and goodwill of any person, firm or Company carrying on the business which this Company is authorised to carry on, 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 acquisition to accept such title as the Board may believe or may be advised to be reasonably satisfactory;

To purchase lands, buildings etc.

- (iv) Subject to the provisions of the Act to purchase, or take on lease for any term or terms of years, or otherwise acquire any mills or factories or any land or lands, with or without buildings and outhouses thereon, situate 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;

To construct buildings

- (v) To erect, construct, enlarge, improve, alter, maintain, pull down, rebuild or reconstruct any buildings, factories, offices, workshops or other structures, necessary or convenient for the purposes of the Company and to acquire lands for the purposes of the Company;

- To mortgage, charge property**
- (vi) To let, mortgage, charge, sell or otherwise dispose of subject to the provisions of Section 293 of the Act, any property of the Company either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as they think fit and to accept payment or satisfaction for the same in cash or otherwise, as they may think fit;
- To pay for property etc.**
- (vii) At their discretion to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, debenture stock or other securities of the Company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, debenture-stock 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;
- To insure**
- (viii) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper, all or any part of the building, machinery, goods, stores, produce and other moveable 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 ex-ported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power;
- To open accounts**
- (ix) Subject to Section 292 of the Act, to open accounts with any bank or bankers or with any Company, firm, or individual and to pay money into and draw money from any account from time to time as the Directors may think fit;
- To secure contracts**
- (x) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the properties of the Company and its unpaid capital for the time being or in such other manner as they may think fit;
- To attach to Shares such conditions**
- (xi) To attach to any shares to be issued as the consideration for any contract with or property acquired by the Company, or in payment for services rendered to the Company, such conditions, subject to the provisions of the Act, as to the transfer thereof as they may think fit;
- To accept surrender of shares**
- (xii) To accept from any member on such terms and conditions as shall be agreed a surrender of his shares or stock or any part thereof subject to the provisions of the Act;
- To appoint trustees**
- (xiii) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purposes and to execute and do all such deeds and things as may be requisite in relation to any such trusts and to provide for the remuneration of such trustee or trustees;
- To bring and defend actions**
- (xiv) 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 subject to the provisions of Section 293 of the Act to compound and allow time for payment or satisfaction of any debts due, or of any claims or demands by or against the Company;
- To refer to arbitration**
- (xv) To refer, subject to the provisions of Section 293 of the Act, any claims or demands by or against the Company to arbitration and observe and perform the awards;
- To act on insolvency matters**
- (xvi) To act on behalf of the Company in all matters relating to bankrupts and insolvents;
- To give receipts**
- (xvii) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company subject to the provisions of Section 293 of the Act.

To authorise acceptances

- (xviii) To determine from time to time as to who shall be entitled to sign bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents on the Company's behalf;

To invest moneys

- (xix) Subject to the provisions of Sections 292, 293, 370, 372 of the Act, invest and deal with any of the moneys of the Company, not immediately required for the purpose thereof, upon such shares, securities, or investments (not being shares in this Company) and in such manner as they may think fit, and from time to time to vary or realise such investments;

To provide for personal liabilities

- (xx) 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 for the benefit of the Company, such mortgages of the Company's property (present and future) as they may think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on;

To give to Directors etc. an interest in business

- (xxi) Subject to such sanction as may be necessary under the Act or these Articles, to give to any Director, Officer, or other person employed by the Company, an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the Company, and such interest, commission or share of profits shall be treated as part of the working expenses of the Company.

To provide for welfare of employees

- (xxii) To provide for the welfare of employees or ex-employees of the Company and their wives, widows, families, dependants or connections of such persons by building or contributing to the building of houses, dwelling, or chaws or by grants of money, pensions, allowances, gratuities, bonus or payments by creating and from time to time subscribing or contributing to provident and other funds, institutions or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendances and other assistance as the Directors shall think fit.

To subscribe to charitable and other funds

- (xxiii) To subscribe or contribute or otherwise to assist or to guarantee money to charitable benevolent, religious, scientific, national public or any other useful institutions, object or purposes for any exhibition;

To maintain pension funds

- (xxiv) To establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments, to any persons who are or were at any time in the employment or services of the Company, or of any Company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary Company, or who are or were at any time Directors or Officers of the Company or of any such other Company as aforesaid, and the wives, widows, families and dependants of any such persons and, also to establish and subsidies and subscribe to any institutions, associations, clubs or funds collected to be for the benefit of or to advance the interests and well being of the Company or of any such other Company as aforesaid, and make payments to or towards the insurance of any such person as aforesaid and do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid;

- (xxv) To decide and allocate the expenditure on capital and revenue account either for the year or period or spread over the years.

To create Reserve Fund

- (xxvi) Before recommending any dividend, to set aside out of profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund or Reserve Fund or Sinking Fund or any other special fund to meet contingencies or to repay redeemable preference shares, debentures, or debenture stock or for special dividends or for equalising dividend or for repairing, improving, extending and maintaining any part of the property of the Company, and for such other purposes as the Directors may, in their absolute discretion, think conducive

to the interests of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by Sections 292 and 293 and other provisions of the Act) as the Directors 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 part thereof for the benefit of the Company in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company notwithstanding that the matters to which the Directors apply or upon which they may expend the same or any part thereof may be matters to or upon which the Capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Directors think fit, and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in repayment or redemption or redeemable preference shares, debentures or debenture stock and that without being bound to keep the same separate from other assets or to pay interest on the same, with power, however to the Directors at their discretion, to pay or allow to the credit of such fund interest at such rate as the Directors may think proper.

To appoint Managers etc.

- (xxvii) To appoint and at their discretion to remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and servants for permanent, temporary or special service as they may from time to time think fit, and to determine their powers and duties, and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit, and from time to time to provide for the management and transactions of the affairs of the Company in any special locality in India in such manner as they may think fit. the provisions contained in the clause following shall be without prejudice to the general powers conferred by this clause.

To authorise by Power of Attorney

- (xxviii) At any time and from time to time by Power of Attorney to appoint any person or persons 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 Directors under these presents) and for such period and subject to such conditions as the Directors may from time to time think fit and any such appointment (if the Directors may think fit) be made in favour of any Company or the members, Directors, nominees or managers of any Company or firm or otherwise in favour of any fluctuating body or person whether nominated, directly or indirectly by the Directors and any such power of attorney may contain any such powers for the protection or convenience of persons dealing with such Attorneys as the Directors 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.

To authorise, delegate

- (xxix) Subject to the provisions of the Act, generally and from time to time and at any time to authorise, empower or delegate to (with or without powers of Sub-delegation) any Director, Officer or Officers or Employee for the time being of the Company and/or any other person, firm or Company all or any of the powers, authorities and discretions for the time being vested in the Directors by these presents, subject to such restrictions and conditions, if any, as the Directors may think proper.

To Negotiate

- (xxx) To enter into all such negotiations, contracts and rescind and/or vary all such contracts and to execute and do all such acts, deeds, and things in the name of on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.

MANAGING DIRECTORS

Power to appoint Managing or Wholtime Directors

174. (a) Subject to the provisions of the Act and of these Articles the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Directors and/or Wholtime Directors and/or Special Directors like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such Managing Director or Managing Directors/Wholtime Director(s), Technical Director(s) Financial Director(s) and Special Director(s) such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be

made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine, the remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all of those modes, or of any other mode not expressly prohibited by the Act.

- (b) The Directors may whenever they appoint more than one Managing Director, designate one or more of them as “Joint Managing Director” or “Joint Managing Directors” or “Deputy Managing Directors” as the case may be.

Appointment and payment of remuneration to Managing or Wholetime Director

- (c) Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act, the appointment and payment of remuneration to the above Director shall be subject to approval of the members in general meeting and of the Central Government.

THE SECRETARY

Secretary

175. Subject to the provisions of Section 383A of the Act, the Directors may, from time to time, appoint and, at their discretion remove any individual (hereinafter called ‘the Secretary’) who shall have such qualifications as the authority under the Act may prescribe to perform any functions, which by the Act or these Articles are to be performed, by the Secretary, and to execute any other purely ministerial or administrative duties which may from time to time be assigned to the Secretary by the Director. The Directors may also at any time appoint some persons (who need not be the Secretary) to keep the registers required to be kept by the Company.

SEAL

The seal, its custody and use

176. (a) The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Directors shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by or under the authority of the Directors or a Committee of the Directors previously given, and in the presence of one Director at the least, who shall sign every instrument to which the Seal is so affixed in his presence.

Seal abroad

- (b) The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act for use in any territory, district or place outside India and such powers shall accordingly be vested in the Directors.

INTEREST OUT OF CAPITAL

Interest may be paid out of Capital

177. Where any shares in the Company 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 a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period and 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 plant.

DIVIDENDS

Division of Profits

178. The profits of the Company subject to any special rights relating thereto created or authorised to be created by these presents shall be divisible among the members in proportion to the amount of Capital paid up or credited as paid up on the shares held by them respectively.

Dividend payable to registered holder

179. No dividend shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.

Time for payment of dividend

180. Where a dividend has been declared by the Company it shall be paid within the period provided in Section 207 of the Act.

Capital paid up in advance and interest not to earn dividend

181. Where the Capital is paid up in advance of 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.

Dividends in proportion to amount paid up

182. (a) The Company shall pay dividends in proportion to the amounts paid up or credited as paid up on each share, when a larger amount is paid up or credited as paid up on some shares than on others. Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.
- (b) Provided always that any Capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid during such period on such share shall rank for dividend accordingly.

Company in Annual General Meeting may declare dividends

183. The Company in Annual general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.

Power of Directors to limit dividends

184. No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.

Dividends only to be paid out of profits

185. No dividend shall be declared or paid by the Company otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for the payment of dividend in pursuance of the guarantee given by that Government provided that:

- (a) If the Company has not provided for depreciation for any previous financial year or years, it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years;
- (b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section.

Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

Directors' declaration as to net profits conclusive

186. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Interim Dividends

187. The Directors may, from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

Retention of Dividend until completion of transfer under Article

188. The Directors may retain the Dividends upon shares in respect of which any person is under the Transmission clause of these Articles entitled to become a member or which any person under that clause is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

No member to receive Dividend whilst indebted to the Company and Company's right to reimbursement there from

189. Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or

dividend in respect of his share(s) whilst any money may be due or owing from him to the Company in respect of such share(s) or debenture(s) or otherwise however either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member, all sums of moneys so due from him to the Company.

Transferred shares must be registered

190. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Dividend how remitted

191. Unless otherwise directed any dividend may be paid by cheque or warrant or a pay-slip or receipt having the force of a cheque or warrant sent through ordinary post to the registered address of the member or person entitled or in the case of joint holders to that one of them first named in the Register of Members in respect of the joint holding. Every such cheque or warrant so sent shall be made payable to the registered holder of shares or to his order or to his bankers. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost, to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Unpaid Dividend or Dividend Warrant posted

192. (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank as per section 205 A of the Act, and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.
- (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.
- (c) No unpaid or unclaimed dividend shall be forfeited by the Board.

Dividend and call together

193. Any general meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him 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.

Dividend to be payable in cash

194. No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalisation of profit 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 the members of the Company.

CAPITALISATION

Capitalisation

195. (a) Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys' investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalised. Any such amount (excepting the amount standing to the Share Premium Account and/or the Capital Redemption Reserve Account) may be capitalised :
- (i) by the issue and distribution as fully paid shares, debentures, debenture stock, bonds or obligations of the Company or
- (ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account may be applied in;

- (1) paying up un-issued shares of the Company to be issued to members of the Company as fully paid bonus shares;
 - (2) in writing off the preliminary expenses of the Company;
 - (3) in writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
 - (4) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company. Provided further that any amount standing to the credit of the Capital Redemption Reserve Account shall be applied only in paying up un-issued shares of the Company to be issued to the members of the Company as fully paid bonus shares.
- (b) Such issue and distribution under sub-clause (a) (i) above and such payment to the credit of unpaid share capital under sub-clause (a) (ii) above shall be made to, among and in favour of the members of any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a) (i) or payment under sub-clause (a) (ii) above shall be made on the footing that such members become entitled thereto as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the Profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (a)(i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (a)(ii) above provided that no such distribution or payment shall be made unless recommended by Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.
- (d) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates or coupons and fix value for distribution of any specific assets and may determine that such payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, fractional certificates or coupons, debentures, debenture stock, bonds, or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit.
- (e) Subject to the provisions of the Act and these Articles in cases where some of the shares of the Company are fully paid and others are partly paid only, such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of fully paid shares and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

196. When deemed requisite a proper contract shall be filed with the Registrar of Companies in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

ACCOUNTS

Accounts

197. The provisions of Sections 209 to 222 of the Act shall be complied with in so far as the same be applicable to the Company.

Books of Accounts to be kept

198. (a) The Company shall keep at its Registered Office proper books of accounts as required by Section 209 of the Act with respect to :

- (i) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place;
- (ii) all sales and purchases of goods by the Company; and
- (iii) the assets and liabilities of the Company.

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 decide, 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.

- (b) If the Company shall have a branch office, whether in or outside India, proper books of account relating to the transactions effected at that office shall be kept at that office and proper summarized returns made upto date at intervals of not more than three months, shall be sent by the branch office to the Company at its Registered Office or other place in India, as the Board thinks fit, where the said books of the Company are kept.

Books to give fair and true view of the Company's affairs

- 199. (a) All the aforesaid books shall give a fair and true view of the affairs of the Company of its branch office, as the case may be with respect to the matters aforesaid, and explain the transactions.
- (b) The books of account shall be open to inspection by any Director during business hours as provided by Section 209 of the Act.
- (c) The books of account of the Company relating to a period of not less than eight years immediately preceding the current year together with the vouchers relevant to any entry in such books of accounts shall be preserved in good order.

Inspection by members

- 200. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts, books and documents of the Company or any of them, shall be open to the inspection of the members, and no member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by statute or authorised by the Directors or by a resolution of the Company in general meeting.

Statements of Accounts to be furnished to General Meeting

- 201. The Board of Directors shall lay 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 of Companies under the provisions of the Act.

Balance Sheet and Profit and Loss Account

- 202. (a) Subject to the provisions of Section 211 of the Act, every Balance Sheet and Profit and Loss Account of the Company shall be in the forms set out in parts I and II respectively of Schedule VI of the Act, or as near thereto as circumstances admit. There shall be annexed to every Balance Sheet a statement showing the bodies corporate (indicating separately the bodies corporate in the same group) in the shares of which investments have been made by it (including all investments, whether existing or not, made subsequent to the date as at which the previous Balance Sheet was made out) and the nature and extent of the investments so made in each body corporate.
- (b) So long as the Company is a holding Company having a subsidiary the Company shall conform to Section 212 and other applicable provisions of the Act.
- (c) If in the opinion of the Board, any of the current assets of the Company have not a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion shall be stated.

Authentication of Balance Sheet and Profit & Loss Account

- 203. (a) (i) Save as provided by item (ii) of this sub-clause every Balance Sheet and every Profit and Loss Account of the Company shall be signed on behalf of the Board of Directors by the Manager or Secretary, if any, and by not less than two Directors of the Company, one of whom shall be a Managing Director, if any.

- (ii) When only one of the Directors of the Company is for the time being in India, the Balance Sheet and the Profit and Loss Account shall be signed by such Director, but in such a case, there shall be attached to the Balance Sheet and the Profit and Loss Account a statement signed by him explaining the reason for non-compliance with the provisions of the above item (i).
- (b) The Balance Sheet, and the Profit and Loss Account, shall be approved by the Board of Directors before they are signed on behalf of the Board in accordance with the provisions of this Article and before they are submitted to the auditors for their report thereon.

Profit and Loss Account to be annexed and Auditors' Report to be attached to the Balance sheet

204. The Profit and Loss Account shall be annexed to the Balance Sheet and the Auditors' Report including the Auditors' separate, special or supplementary report, if any, shall be attached thereto.

Board's Report to be attached to Balance Sheet

205. (a) Every Balance Sheet laid before the Company in general meeting shall have attached to it a Report by the Board of Directors with respect to the state of the Company's affairs; the amounts, if any which it proposes to carry to any reserves in such Balance Sheet, the amount, if any, which it recommends to be paid by way of dividends and material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the Balance Sheet relates and the date of the Report.
- (b) The Report shall, so far as it is material for the appreciation of the state of the Company's affairs by its members and will not in the Board's opinion be harmful to the business of the Company or of any of its subsidiaries, deal with any changes which have occurred during the financial year in the nature of the Company's business, in the Company's subsidiaries or in the nature of the business in which the Company has an interest.
- (c) The Board shall also give the fullest information and explanations in its Report or in cases falling under the proviso to Section 222 of the Act in an addendum to that Report, on every reservation, qualification or adverse remark contained in the Auditor's Report.
- (d) The Board's Report and addendum (if any) thereto shall be signed by its Chairman if he is authorised in that behalf by the Board; and where he is not so authorised shall be signed by such number of Directors as are required to sign the Balance Sheet and the Profit and Loss Account of the Company by virtue of sub-clauses (a) and (b) of Article 203.
- (e) The Board shall have the right to charge any person not being a Director with the duty of seeing that the provisions of sub-clauses (a) and (c) of this Article are complied with.
- (f) Every Balance Sheet and Profit and Loss account of the Company when audited and approved and adopted by the members in the annual general meeting shall be conclusive except as regards any matters in respect of which modifications are made thereto as may from time to time be considered necessary by the Board of Directors and or considered proper by reason of any provisions of relevant applicable statutes and approved by shareholders at a subsequent general meeting.

Right of Members to copies of Balance Sheet and Auditor's Report

206. A copy of every Balance Sheet (including the Profit and Loss Account, the Auditor's Report and every other document required by Law to be annexed or attached as the case may be, to the Balance Sheet) which is 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 twenty one days before of the meeting.

Three copies of Balance Sheet etc. to be filed with Registrar

207. After the Balance Sheet and Profit and Loss Account have been laid before the Company at the annual general meeting, three copies of the Balance Sheet and Profit and Loss Account duly signed as provided under Section 220 of the Act together with three copies of all documents, which are required to be annexed thereto shall be filed with the Registrar, so far as the same be applicable to the Company.

AUDIT

Accounts to be audited

208. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter mentioned.

Appointment and qualifications of auditors

209. (a) The Company at the annual general meeting each year shall appoint an Auditor or Auditors to hold office from the 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 every auditor so appointed.
- (b) At any annual general meeting, a retiring Auditor, by whatever authority appointed, shall be reappointed unless :
- (i) he is not qualified for reappointment;
 - (ii) he has given the Company notice in writing of his unwillingness to be reappointed;
 - (iii) a resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be reappointed, or
 - (iv) 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.
- (c) Where at an annual general meeting no auditors are appointed or reappointed, the Central Government may appoint a person to fill the vacancy.
- (d) The Company shall, within seven days of the Central Government's power under sub-clause (c) becoming exercisable give notice of that fact to the Government.
- (e) The Directors may fill any casual vacancy in the office of Auditor, but while any such vacancy continues the serving or continuing Auditor or Auditors (if any) may act, but where such vacancy be caused by the resignation of an auditor, the vacancy shall only be filled by the Company in general meeting.
- (f) A person, other than a retiring Auditor, shall not be capable of being appointed at an annual general meeting unless special notice of the 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 the retiring Auditor and shall give notice thereof to the members in accordance with Section 190 of the Act, and the provisions of Section 225 of the Act shall apply in the matter. The provision of this sub-clause shall also apply to a Resolution that a retiring Auditor shall not be reappointed.
- (g) The persons qualified for appointment as Auditors shall be only those referred to in Section 226 of the Act.
- (h) None of the persons mentioned in Section 226 of the Act as being not qualified for appointment as Auditors shall be appointed of the Company.

Audit of Branch Office

210. The Company shall comply with the provisions of Section 228 of the Act in relation to the audit of the accounts of branch offices of the Company except to the extent to which any exemption may be granted by the Central Government, in that behalf.

Remuneration of Auditors

211. The remuneration of the Auditors shall be fixed by the Company in general meeting in such manner as the Company may in general meeting determine except that the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Directors.

Auditor to have access to the books of the Company

212. (a) The Auditor/s of the Company shall have a right of access at all times to the books and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor/s.
- (b) All notices of, and other communications relating to, any general meeting of the Company which any member of the Company is entitled to have sent to him shall also be forwarded to the Auditors of the Company; and the Auditor/s shall be entitled to attend any general meeting and to be heard at any general meeting which he attends to any part of the business which concerns him as Auditor.
- (c) The Auditors shall make a Report to the members of the Company on the accounts examined by him and on every Balance Sheet and Profit and Loss Account and on every other document

declared by the Act to be part of or annexed to the Balance Sheet or Profit and Loss Account, which are laid before the Company in annual general meeting during his tenure of office, and the Report shall state whether, in his opinion and to the best of his information and according to the explanation given to him, the accounts give the information required by the Act in the manner so required and give a true and fair view :

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at the end of its financial year : and
- (ii) in the case of the Profit and Loss Account, of the Profit and Loss for that financial year. (d) The

Auditor's Report shall also state :

- (i) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit;
 - (ii) whether, in his opinion, proper books of accounts as required by law have been kept by the Company so far as appears from his examination of those books and proper returns adequate for the purpose of his audit have been received from branches not visited by him;
 - (iii) whether the report on the accounts of any branch office audited under Section 228 by a person other than the Company auditor has been forwarded to him as required by clause (c) sub-section (3) of the Section and how he has dealt with the same in preparing the Auditor's Report;
 - (iv) whether the Company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and returns.
- (e) Where any of the matters referred to in this Article is answered in the negative or with a qualification the Auditor's Report shall state the reasons for the answer.

Accounts when audited and approved to be conclusive except as to errors discovered within three months

213. Every account when audited and approved by a general meeting shall be conclusive except as regards any error therein discovered within three months next after the approval thereof. Whenever any such error is discovered within the said period, the accounts shall forthwith be corrected and thenceforth shall be conclusive.

DOCUMENTS AND NOTICES

Service of Notice by member

214. A notice 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.

The term 'Notice' in this and the following clauses shall mean summons, notice, requisition, order, judgment or other legal papers and any document.

Service of Notice on Registrar

215. A notice may be served on the Registrar by sending it to him at his office by post under a certificate of posting or by registered post, or by delivering it to, or leaving it for him at his office.

Service of Notice on member by the Company

216. (a) A notice may be served by the Company on any member either personally or by sending it by post to him to his registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for giving Notice to him.
- (b) Where a Notice is sent by post :
- (i) Service thereof shall be deemed to be effected by properly addressing prepaying and posting a letter containing the document, provided that, where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due, and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member; and
 - (ii) Such service shall be deemed to have been effected;

- (1) in the case of a Notice of a meeting at the expiration of forty-eight hours after the letter containing the same is posted, and
- (2) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

By Advertisement

- (c) A Notice advertised in a newspaper circulating in neighborhood of the registered office of the Company shall be deemed to be duly served on the day on which the advertisement appears on every member of the Company who has no registered address in India and has not supplied to the Company an address within India for the giving of Notices to him.

On Joint holder

- (d) Any Notice may be served by the Company on the Joint-holders of a share/debenture by serving it on the joint holder named first in the Register of members/debenture holders in respect of the share/debenture.

On personal Representative

- (e) A Notice may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title representatives of the deceased or assignees of the insolvent or by any like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which it might have been served if the death or insolvency had not occurred.

Notice by Company and signatures thereto

- 217. Any Notice given by the Company shall be signed by a Director, or by such Officer as the Directors may appoint and the signatures thereto may be written printed or lithographed.

Authentication of documents and proceedings

- 218. Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the Company may be signed by the Director, the Managing Director, the Manager, the Secretary or other authorised Officer of the Company and need not be under its Common Seal.

WINDING UP

Distribution of Assets

- 219. (a) Subject to the provisions of the Act, if the company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient to repay the whole of the paid up capital such assets shall be distributed so that, as nearly, as may be, the losses shall be borne by the members in proportion to the Capital paid up, or which ought to have been paid up, at the commencement of winding up, on the shares held by them respectively. And if in 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 paid-up at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.
- (b) But this clause will not prejudice the rights of the holders of shares issued upon special terms and conditions.

- 220. Subject to the provisions of the Act.

Distribution in specie of kind

- (a) If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution and any other sanction required by the Act, divide amongst the contributories, in specie or kind the whole or any part of the assets of the Company, and may, with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them as the liquidators 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 contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given (subject to the provisions of the Act) 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 or any contributory who would be prejudiced thereby shall have the right, if any, 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 involved 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 liquidators to sell his proportion and pay him the net proceeds and the liquidators shall, if practicable act accordingly.

Rights of shareholders in case of sale

- 221. Subject to the provisions of the Act, a special resolution sanctioning a sale to any other Company duly passed may, in like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators be distributed amongst 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, if any, if such right be given by the Act.

SECRECY CLAUSE

- 222. (a) Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the 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.
- (b) No member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any detail of the Company's trading, or matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

INDEMNITY AND RESPONSIBILITY

Directors and others rights to indemnity

- 223. (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Wholetime Director, Manager, Secretary and other Officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, losses and expenses (including traveling expense) which such Director, Manager, Secretary and officer or employee may incur or become liable to by reason of any contract entered into or act deed done by him as such Director, Manager, Secretary, Officer or Servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as lien on the property of the Company and have priority between the members over all other claims.
- (b) Subject as aforesaid, every Director, Managing Director, Manager, Secretary or other officer and employee of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act which relief is given to him by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company.

Directors and other officers not responsible for the acts of others

- 224. Subject to the provisions of Section 201 of the Act, no Director, Managing Director, Wholetime Director or other Officer of the Company shall be liable for the acts, receipts, neglects or defaults Director or other Director or Officer or for joining in any receipt or other act for conformity or for any loss or ex-

pense happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of or redeemable preference shares, debentures or debenture stock and that without being bound to keep the same separate from other assets or to pay interest on the same; with power, however to the Directors at their discretion, to pay or allow to the credit of such fund interest at such rate as the Directors may think proper.

To appoint Managers etc.

- (xxvii) To appoint and at their discretion to remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and servants for permanent, temporary or special service as they may form time to time think fit and to determine their powers and duties, and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit and from time to time to provide for the management and transactions of the affairs of the Company in any special locality in India in such manner as they may think fit. The provisions contained in the clause following shall be without prejudice to the general powers conferred by this clause.

To authorise by power of attorney

- (xxviii) At any time and from time to time by power of attorney to appoint any person or persons to be the Attorney or Attorneys of the Company for such purpose) and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such the monies of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or other act of any person, company or corporation, with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of the office or in relation thereto, unless the same happens through his own dishonesty.

SOCIAL OBJECTIVE

225. The Company shall have among its objectives the promotion and growth of the national economy through increased productivity, effective utilisation of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national aspirations, and the Company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community.

GENERAL POWER

226. Wherever in the Companies Act, it has been provided that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company if so authorised by its Articles, then and in that case these regulations hereby authorise and empower the Company to have such rights, privilege or authority and to carry such transactions as have been permitted by the Act.

SECTION XI - 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 (2) years before the date of filing of the Draft Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus will be delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at 244/6-7, GIDC, Industrial Estate, Waghodia – 391 760, Vadodara, Gujarat, India, from date of filing the Draft Red Herring Prospectus with RoC to Bid / Issue Closing Date on working days from the date of filing of the Draft Red Herring Prospectus until the date of closure of the Issue.

MATERIAL CONTRACTS

1. Memorandum of Understanding dated September 29, 2010 between our Company and the BRLM appointing them as the Book Running Lead Manager to the Issue.
3. Memorandum of Understanding dated June 5, 2010 between our Company and Bigshare Services Private Limited appointing them as Registrar to this Issue.
4. Tripartite Agreement dated July 8, 2010 among our Company, NSDL and Bigshare Services Private Limited.
5. Tripartite Agreement dated June 26, 2010 among our Company, CDSL and Bigshare Services Private Limited.
6. Escrow Agreement dated [●] between our Company, the BRLM, Syndicate Member, Escrow Collection Banks and the Registrar to the Issue.
7. Syndicate Agreement dated [●] between our Company, BRLM, and the Syndicate Member.
8. Underwriting Agreement dated [●] between our Company, BRLM and the Syndicate Member.
8. Agreement dated May 18, 2010 entered into between our Company and Jayanti Sanghvi for appointment as Managing Director.
9. Agreement dated May 18, 2010 entered into between our Company and Naresh Sanghvi for appointment as Executive Director.
10. Agreement dated May 18, 2010 entered into between our Company and Vikram Sanghvi for appointment as Executive Director.
11. Agreement dated May 18, 2010 entered into between our Company and Babulal Sanghvi for appointment as Executive Director.
12. Memorandum of Understanding dated 12/13th January, 2011 entered into between the Company and Government of Gujarat.

MATERIAL DOCUMENTS

13. The Memorandum and Articles of Association of our Company, as amended from time to time.
14. Copy of Certificate of Incorporation dated March 16, 1989, issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
15. Fresh Certificate of Incorporation dated July 29, 1992 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.

16. Annual General Meeting resolution dated August 25, 2010 and the resolution of the Board dated June 1, 2010, authorising the Issue.
17. Copy of resolution for reappointment and increase in remuneration of our Chairman and Managing Director.
18. Copy of Restated Audit report by the statutory auditor, M/s. Shah & Bhandari, Chartered Accountants dated April 15, 2011 included in the Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
19. Copy of Certificate dated April 13, 2011 from the Statutory Auditors, M/s. Shah & Bhandari, Chartered Accountants, detailing the tax benefits.
20. Copy of the Certificate from the statutory auditors, M/s. Shah & Bhandari, Chartered Accountants, dated April 15, 2011 regarding the sources and deployment of funds as on March 31, 2011.
21. IPO Grading Report issued by CARE dated April 14, 2011.
22. Consents in writing from our Directors, Company Secretary and Compliance Officer, Statutory Auditors, Bankers to our Company, Bankers to the Issue, Book Running Lead Manager(s), Syndicate Member(s), IPO Grading Agency, Registrar of the Issue, Legal Advisor to the Issue to act in their respective capacities.
23. Initial listing applications dated September 30, 2010 and September 30, 2010 filed with the BSE and the NSE respectively.
24. In-principle listing approvals from BSE and NSE dated January 14, 2011 and December 29, 2010 respectively.
25. Due Diligence Certificate dated September 30, 2010 to SEBI from Arihant Capital Markets Limited, the Book Running Lead Manager.
26. SEBI observation letter no.WRO/AN/CF/IPO/SFEL/4351/2011 dated March 28, 2011.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time if so required in the interest of 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.

SECTION XII - DECLARATION

All the relevant provisions of the Companies Act, 1956, the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in the Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules or regulations made there under or guidelines issued, as the case may be. We hereby certify that all the disclosures and statements made in the Red Herring Prospectus are true, and correct.

SIGNED BY ALL THE DIRECTORS OF SANGHVI FORGING AND ENGINEERING LIMITED

Mr. Babulal Sanghvi
Chairman



Mr. Jayanti Sanghvi
Managing Director



Mr. Naresh Sanghvi
Executive Director



Mr. Vikram Sanghvi
Executive Director



Mr. Shantaram Yarlagadda
Independent Director



Mr. Baba Pai
Independent Director



Mr. R.C. Prasad
Independent Director



Mr. R.S Kaushal
Independent Director



Place: Vadodara

Dated: APRIL 23, 2011

IPO Grading Report

AS APPENDED HEREIN

Annexure I

Grading Rationale

SANGHVI FORGING AND ENGINEERING LIMITED (SFEL)

Grading

Particulars	Amount of Public Issue	Grading ¹	Remarks
IPO Grading	Rs.42.50 crore	'CARE IPO Grade 3'	Assigned

CARE has assigned a '**CARE IPO Grade 3**' to the proposed IPO of Sanghvi Forging and Engineering Limited (SFEL). '**CARE IPO Grade 3**' indicates **average fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.

SFEL proposes an initial public offering of equity shares of face value of Rs.10 aggregating Rs.42.50 crore through 100% book building process.

Grading Rationale

The grading draws strength from the experienced promoters and comfortable financial risk profile of SFEL marked by healthy (though fluctuating) profitability margin in the last three years, comfortable liquidity indicators and moderately levered capital structure. The grading also factors in SFEL's diversified revenue-mix and relatively stable outlook for the end-user industries.

The grading is constrained by its modest scale of operation, high working capital intensity and project risk marked by project size of almost six times of its networth as on December 31, 2010 and more than four times of its existing capacity. Exposure to raw material price fluctuation risk and foreign exchange fluctuation risk further constrain the grading.

Background

SFEL is a Gujarat-based closely-held public limited company engaged in manufacturing of forged flanges & rings in industrial forging and precision CNC machined components.

¹ Complete definition of the grading assigned is available at www.careratings.com and other publications of CARE



The plant has an installed capacity of 3,600 Metric Tonne Per Annum (MTPA) for closed and open forgings and has capacity to handle a single job of upto 4 MT. SFEL was promoted by Mr Babulal S Sanghvi in 1989 and started commercial production in 1991.

Operations

SFEL manufactures forged and machined items including forged flanges, stainless steel forged fittings & components, instrumentation forging components, ring forgings etc which find application in the industries like wind energy, oil & gas, steel, power, pressure vessel, petrochemical, sugar industry etc.

SFEL caters to the demand for forgings in the non-automobile segment where there are few players having specialized set-up and skills. Moreover, in this segment SFEL is approved and recognized supplier having established track record of around two decades. SFEL is enlisted/approved with well known and reputed clients/consultants like EIL, Uhde, Toyo, BHEL, BPCL, HPCL, Shell Hazira, GNFC, GSPL, NPCIL, Department of Atomic Energy, Ministry of Defence etc in India and also with TUV Rheinland Industrie (for supply to the European markets), KNPC (Kuwait), PDO (Oman) etc for exports. Its established client base is expected to be advantageous for SFEL's proposed expansion project.

SFEL's customer profile is well diversified with top ten customers accounting for 38% of total sales during FY10. Exports, which constituted about 30% of total sales in the past, declined to 16% during FY10 and further to 14% during 9MFY11 due to subdued economic conditions prevailing in the European region where the company had major exports. The company is exposed to foreign exchange fluctuation risk on the export sales.

SFEL's main raw materials are stainless steel (SS) and mild steel of which SS constituted majority of total raw material consumption. SS prices are mainly governed by movement in nickel prices. Further, its operations are characterized by high level of inventories (82 days during FY10) which exposes SFEL to raw material price fluctuation risk.

Objects of the proposed IPO are to part-finance cost of setting up 15,000 MTPA open die forging unit and fund the margin money for long-term working capital requirements.



April 14, 2011

Management

The main promoters of SFEL are Mr Babulal Sanghvi (Chairman) who has overall experience of around 20 years in the forging business. Gradually Mr Sanghvi's sons, who have professional qualifications, have also joined the company and have now gained considerable experience in the industry. SFEL's Board of Directors consists of eight directors, of which four are independent directors having expertise in diverse fields.

Corporate Governance

SFEL has complied with the requirements of the clause 49 of the listing agreement with respect to constitution of Board of Directors and various Committees. SFEL has constituted the Audit Committee and Shareholders/Investors Grievance Committee. The constitution of aforesaid committee was approved by the Board of Directors on July 15, 2010

Pending Litigation

A summary of pending litigations as on September 30, 2010 is as follows:

Sr. No.	Matter Related To	Amount Involved (Rs. Crore)
1.	Income tax	0.29
2.	Central Excise	0.14
3.	Customs & others	0.025

IPO Details

Size of the issue

SFEL proposes to make a public offer of equity shares at face value of Rs.10 at the price to be determined through a book-building process aggregating up to Rs.42.50 crore.

Terms of the issue

- Out of total issue 50% of the issue size will be available for allocation to the Qualified Institutional Bidders (QIBs), 5% of the QIB portion will be available for allocation on a proportionate basis to Mutual Funds only.
- SFEL is considering Pre-IPO placement up to 18,37,227 equity shares aggregating upto Rs.16.54 crore. The number of equity shares in the issue will be reduced to the extent of the equity shares proposed to be allotted in the Pre-IPO placement. SFEL has already made Pre-IPO placement of 3,40,952 equity shares at price of Rs.80 per share (including share premium of Rs.70 per share) till April 8, 2011.



April 14, 2011

Purpose of the issue

The main objects of the issue are to raise resources to finance part of the new project cost:

Sr. No.	Particulars	Amount (Rs. Crore)
1.	Setting up New project	105.14
2.	Working capital Margin money requirement for new project	8.25
3.	Preoperative expenses including issue expenses	7.00
	Total	120.39
1.	Portion to be financed from the issue of equity shares	42.50
2.	Term Loan	72.00
3.	Internal Accruals / Unsecured loans from the promoters	5.89
	Total	120.39

The project cost for setting up an additional facility has been appraised by State Bank of India and the bank has sanctioned term loan of Rs.50 crore and balance of Rs.22 crore was sanctioned by Bank of Baroda.

Project Details

Land for the project has already been acquired from GIDC. Project implementation has already started and SFEL has placed the orders for two major machineries viz Open Die Forging Plant with M/s Danieli Breda, Italy and Forging Manipulator with M/s Dango Dienenthal, Germany. These two machines would be delivered by October 2011, the civil work would start by April 2011 and commercial operations are expected to commence from May 2012. SFEL had incurred about Rs.12 crore upto March 31, 2011 towards project including Rs.10.59 crore as advance for plant & machinery and balance for miscellaneous expenditure.

Financial Analysis

Total income of SFEL in FY10 remained marginally lower than FY09 levels impacted by slower recovery of industries from economic slowdown and dip in exports from 25% of total income in FY09 to 16% of total income in FY10 on account of low demand from European countries.

PBILDT margin improved in FY10 because of higher production of larger-size jobs which provide better realization and efficient capacity utilization. However, PAT margin improved to a much lesser extent due to high provision of income tax in FY10.

The long-term debt-equity ratio and the overall gearing of SFEL remained comfortable as on March 31, 2010. Interest coverage also remained fairly comfortable during FY10.

The operating cycle of SFEL elongated from 117 days in FY09 to 153 days in FY10 mainly due to higher average collection period. Supply of parts for a single large order from M/s Mazagon Dock Ltd. (a Government of India undertaking) in March 2010 and non-realization of debtors from the same before the end of the year resulted in higher average collection period, which realised in HIFY11. Average monthly working capital utilisation during the last 12 months (March 2010 to February 2011) was moderate at 80%.

Return on networth and Earnings per Share (EPS) declined in FY10 compared to FY09 as improvement in PAT was offset by increase in equity share capital during FY10.

During 9MFY11, SFEL has achieved PBILDT and PAT of Rs.6.26 crore and Rs.3.09 crore respectively on total income of Rs.26.89 crore.

Industry Review

The forging industry has recovered from a tough year of 2009 followed by global meltdown. Both the segments, viz automobile and non-automobile forging showed signs of recovery in FY10, backed by robust demand from automobile companies and picking up of activities in engineering, oil & gas, fertilizers, power generation etc. In the Indian automobile market, passenger cars and commercial vehicles together registered a growth of 29% in production in FY10.

In non-automobile segment, the power sector is witnessing major investments on thermal, hydro and nuclear power generation. As of March 31, 2010, India had an installed power capacity of 155 GW. The Government of India in its 'Power for All by 2030' strategy underlines the necessity to increase the installed capacity to 800 GW. Thus, India is expected to add approximately 600-700 GW of new capacity by 2030. [Source: Central Electricity Authority, Government of India; Planning Commission, Government of India]. Oil & gas, shipbuilding, fertilizers and engineering also seem promising sectors going forward.



Prospects

SFEL caters to the demand for forgings in the non-automobile segment where there are few players having specialized set-up and skills. Moreover, SFEL is an approved and recognized supplier having established track record of around two decades. All of these would help SFEL in leveraging the growth opportunity presented by end-user industries. SFEL's prospects in the medium term would be driven by its ability achieve higher sales leveraging on its client base and enhanced capacities while sustaining its profitability. Further, successful completion of the proposed IPO would also be very crucial, as it has a high bearing on timely implementation of the proposed project.



Financial Performance

(Rs. crore)

For the period ended / As at March 31,	2008	2009	2010
	(12m, A)	(12m, A)	(12m, A)
<u>Operating Results</u>			
Income from Operations	22.50	29.55	29.22
PBILDT	5.01	5.29	6.21
Depreciation	0.40	0.55	0.65
Interest and finance charges	0.99	1.34	1.24
PBT (Operating profit)	3.95	3.35	4.07
PAT	2.18	2.50	2.61
Gross Cash Accruals	3.42	3.14	3.37
<u>Financial Position</u>			
Equity Share capital	3.93	3.93	4.78
Net Worth	7.74	10.34	13.45
Total Capital Employed	17.80	21.71	24.03
<u>Key Ratios</u>			
<u>Profitability (%)</u>			
PBILDT / Total Income	22.28	17.91	21.25
PAT / Total Income	9.67	8.46	8.95
ROCE	33.76	24.02	24.00
RONW	34.93	27.66	21.98
EPS	5.53	6.36	5.47
<u>Solvency (times)</u>			
Debt Equity Ratio	0.50	0.36	0.20
Overall Gearing	1.30	1.10	0.77
Interest coverage	5.05	3.94	5.01
Term Debt / GCA	1.57	1.65	1.01
Current ratio	1.12	1.21	1.32
Quick ratio	0.61	0.80	0.92
<u>Turnover (days)</u>			
Avg. Collection Period	65	66	104
Average Inventory	89	75	82
Average Creditors	38	24	34
Working capital cycle	116	117	153

DISCLAIMER:

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, 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. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

Annexure - II

Press Release

**CARE assigns 'CARE IPO GRADE 3' to the Initial Public Offering of
Sanghvi Forging and Engineering Limited (SFEL)**

Grading

Particulars	Amount of Public Issue	Grading ¹	Remarks
IPO Grading	Rs. 42.50 crore	'CARE IPO Grade 3'	Assigned

Rating Rationale

The grading draws strength from the experienced promoters and comfortable financial risk profile of SFEL marked by healthy (though fluctuating) profitability margin in the last three years, comfortable liquidity indicators and moderately levered capital structure. The grading also factors in SFEL's diversified revenue-mix and relatively stable outlook for the end-user industries.

The grading is constrained by its modest scale of operation, high working capital intensity and project risk marked by project size of almost six times of its networth as on December 31, 2010 and more than four times of its existing capacity. Exposure to raw material price fluctuation risk and foreign exchange fluctuation risk further constrain the grading.

Company Profile

SFEL, incorporated in 1989 by Mr Babulal S Sanghvi, has an operational track record of around 20 years. SFEL is engaged in manufacturing of forged flanges & rings in industrial forging and precision machined components with an installed capacity of 3,600 Metric Tonnes Per Annum (MTPA) in the area of open and closed die forging. SFEL caters to the demand for forging in the non-automobile segment (Refineries, Fertiliser, Power, Engineering etc).

During FY10, SFEL has reported PAT of Rs.2.61 crore on total income of Rs.29.22 crore against PAT of Rs.2.50 crore on total income of Rs.29.55 crore in FY09. In 9MFY11, SFEL has earned PAT of Rs.3.09 crore on total income of Rs.26.89 crore.

Analyst Contact

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¹Complete definition of the grading assigned is available at www.careratings.com and other publications of CARE