



## ASTER SILICATES LIMITED

(Our Company was originally incorporated as Arbuda Steel Private Limited on August 27, 1996 under the Companies Act, 1956 *vide* Certificate of Incorporation bearing registration number 04 – 30581 of 1996 - 1997 issued by the Registrar of Companies, Dadra and Nagar Haveli, Gujarat. The name of our Company was changed to Aster Silicates Private Limited *vide* fresh Certificate of Incorporation dated April 13, 2006. Our Company was converted into a public limited company *vide* fresh Certificate of Incorporation dated December 4, 2009 and consequently the name of our Company was changed to "Aster Silicates Limited". The Corporate Identification Number of our Company is U27609GJ1996PLC030581. For details of changes to our Registered Office, please refer to the chapter titled "History and Other Corporate Matters" beginning on page 97 of the Red Herring Prospectus)

**Registered Office:** A- 602, Fairdeal House, Swastik Char Rasta, Off C G Road, Navrangpura, Ahmedabad – 380 009, Gujarat

**Tel No:** + 91 79 26422840; **Fax No:** + 91 79 26422840; **Email:** ipo@astersilicatesltd.com; **Website:** www.astersilicatesltd.com

**Contact Person:** Mr. Janak B. Patel, Company Secretary and Compliance Officer

**Promoters:** Mr. Mahesh A. Maheshwari and Mrs. Namrata Mahesh Maheshwari

**PUBLIC ISSUE OF [•] EQUITY SHARES OF RS.10/- EACH AT A PRICE OF RS. [•] PER EQUITY SHARE (INCLUDING A PREMIUM OF RS. [•] PER EQUITY SHARE) FOR CASH AGGREGATING UPTO RS. 5,310 LACS (THE "ISSUE"), BY ASTER SILICATES LIMITED (THE "COMPANY" OR THE "ISSUER"). THE ISSUE WILL CONSTITUTE [•]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY. THE NET ISSUE TO PUBLIC WILL CONSTITUTE [•]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**Price Band: Rs. 112 to Rs. 118 per Equity Share of Face Value of Rs. 10 Each.**

**The Floor Price is 11.20 times of the Face Value and the Cap Price is 11.80 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 Bidding/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.

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Issue will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. 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 issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. The face value of the Equity Shares is Rs.10/- and the Floor Price is 11.20 times of the Face Value and the Cap Price is 11.80 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" beginning on page 65 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 RISK

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' beginning on Page 11 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 Brickwork Ratings India Private Limited and has been assigned a grade of 2/5 indicating below average fundamentals. 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 38 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 29, 2010 and March 05, 2010 respectively. For the purposes of this Issue, BSE shall be the Designated Stock Exchange.

#### BOOK RUNNING LEAD MANAGER



**Saffron Capital Advisors Private Limited**  
**SEBI Registration No:** INM000011211  
 204, Vishwananak, Gurunanakwadi, Andheri Ghatkoper Link Road,  
 Chakala, Andheri (East), Mumbai - 400 099  
**Tel No:** +91 22 4082 0906/0903  
**Fax No:** +91 22 4082 0999  
**Website:** www.saffronadvisor.com  
**Email:** aster.ipo@saffronadvisor.com  
**Investor Grievance Id:** investorgrievance@saffronadvisor.com  
**Contact Person:** Mr. Saurabh Vijay

#### REGISTRAR TO THE ISSUE



**Sharepro Services (India) Private Limited**  
**SEBI Registration No:** INR000001476  
 13AB, Samhita Warehousing Complex  
 Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road,  
 Sakinaka, Mumbai - 400 072  
**Tel No:** +91 22 6772 0300/0400  
**Fax No:** +91 22 2859 1568  
**Website:** www.shareproservices.com  
**Email:** aster.ipo@shareproservices.com  
**Contact Person:** Mr. Subhash Dhingreja / Mr. Kumresan V

### ISSUE PROGRAMME

**Bid/Issue Opens on : Thursday, June 24, 2010**

**Bid/Issue Closes on : Monday, June 28, 2010**



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## SECTION I - DEFINITIONS AND ABBREVIATIONS

### CONVENTIONAL/GENERAL TERMS

Term	Description
Act/ Companies Act	The Companies Act, 1956, as amended
Equity Shares	The Equity Shares of face value of Rs. 10 each of Aster Silicates Limited
Indian GAAP	Generally Accepted Accounting Principles in India
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, as amended
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
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 pursuant to this Issue
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted
Applications Supported by Blocked Amount (ASBA)	An application, whether physical or electronic, used by all Bidders to make a Bid authorising an SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Investor/Bidder	Any Bidder in this Issue who intend to Bid/apply through ASBA
ASBA Bid Cum Application Form/ ASBA Form	The form, whether physical or electronic, used by a Bidder to make a Bid through ASBA process, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
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 Limited, ICICI Bank Limited, and Indusind Bank Limited
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue
Bid/ Issue Closing Date	The date after which the Syndicate and SCSBs will not accept any Bids for the Issue, which shall be notified in a widely circulated English and Hindi national newspapers, and a Gujarati language newspaper.
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

<b>Term</b>	<b>Description</b>
	allotment in terms of the Red Herring Prospectus and the Prospectus including the ASBA Bid cum Application Form (if applicable)
Bid/ Issue Opening Date	The date on which the Syndicate and SCSBs 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.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and 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, in terms of which this Issue is being made
Brokers to this Issue	Brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
BRLM/Book Running Lead Manager	Book Running Lead Manager to this Issue, in this case being Saffron Capital Advisors Private Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in accordance with the Book Building Process
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 in this case being Rs. 118
Controlling Branches	Such branches of the SCSBs which coordinate with the BRLM, the Registrar to the Issue and the Stock Exchanges
Cut-off /Cut-off Price	The Issue Price finalized by our Company in consultation with the BRLM, which can be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. No other category of Bidders are entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Forms used by the Bidders applying through ASBA process and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended
Depositories Act	The Depositories Act, 1996, as amended
Depository Participant	A Depository Participant as defined under the Depositories Act, 1996
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account and/or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited (BSE)
Draft Red Herring Prospectus/ DRHP	The Draft Red Herring Prospectus, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue, which is 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
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	Equity shares of our Company of face value of Rs. 10 each unless otherwise

Term	Description
	specified in the context thereof
Escrow Account	An Account opened with Escrow Collection Bank(s) and in whose favour the Bidder (excluding the Bidders applying through ASBA) 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 where applicable, refunds of the amounts collected to the bidders, (excluding the Bidders applying through ASBA)
FII / Foreign Institutional Investors	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form or ASBA Bid cum Application Form or ASBA Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted in this case being Rs. 112
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
Issue	Public Issue of [●] Equity Shares of Rs.10 each at a Price of Rs. [●] per Equity Share for (including a premium of Rs. [●] per Equity Share) cash aggregating upto Rs. 5,310 Lacs ("The Issue"), by Aster Silicates Limited (the "Company" Or the "Issuer"). The Issue will constitute [●]% of the fully diluted Post Issue Paid-up capital of our Company. The Net Issue to Public will constitute [●]% of the fully diluted Post Issue Paid-up capital of our Company.
Issue Management Team	The team managing this Issue as set out in the section 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 Period	The Issue period shall be June 24, 2010 being the Bid/Issue Opening date, to June 28, 2010 being the Bid/Issue Closing date
Issue Proceeds	The proceeds of the Issue that will be available to our Company being upto Rs. 5,310 Lacs
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Mutual Fund Portion	That portion of the Net Issue, being 5% of the QIB Portion or [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only, out of the QIB Portion
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.1,00,000
Non Institutional Portion	The portion of the Net Issue being not less than 15% of the Issue i.e. [●] Equity Shares of Rs.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, 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.
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 112 and the maximum price (Cap Price) of Rs. 118 and includes revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price
Prospectus	The prospectus to be filed with the RoC in terms of Section 60 of the Companies

Term	Description
	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 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"> <li>(i) a mutual fund, venture capital fund and foreign venture capital investor registered with the Board;</li> <li>(ii) a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board;</li> <li>(iii) a public financial institution as defined in section 4A of the Companies Act, 1956;</li> <li>(iv) a scheduled commercial bank;</li> <li>(v) a multilateral and bilateral development financial institution;</li> <li>(vi) a state industrial development corporation;</li> <li>(vii) an insurance company registered with the Insurance Regulatory and Development Authority;</li> <li>(viii) a provident fund with minimum corpus of twenty five crore rupees;</li> <li>(ix) a pension fund with minimum corpus of twenty five crore rupees;</li> <li>(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;</li> <li>(xi) Insurance funds set up and managed by Army, Navy or Air Force of the Union of India</li> </ul>
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 and from which, refunds, if any, (excluding to the ASBA Bidders) shall be made.
Refunds through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS or the ASBA process, as applicable.
Refund Bank	The bank(s) which have been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and / or physical mode in accordance with the procedure contained in the Chapter titled “ <i>Issue Procedure</i> ” beginning on page 173 of the Red Herring Prospectus.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 1,00,000 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 Rs. 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)
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 particular 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, Sharepro Services (India) Private Limited
Revision Form	The form used by the Bidders, excluding Bidders applying through ASBA, to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum



Term	Description
	Application Forms or any previous Revision Form(s)
Self Certified Syndicate Bank (SCSB)	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 <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a>
Stock Exchanges	The BSE and the NSE
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 in this Issue
Syndicate Member(s)/Members of the Syndicate	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member(s) are appointed by the BRLM in this case being Saffron Global Markets Private Limited and <b>Reliance Securities Limited</b>
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
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 Day	All days other than a Sunday or a public holiday (except during the Bid/Issue Period where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

#### ISSUER RELATED TERMS

Term	Description
“Aster Silicates Limited”, “Aster”, “our Company”, “the Company”, “the Issuer Company”, “the Issuer” “we”, “us”, and “our”	Unless the context otherwise requires, refers to Aster Silicates Limited, a public limited company incorporated under the Companies Act.
Articles/ Articles of Association	The Articles of Association of Aster Silicates Limited
Auditors	The Statutory Auditors of our Company namely, M/s. H.B. Patel & Associates, Chartered Accountants.
Board / Board of Directors	The Board of Directors of Aster Silicates Limited unless otherwise specified or any committee constituted thereof
Memorandum/ Memorandum of Association	The Memorandum of Association of Aster Silicates Limited
Objects of the Issue / Project	The present Issue is being made to raise the funds for the following purposes: <ol style="list-style-type: none"> <li>1. Expansion of Manufacturing facilities</li> <li>2. Additional Working Capital Requirements</li> <li>3. Public Issue expenses</li> </ol>
Promoter(s)	Unless the context otherwise requires, refers to <ul style="list-style-type: none"> <li>• Mr. Mahesh Amolakh Maheshwari,</li> <li>• Mrs. Namrata Mahesh Maheshwari</li> </ul>
Promoter Director(s)	Unless the context otherwise requires, refers to Mr. Mahesh Amolakh Maheshwari, Mrs. Namrata Mahesh Maheshwari
Promoter Group Entities/ Group Companies / Associate Companies	Nil

Promoter Group	<u>Promoter</u> <ol style="list-style-type: none"> <li>1. Mr. Mahesh A. Maheshwari</li> <li>2. Mrs. Namrata M. Maheshwari</li> </ol> <u>Promoter Group</u> <ol style="list-style-type: none"> <li>1. Mr. Baldev Maheshwari – brother of Mr. Mahesh A. Maheshwari</li> <li>2. Mrs. Preeti Maheshwari – sister of Mr. Mahesh A. Maheshwari</li> <li>3. Mrs. Asha Maheshwari – sister of Mr. Mahesh A. Maheshwari</li> <li>4. Mr. Cheenmay Maheshwari – son of Mr. Mahesh A. Maheshwari and Mrs. Namrata M. Maheshwari</li> <li>5. Mast. Parthav Maheshwari – son of Mr. Mahesh A. Maheshwari and Mrs. Namrata M. Maheshwari</li> <li>6. Mrs. Sarojben Jaimalani – mother of Mrs. Namrata M. Maheshwari</li> <li>7. Mr. Prabhulal Jaimalani – father of Mrs. Namrata M. Maheshwari</li> <li>8. Mr. Mahesh Jaimalani – brother of Mrs. Namrata M. Maheshwari</li> <li>9. Ms. Madhuben Jaimalani – sister of Mrs. Namrata M. Maheshwari</li> <li>10. Ms. Kalpana Jaimalani – sister of Mrs. Namrata M. Maheshwari</li> <li>11. Ms. Hemakshi Jaimalani – sister of Mrs. Namrata M. Maheshwari</li> </ol>
Registered Office of our Company	A – 602, Fairdeal House, Swastik Char Rasta, Off C G Road, Navrangpura, Ahmedabad - 380009, Gujarat, India.
RoC	Registrar of Companies, Gujarat, Dadra and Nagar Haveli at Ahmedabad

## INDUSTRY RELATED TERMS

Term	Description
<sup>o</sup> C	Centigrade
Co2	Carbon Dioxide
CDM	Clean Development Mechanism
CER	Certified Emission Reductions (CERs) are climate credits (or carbon credits) issued for emission reductions achieved by CDM projects and verified by a Designated Operational Entity under the rules of the Kyoto Protocol
GIDC	Gujarat Industrial Development Corporation
H2O	Water
IT	Information Technology
Km	Kilometre
KVA	Kilo Volt Ampere
LTP III Scheme	Low Tension Power
M <sup>3</sup>	Cubic Metre
MT	Metric Tonnes
Mts.	Metres
MTPD	Metric Tonnes Per Day
Na2O	Sodium Oxide
Na2Co3	Soda Ash
Na2oSio2	Sodium Silicate in Glass Form
Na2oSio2nH2O	Sodium Silicate in liquid form of desired solid content
PVC	Poly Vinyl Chloride
R&D	Research and Development
SSI	Small Scale Industries
SiO2	Silicon Dioxide
Sq. Mtrs.	Square Metres

## 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
Bn	Billion
CAN	Confirmation of Allocation Note
CAGR	Compounded Annual Growth Rate
CB	Controlling Branch
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CESTAT	Central Excise and Services Tax Appellate Tribunal
CIN	Corporate Identification Number
DB	Designated Branch
DGFT	Directorate General of Foreign Trade
DIN	Director's Identification Number
DP	Depository Participant
DP ID	Depository Participant's Identification Number
NECS	National Electronic Clearing System
EGM	Extraordinary General Meeting of the shareholders
EPS	Earnings per Equity Share
FCL	Foreign Currency Loans
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended, and the rules and regulations issued thereunder
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended] registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FIs	Financial Institutions
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
Gol / Government	Government of India
HUF	Hindu Undivided Family
IEM	Industrial Entrepreneur Memorandum
ICAI	Institute of Chartered Accountants of India
ICWAI	The Institute of Cost and Works Accountants of India
INR	Indian National Rupee
IPO	Initial Public Offering
MAPIN	Market Participant and Investor Database
MODVAT	Modified Value Added Tax
MNC's	Multi National Corporations
Mn	Million
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NR	Non-Resident
NRE Account	Non Resident (External) Account
NRI	Non-Resident Indian

<b>Abbreviation</b>	<b>Full Form</b>
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
PPP	Public Private Partnership
RBI	The Reserve Bank of India
RoNW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SCSB	Self Certified Syndicate Bank
SEBI	The Securities and Exchange Board of India
SPV	Special Purpose Vehicle
TAN	Tax Deduction Account Number
TIN	Taxpayers Identification Number
TRS	Transaction Registration Slip
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time
UNFCCC	United Nations Framework Convention on Climate Change
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 as of and for the financial years ended March 31, 2006, 2007, 2008, 2009 and 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, H.B. Patel & Associates, Chartered Accountants, *beginning on page 116 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:

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industry in which we operate;
- Increased competition in industry/sector in which we operate;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans including those for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in other countries that may adversely affect us (directly or indirectly), the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, *please refer Section titled “Risk Factors” beginning on page 11 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” beginning on pages 84 and 137, 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

### 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. 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, financial condition and results of operations and could cause the trading price of our Equity Shares to decline. In addition, the risks set out in the Red Herring Prospectus may not be exhaustive and additional risks and uncertainties, not presently known to us, 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.*

#### **Materiality**

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

- 1. Some risks may not be material individually but may be material when considered collectively.*
  - 2. Some risks may have an impact which is qualitative though not quantitative.*
  - 3. Some risks may not be material at present but may have a material impact in the future.*
- 1. Certain notices have been served upon our Company, its Promoters and Directors under Section 138 and 141 of the Negotiable Instruments Act, 1881 for dishonour of cheques issued by our Company and under Section 433 and 434 of the Companies Act, 1956 in relation to winding up proceedings.**

Our Company and its Promoters and Directors have received statutory notices under Section 138 and 141 of the Negotiable Instruments Act, 1881 and Section 433 and 434 of the Companies Act, 1956. These statutory notices have been served upon us for the dishonour of various cheques and non-payment of certain liabilities as have claimed by these entities. In the event these proceedings are in fact initiated against our Company and its Promoters and Directors and our Company is unable to defend such proceedings and is required to discharge the established liabilities, our Company's financial position may be materially adversely affected.

For further details of the above notices, please refer to the Section titled "Outstanding Litigation and Material Developments" beginning on page on 146 of this Red Herring Prospectus.

- 2. We are involved in certain legal proceedings which, if determined against us, could adversely affect our business and financial condition.**

Our Company along with our promoter Mr. Mahesh A. Maheshwari, is involved in certain legal proceedings and claims in relation to certain criminal and excise matters incidental to its business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us liable and may adversely affect our business and results of operations. A classification of these legal and other proceedings instituted against/by our Company is given in the following table:

Type of legal proceedings	Total number of pending cases	Amount Involved (Rs. in Lacs)
<b>Litigation filed against our Company</b>		

<b>Criminal Proceedings</b>		
- Notice issued under Section 138 (b) read with Section 141 and 142 of the Negotiable Instruments Act, 1881 by Ab&Co Corporate Services Limited	01	17.00
- Criminal Complaints under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad filed by GAIL	06	4.68
- Notice issued by Tri-Way Consultants Private Limited for dishonour of cheques.	01	15.00
- Notices issued under Section 138 of the Negotiable Instruments Act, 1881 by Tulsi Dyechem Private Limited for dishonour of cheques	06	47.37
- Notices issued under Section 138 of the Negotiable Instruments Act, 1881 by Metrochem Industries Limited for dishonour of cheques	04	25.96
- Notice issued under Section 138 of the Negotiable Instruments Act, 1881 by M/s Shaily Dyes & Intermediates for dishonour of cheques	01	5.32
<b>Winding up Notices</b>		
- Notice issued under Section 433 and 434 of the Companies Act, 1956 by Tulsi Dyechem Private Limited	01	55.41
- Notice issued under Section 433 and 434 of the Companies Act, 1956 by Metrochem Industries Limited	01	17.96
<b>Direct &amp; Indirect Tax Proceedings</b>		
- Appeal preferred before the Deputy Commissioner (Appeal) against the order dated December 24, 2009 passed by the Assessing Officer for the A.Y. 2007-2008.	01	10.21
- Appeal preferred before the Income Tax Appellate Tribunal, Ahmedabad against the order dated March 16, 2010 passed by the Commissioner of Income Tax, Ahmedabad-I for the A.Y. 2005-2006	01	Not Ascertainable
<b>Notice under Section 221</b>		
- Notice issued under Section 221 of the Income Tax Act, 1961 for the A.Y.2009-2010	01	44.03
<b>Excise Proceedings</b>		
- Appeal preferred before the Commissioner (Appeals), Central Excise and Customs, Surat against the order dated October 23, 2009 passed by the Deputy Commissioner, Central Excise & Customs, Division-II, Ankleshwar.	01	21.05
<b>Appeal against Director General of Foreign Trade</b>		
- Appeal preferred against the order dated January 25, 2010 passed by the Jt. Director General of Foreign Trade, Ahmedabad.	01	107.72
<b><i>Litigation filed by our Company</i></b>		
<b>Arbitration proceedings</b>		
- Arbitration proceedings against Gas Authority of India Limited for shortage in supply of gas under	01	371.07



a contract dated September 6, 1996 executed with GAIL.		
<b><i>Litigation filed against our Promoters and Directors</i></b>		
<b>Criminal Proceedings</b>		
- Notice issued under Section 138 (b) read with Section 141 and 142 of the Negotiable Instruments Act, 1881 by Ab&Co Corporate Services Limited	01	17.00
- Criminal Complaints under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad filed by GAIL	06	4.68
- Notices issued under Section 138 of the Negotiable Instruments Act, 1881 by Tulsi Dyechem Private Limited for dishonour of cheques	06	47.37
- Notices issued under Section 138 of the Negotiable Instruments Act, 1881 by Metrochem Industries Limited for dishonour of cheques	04	25.96
- Notice issued under Section 138 of the Negotiable Instruments Act, 1881 by M/s Shaily Dyes & Intermediates for dishonour of cheques	01	5.32
<b>Excise proceedings</b>		
- Appeal preferred before the Commissioner (Appeals), Central Excise and Customs, Surat against the order dated October 23, 2009 passed by the Deputy Commissioner, Central Excise & Customs, Division-II, Ankleshwar.	01	21.05

*For further details regarding these legal proceedings, please refer to Chapter titled "Outstanding Litigations, Material Developments and Other Disclosures" beginning on page 146 of the Red Herring Prospectus.*

**3. A decree has been passed by the Ahmedabad City Civil Court in the suit filed by Nirma Limited against Gujarat Chromium Chemicals Private Limited ("Gujarat Chromium"), one of the companies which our Promoters, Mr. Mahesh Maheshwari and Mrs. Namrata Maheshwari had promoted and were also the directors of this Company till 2005.**

Nirma Limited ("Nirma") had filed a recovery suit before the City Civil Court, Ahmedabad bearing suit No.4415/2001 in the year 2001 against Gujarat Chromium Chemicals Private Limited (formerly known as Arbuda Sil-Chem Private Limited\*) ("Gujarat Chromium") in relation to its failure to pay an amount of Rs.18,52,379/- to Nirma. The City Civil Court, Ahmedabad passed a decree dated December 14, 2006 in favour of Nirma for an amount of Rs. 18,60,210.05 along with interest @ 9% p.a. from the date of filing the suit. Our Promoter, Mr. Mahesh Maheshwari, was a director when the default was made by Gujarat Chromium in discharging the liability of Nirma and was also a signatory to the cheques issued by Gujarat Chromium, which later were dishonored leading to the above suit. Our Promoters, Mr. Mahesh Maheshwari and Ms. Namrata Maheshwari have disassociated themselves from Gujarat Chromium in the year 2005.

For further details of the litigation, please refer to the Section titled "Outstanding Litigation and Material Developments" beginning on page on 146 of this Red Herring Prospectus.

Our Promoters had promoted Arbuda Sil-chem Private Limited (ASPL) on January 8, 1990 under the Companies Act, 1956 and having its registered office at 1/B, Gitanjali Society, Gordhanwadi Tekra, Kankaria, Maninagar, Ahmedabad. The name of ASPL was changed to Gujarat Chromium Chemicals Private Limited (Gujarat Chromium) on September 23, 1999.

Another company by the name of Gujarat Chromium Chemicals Private Limited (GCCPL) was promoted by the (Late) Mr. Amolakhdas Sevaram Sharda, father of Mr. Mahesh Maheshwari incorporated on June 03, 1981 with its registered office at 11/2/1, GIDC Estate, Kadi, District Mehsana, Gujarat. GCCPL was renamed as Gujarat Sil-chem Private Limited (GSPL) on September 10, 1999. Neither Mr. Mahesh Maheshwari, nor Mrs. Namrata Maheshwari are/were directors/promoters of GSPL. The (Late) Mr. Amolakhdas Sevaram Sharda resigned as a director of GSPL in the year 2001 and subsequently in 2003 had sold off all his family's shareholding in GSPL, and none of them are associated with GSPL in any manner since then.

## **PROJECT RELATED RISKS**

- 4. *The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution and actual cost may exceed our estimated amount.***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. The deployment of funds in the project is entirely at our discretion and as per the details mentioned in the section titled "Objects of the Issue" beginning on page 55 of the Red Herring Prospectus. We may have to revise our management estimates from time to time and consequently our funding requirements may also change. Our estimates for the project may exceed the value that would have been determined by third party appraisals and may require us to reschedule our project expenditure which may have a bearing on our expected revenues and earnings. Further, the deployment of the funds towards the objects of the Issue is entirely at the discretion of our Board of Directors and is not subject to monitoring by external independent agency. However, the deployment of funds is subject to monitoring by our audit committee.

- 5. *We have not yet placed orders for Plant and Machinery aggregating Rs. 744.99 Lacs required by us. Any delay in placing the orders/ or supply of plant and machinery may result in time and cost overruns, and may affect our profitability.***

We propose to acquire plant and machinery aggregating Rs. 3,665.99 Lacs for our proposed project. The expenditure on the plant and machinery is approximately 69.04% of the Issue Proceeds. We have not yet placed orders for plant and machinery aggregating 744.99 Lacs required by us which constitutes 20.32% of the total plant and machinery required. Further, we are subject to risks on account of inflation in the price of plant and machinery. Our Company has received quotations for these machineries, and negotiations with the vendors have commenced. The details of quotations received appear in *paragraph titled "Plant and Machinery" beginning on page 57 under the Section titled 'Objects of the Issue' beginning on page 55 of the Red Herring Prospectus*. Since the funding for the plant and machinery 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 machinery, which in turn may delay the implementation of our project.

- 6. *We have not made firm arrangements for funding of balance working capital requirement from Banks. The failure to obtain additional financing may adversely affect our ability to grow and our future profitability.***

Additional working capital requirement has been estimated at Rs. 2661.82 Lacs for FY 2011, of which Rs. 750 lacs would be funded out of the Issue Proceeds, whereas the balance amount i.e. Rs. 1,911.82 lacs would be arranged by way of borrowings from Banks. However, as on date no arrangement for the same has been finalized by our Company. We cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew existing funding or to obtain additional financing on acceptable terms and in a timely manner could materially and adversely impact our planned capital expenditure, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

**7. Our new Project is dependent on performance of external agencies and non performance by them may lead to delay in project implementation and may effect our business and profitability.**

Our new Project is dependent on performance of external agencies viz. civil contractor, the suppliers of machinery, natural gas suppliers as detailed under the section titled "Objects of the Issue" beginning on page 55 of the Red Herring Prospectus, who are responsible for construction of buildings, installation and commissioning of plant & machinery, supply & testing of equipments and supply of natural gas etc. We cannot assure that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements with respect to timeline and quality of performance, we may be required to replace these external agencies, which could result in incremental cost and time overruns of the Project, and in turn could adversely affect our business operations and profitability.

**INTERNAL RISKS**

**8. Our Company has a negative cash flow in the past 5 years, details of which are given below. Sustained negative cash flow could impact our growth and business.**

(Rs. in Lacs)					
Particulars	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Cash flow from operating activities		-14.94	-107.99	-112.02	
Cash flow from investing activities	-81.88	-156.62	-709.73	-624.45	-924.61

The cash flow from operating activities was negative in the FY 2007, 2008 and 2009 due to increase in debtors, commensurate with the increase in turnover. However, there was no corresponding proportionate increase in the working capital from banks and we have been utilising our own funds (i.e. equity infusion as well as unsecured loans) for working capital purposes. However we were able to generate positive cash flow from operating activities during FY 2009-10 due to proper inventory management and increase in current liabilities and provisions.

Cash flow from investing activities has been negative for all the years due to continuous investment by our Company in the fixed assets for the purpose of its expansion plans.

Cash flow of a company is a key indicator to show the extent of cash generated from operations to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations.

**9. We have certain contingent liabilities, which have not been provided for. Crystallization of any of these contingent liabilities may adversely affect our financial condition.**

The Contingent liabilities for the year ended March 31, 2010 of our Company not provided for, as certified by our statutory auditors are as under:

Particulars	Rs. in Lacs
Bank Guarantee	7.00
Disputed Excise Duty	1.74
Disputed Custom Duty	107.72

In the event any of these contingent liabilities gets crystallized, our financial condition may be adversely affected. *For further information please refer "Annexure 19" beginning on page 135 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 116 of the Red Herring Prospectus.*

**10. We have issued Equity Shares in the last twelve months, the price of which may be lower than the Issue Price.**

Our Company has issued following Equity Shares in last one year:

Date of Issue	Name of the Persons	No. of Shares	Issue Price (Rs.)	Whether Part of Promoter Group
30.09.2009	Mr. Mahesh A. Maheshwari	17,04,600	10	Yes
	Mrs. Namrata M. Maheshwari	6,85,400	10	Yes
	Yash Corporation	6,10,000	10	No
	<b>Sub-total</b>	<b>30,00,000</b>		
09.12.2009	Mr. Mahesh A. Maheshwari	1,00,000	90	Yes
	Mrs. Namrata M. Maheshwari	2,61,111	90	Yes
	<b>Sub-total</b>	<b>3,61,111</b>		

The price at which the above equity shares are issued may be less than the Issue Price. The price at which the Equity Shares were being issued in last twelve months is not indicative of the price which may be offered in this Issue. *For further details of Equity Shares issued, please refer to Chapter titled, 'Capital Structure' beginning on page 43 of the Red Herring Prospectus.*

**11. Our Company operates under several statutory and regulatory permits, licenses and approvals. Our failure to obtain and/or renew any approvals or licenses in future may have an adverse impact on our business operations.**

Our Company requires several statutory and regulatory permits, licenses and approvals to operate the business. Many of these approvals are granted for fixed periods of time and need renewal from time to time. Our Company is required to renew such permits, licenses and approvals. Following are the approvals for which our Company has applied for renewal and are pending renewal:

- 1) The Company has made an application dated December 15, 2009 before the relevant regulatory authorities for renewal of the factory license for its Kheda Unit.
- 2) The Company has made an application dated December 10, 2009 before the relevant regulatory authorities for renewal of the factory license for its Bharuch Unit.

Further for our proposed project following approvals are required applications for which shall be made in due course of time:

- 1) To the Secretariat of Industrial Approvals, Ministry of Industry, Government of India for additional capacity of 300 MT per day of sodium silicate in glass form.
- 2) Application for factory license and approvals from local authorities for civil construction for the expansion of the capacity at the existing plant.
- 3) Environmental clearances from the state pollution control board.

There can be no assurance that the relevant authorities will issue any of such permits or approvals in time or at all. Further, these permits, licenses and approvals are subject to several conditions, and our Company cannot assure that it shall be able to continuously meet such conditions or be able to prove compliance with such conditions to statutory authorities, and this may lead to cancellation, revocation or suspension of relevant permits/ licenses/ approvals. Failure by our Company to renew, maintain or obtain the required permits, licenses or approvals, or cancellation, suspension or revocation of any of the permits, licenses or approvals which may result in the interruption of our Company's operations and may have a material adverse effect on the business.

*For details please refer to Chapter titled "Government and Other Statutory Approvals" beginning on page 153 of the Red Herring Prospectus.*

**12. We have entered into related party transactions aggregating Rs. 629.56 Lacs for the year ended March 31, 2010. Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on our Company.**

Our Company has entered into certain Related Party Transactions with our promoters. The total amount of related party transactions as on March 31, 2010 aggregated to Rs. 629.56 Lacs. The details of the same are as under:

		(Rs. Lacs)
<b>Particulars</b>		<b>31.03.10</b>
<b>Name of the Party</b>		
<b><u>MAHESH A. MAHESWARI</u></b>		
Salary		12.00
Loan to Company		2.03
Equity Share Capital		270.46
<b><u>NAMRATA MAHESWARI</u></b>		
Salary		12.00
Loan to Company		3.42
Equity share capital		329.65

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 our operations. For further information please refer "Annexure 18" beginning on page 135 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 116 of the Red Herring Prospectus.

**13. Our registered office, from where we operate, is taken on leave and licence. Discontinuation of leave and licence agreements may require us to vacate our registered office, which may temporarily disrupt our activities and have an adverse impact on our business operations and profitability.**

The premises on which our registered office is situated is on leave and license basis for a period of eleven months and twenty nine days. In the event the landlord does not renew our lease period or decides to terminate the lease, we will have to shift our registered office to some other location

which may temporarily impact our administrative functions. *For further information please refer paragraph titled "Property" beginning on page 92 under Chapter titled "Business Overview" beginning on page 84 of the Red Herring Prospectus.*

**14. *Our Company did not comply with Section 383A of the Companies Act, 1956, regarding the appointment of whole time company secretary. Such non-compliances may result into penalties or other action on our Company by the statutory authorities.***

Our Company did not comply with Section 383(A) of the Companies Act, 1956 regarding the appointment of wholetime Company Secretary for the year ended March 31, 2008 and March 31, 2009. No action has been initiated or taken by any statutory authority for the above non compliance till date. Further, our Company has appointed Mr. Janak B. Patel on December 01, 2009 as a full time Company Secretary.

**15. *Our Company has entered into a CDM Emission Reduction Purchase Agreement with a German company for the sale of CER's which is subject to successful due diligence by the German Company.***

Our Company has executed a CDM Emission Reduction Purchase Agreement ("**Agreement**") with a public company existing under the laws of Germany ("**German Company**") wherein our Company after obtaining requisite approvals shall undertake project approved to generate CER's and German Company shall buy these CER's in accordance with the pricing terms and delivery schedule as specified in the Agreement.

The agreement is subject to the satisfactory conclusion of due diligence by German Company. The Project is currently under final validation process and subsequent to the approval from DOE, the same will be sent for UNFCCC for registration by the German company. The agreement also grants a Right of First Refusal (ROFR) to German Company under which, after the year 2012, in case we are unable to provide CERs to German Company under equal conditions as being offered to third parties, we shall be liable to penalty of € 1,00,000. For further details please refer to the paragraph titled "Other Agreements" under chapter titled "History and Other Corporate Matters" beginning on page 97 of the Red Herring Prospectus.

**16. *Our Company has availed unsecured loans, which are repayable on demand. Any demand from lenders for repayment of such unsecured loans, may adversely affect our business operations and financial condition.***

As per our financial statements, as on March 31, 2010, we have unsecured loan of Rs. 177.05 Lacs which is repayable on demand. Out of this outstanding unsecured loan Rs. 5.45 is from promoters and Rs. 168.60 Lacs is from others. For further details of these unsecured loans, please refer to Auditors' Report beginning on page 116 of the Red Herring Prospectus. Further, our Company has availed 714.96 Lacs in the current financial year (2010-2011) as unsecured loans for ongoing deployment towards objects of the issue. For further details of these unsecured loans, please refer to section titled "Objects of the Issue" beginning on page 55 of the Red Herring Prospectus. Any demand from lenders for repayment of such unsecured loans, the consequential cash outgo may adversely affect our business operations.

**17. *Our top five clients contribute approximately 83.08% of our sales for FY 2010. Any loss of business from one or more of them may adversely affect our revenues and profitability.***

Our top 3 customers contributed approximately 60.95% of our sales for the year ended March 31, 2010 and our top five customers contributed approximately 83.08% of our sales for FY 2010. Any decline in our quality standards and growing competition and any change in the demand for our product by these customers may adversely impair our ability to retain these customers. The loss of our major customers or a decrease in the volume of products sourced from us may adversely

affect our revenues and profitability. We cannot assure you that we shall generate the same quantum of business, or any business at all, from these customers, and loss of business from one or more of them may adversely affect our operations and profitability.

**18. Our top five suppliers contribute approximately 98.83% of our purchases for FY 2010. Any loss of supply for any reason from one or more of them may adversely affect our operations, revenues and profitability.**

Our top 3 suppliers contributed approximately 96.74% of our purchases for the year ended March 31, 2010 and our top 5 suppliers contributed approximately 98.83% of our purchases for FY 2010. Any problems faced by our suppliers in their manufacturing facilities resulting in delays or non-adherence to quality requirements could adversely impact our ability to meet our customer's requirements in time and our operations would be affected to the extent we are unable to line up supplies from alternate suppliers.

**19. Our Company does not have any long term contracts with its customers. Any significant variation in the demand may adversely affect the operations and profitability of our Company.**

Our Company sells its products based on the purchase orders placed by its customers. The demand for Sodium Silicate manufactured by our Company is dependant on customers' requirements, which further depends on market conditions and competition. Our Company does not have any long term arrangements with its customers. Any significant variation in the demand may adversely affect the operations and profitability of our Company.

**20. Any defects in our products could make our Company liable for customer claims, which in turn could affect our Company's results of operations.**

Our Company is bound by the terms and conditions as stated in the purchase order placed by its customers. There are no specific regulations governing the supply of the same, other than the general law of contracts. Any claims made by these customers for defects in the products, would be subject to these terms and conditions, which are in the nature of normal contractual obligations in India. Any violation of these obligations could impact our Company's results of operations.

**21. Any adverse events in the industry to which the products of our Company cater to, especially the FMCG sector, could have a material impact on the performance of our Company.**

The products manufactured by our Company find application in FMCG products and other industrial applications. Any change in demand, product specification or other adverse event pertaining to the industry may adversely affect the performance of our Company.

**22. Mishaps or accidents in the manufacturing facilities could result in a loss or shutdown of operations and could also cause damage to life and property.**

Both the manufacturing facilities of our Company are subject to operating risks, including but not limited to, breakdown or accidents & mishaps. Any consequential losses arising due to such events will affect the operations and financial condition.

**23. 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.**

Till date our Company has not paid any dividends. 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.

***24. Any disruption affecting the production facilities could have a material adverse effect on our Company's business, financial position and results of operations.***

Any significant interruption to the operations as a result of industrial accidents, severe weather or other natural disasters could materially and adversely affect our Company's business, financial condition and results of operations. There can be no assurance that such events may not occur and that if they do occur, the production would not be materially and adversely impacted. Our Company is also subject to mechanical failure and equipment shutdowns. In the event that our Company is forced to shut down any of its production facilities for a significant period of time, it would have a material adverse effect on its earnings, other results of operations and its financial condition as a whole.

***25. Our success depends largely upon the services of our Promoters and other key managerial personnel and our ability to retain them. Our inability to attract and retain key managerial personnel may adversely affect the operations of our Company.***

Our Company and our Promoters have over the years built relations with suppliers, customers and other persons who are connected with us. Further, most of the key managerial personal of our Company have been known to and working with our Company for many years. Accordingly, our Company's performance is dependent upon the services of our Promoters and other key managerial personnel. Our future performance will depend upon the continued services of these persons. Demand for key managerial personnel in the industry is intense and our inability to attract and retain key managerial personnel may affect the operations of our Company.

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

We may be subject to working capital shortages due to delays or defaults in payment by clients. In case our customers default/delay in their payment obligations to us, for which we have devoted significant resources, 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.

***27. Mishaps or accidents could result in a loss or slowdown in operations and could also cause damage to life and property.***

The services provided by our Company are subject to operating risks, including but not limited to, breakdown or accidents & mishaps. While, till date, there have not been any incidents involving mishaps or major accidents, we cannot assure that these may not occur in the future. Any consequential losses arising due to such events will affect our operations and financial condition.

***28. Insurance cover available for certain risks as is customary in our business may be inadequate and may not protect us from entire liability for damages in case of any unforeseen adverse event.***

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions and/or insurance, the indemnities set forth in our contracts and/ or our insurance may not be enforceable in all instances or the limitations of liability may not protect us from entire liability for damages. A successful assertion of one or more



large claims against us could adversely affect the results of our operations. Our Company has availed insurance from ICICI Lombard General Insurance which consists of coverage for risks relating to building, Machinery & Accessories, Stocks including a fire and earthquake cover for its manufacturing units at Bharuch and Kheda from where the Company operates. The insurance policies availed by our Company have not been hypothecated to any of our Lenders from whom our Company has availed financial assistance.

We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate. Our Company has availed insurance to the extent of Rs. 4,760 Lacs and is paying a premium of Rs. 1.32 Lacs annually for the insurance policy availed by our Company. We have not claimed any losses against our insurance policy cover. There are various other types of risks and losses for which we are not insured, such as loss of business and environmental liabilities, because they are either uninsurable or not insurable on commercially acceptable terms. We also do not carry any key-man insurance. Should an uninsured loss or a loss in excess of insured limits occur, or our insurers decline to fully compensate us for our losses, we could incur liabilities, lose capital invested in that property or lose the anticipated future income derived from that business or property, while remaining obligated for any indebtedness or other financial obligations related to our business. Any such loss could result in an adverse effect to our financial condition.

***29. Covenants with institutional lenders may restrict our operations and expansion ability, which may affect our business and results of operations and financial condition.***

As per our current financing arrangements with our lenders, we are subject to certain restrictive covenants which require us to obtain the prior consent of the respective lenders before undertaking certain actions such as:

- i. effect any change in the capital structure
- ii. formulate any scheme of amalgamation or reconstruction.
- iii. implement any scheme of expansion or acquire fixed assets.
- iv. make investments/ advances or deposit amounts with any other concern.
- v. enter into borrowing arrangements with any bank/FI/company.
- vi. undertake guarantee obligations on behalf of any other company, except in the ordinary course of its business.
- vii. declare dividends for any year except out of profits relating to that year unless our Company has paid the outstanding instalments of interest and the principal
- viii. formulate any scheme for expansion/diversification.
- ix. Assign, sell or transfer any of its brands/goodwill/logos etc.

In the event that such lenders, in the future decline to consent or delay in granting the consent to our plans of expansion/modernization/diversification of our business, such declination or delay as the case may be may have adverse bearing on our future growth plan. For further details about the facilities availed by us from our lenders (SICOM Limited and SIDBI), please refer to Annexure 13 on page 132 under the chapter "Auditors' Report And Financial Information Of Our Company" beginning on page 116 of the Red Herring Prospectus.

## **EXTERNAL RISK FACTORS**

***30. Global economic, political and social conditions may harm our ability to do business, increase our costs 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 consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

**31. *Global recession and market conditions could cause our business to suffer.***

The developed economies of the world viz. U.S., Europe, Japan and others are in midst of recovering from recession which is affecting the economic condition and markets of not only these economies but also the economies of the emerging markets like Brazil, Russia, India and China. General business and consumer sentiment has been adversely affected due to the global slowdown and there cannot be assurance, whether these developed economies will see good economic growth in the near future. Consequently, this has also affected the global stock and commodity markets.

**32. *Any disruption in the supply of power, IT infrastructure, telecom lines and disruption in internet connectivity could disrupt our business process or subject us to additional costs.***

Any disruption in basic infrastructure or the failure of the Government to improve the existing infrastructure facilities 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, IT infrastructure, internet connectivity or 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.

**33. *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.

**34. *Outbreak of contagious diseases in India may have a negative impact on the Indian industry.***

Recently, there have been threats of epidemics, including the H1N1 virus that causes "swine flu" and which the World Health Organization has declared a pandemic, in the Asia Pacific region, including India, and in other parts of the world. If any of our people are suspected of having contracted any of these infectious diseases, we may be required to quarantine such people or the affected areas of our facilities and temporarily suspend part or all of our operations which would have a material adverse effect on our business, prospects, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**35. *Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.***

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

**36. *The price of our Equity Shares may be highly volatile, or an active trading market for its Equity Shares may not develop.***

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

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

**37. *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 sale 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 Chapter titled "Basis for Issue Price" beginning on page 65 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.

**38. *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.***

Our Equity Shares will be listed on the BSE and the NSE. 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 twelve working days from the Bid/Issue closure date. We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict your ability to dispose of your Equity Shares.

**Prominent Notes:**

1. Investors may contact the BRLM or the Compliance officer for any complaint/clarification/information pertaining to the issue. *For contact details of the BRLM and the Compliance Officer, please refer to Chapter titled "General Information" beginning on page 33 of the Red Herring Prospectus.*
2. Pre-Issue Net worth of our Company as on March 31, 2009 is Rs. 1,067.90 lacs and as at March 31, 2010 is Rs. 2,025.51 lacs.
3. Size of the Present Issue – Public Issue of [●] Equity Shares of Rs.10 each at a Price of Rs. [●] per Equity Share for (including a premium of Rs. [●] per Equity Share) cash aggregating upto Rs. 5,310.00 Lacs ("The Issue"), by Aster Silicates Limited (the "Company" or the "Issuer"). The Issue will constitute [●]% of the fully diluted Post Issue Paid-up capital of our Company. The Net Issue to Public will constitute [●]% of the fully diluted Post Issue Paid-up capital of our Company.
4. The average cost of acquisition of Equity Shares of our Promoters is given below:

Sr. No	Name of our Promoters	Average cost of acquisition of shares (Rs.)
1.	Mr. Mahesh A. Maheshwari	11.06
2.	Mrs. Namrata M. Maheshwari	26.91

*For further details relating to the allotment of Equity Shares to our Promoter's, please refer to the Chapter titled "Capital Structure" beginning on page 43 of the Red Herring Prospectus.*

5. Our Company has not issued any Equity Shares for consideration other than cash.
6. Book value of the Equity Shares of our Company as on March 31, 2009 is Rs. 15.26 per Equity Share and as on March 31, 2010 is Rs. 23.53 per Equity Share.
7. Our Company does not have any group companies or subsidiaries and consequently, they do not have any business interests with our Company.
8. In continuation of the preceding point, there are no transactions by our Company has entered with any group companies or subsidiaries.
9. No part of the Issue proceeds will be paid as consideration to Promoters, Directors, Key Managerial Personnel or persons forming part of Promoter Group.
10. For details of liens and hypothecation on the movable and immovable properties and assets of our Company *please refer "Annexure 13" beginning on page 132 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 116 of the Red Herring Prospectus.*
11. The contingent liabilities as on March 31, 2010 are as follows:

Particulars	Rs. in Lacs
Bank Guarantee	7.00
Disputed Excise Duty	1.74
Disputed Custom Duty	107.72

12. Our Company and the BRLM shall update the Red Herring Prospectus in accordance with the Companies Act, 1956. All information shall be made available by our Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, at bidding centres etc.
13. Trading in Equity Shares for all investors shall be in dematerialized form only.
14. There are no financing arrangements whereby persons forming part of the Promoter Group, the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company during the period of six months immediately preceding the date of filing Red Herring Prospectus with the Board.
15. This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved 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.
16. Under-subscription, if any, in the Retail Individual Investors, Non-institutional Investor or QIB Portion would be allowed to be met with spill-over from any other category at the sole discretion of our Company in consultation with BRLM.
17. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders and shall be on a proportionate basis, in consultation with BSE, the Designated Stock Exchange.
18. Our Company was originally incorporated as Arbuda Steel Private Limited on August 27, 1996 under the Companies Act, 1956 *vide* Certificate of Incorporation bearing registration number 04 – 30581 of 1996 - 1997 issued by the Registrar of Companies, Dadra and Nagar Haveli, Gujarat. The name of our Company was changed to Aster Silicates Private Limited *vide* fresh Certificate of Incorporation dated April 13, 2006. Our Company was converted into a public limited company *vide* fresh Certificate of Incorporation dated December 4, 2009 and consequently the name of our Company was changed to its present name “Aster Silicates Limited”.

## **SECTION IV - INTRODUCTION**

### **SUMMARY**

*You should read the following summary together with the risk factors and the more detailed information about us and our financial data included in the Red Herring Prospectus. Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, please refer to Chapter titled "Forward Looking Statements" and "Presentation of Financial Information and Use of Market Data" beginning on page 10 & 9 respectively of the Red Herring Prospectus.*

### **SUMMARY ABOUT THE INDUSTRY**

#### **GLOBAL CHEMICAL INDUSTRY**

The global chemical industry, estimated at US\$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, the chemicals industry has still grown at a rate higher than the overall-manufacturing segment.

As per industry reports the pharmaceutical segment contributes approximately 26% of the total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approx. size of \$ 750 billion while the specialty and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approx. half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

#### **INDIAN CHEMICAL INDUSTRY**

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

The chemical industry includes basic chemicals and its products, petrochemicals, fertilizers, paints and varnishes, gases, soaps, perfumes and toiletries and pharmaceuticals and is one of the most diversified of all industrial sectors covering thousands of commercial products. Its contribution to the GDP of the country is around 3 per cent.

The Indian Chemicals Industry comprises both small and large-scale units. The fiscal concessions granted to the small sector in mid-eighties led to the establishment of a large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian Chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, brand building and environmental friendliness, this industry is increasingly moving towards greater customer orientation. Even though India enjoys an abundant supply of

basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.

*(Source: Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals, Annual Report 2008-09)*

The chemical industry is an important constituent of the Indian economy with an estimated turnover at around US\$ 35 billion, constituting 1.5% of the global chemical industry estimated at US\$ 2400 billion.

### **FDI in Chemical Industry**

In the Chemical Sector, 100 percent FDI is permissible. Manufacture of most chemical products inter-alia covering organic/ inorganic, dyestuffs and Pesticides is delicensed. The entrepreneurs need to submit only IEM with the Department of Industrial Policy and Promotion, provided no locational angle is applicable. Only the following items are covered in the compulsory licensing list because of their hazardous nature:

- Hydrocyanic acid and its derivatives
- Phosgene and its derivatives
- Isocyanates and di-isocyanates of hydrocarbons

### **SODIUM SILICATE**

Sodium silicate is the common name for a compound sodium metasilicate, also known as water glass or liquid glass. It is available both in aqueous solution and in solid glass form.

Sodium Silicate is used in the following:

- Adhesives and Cements
- Detergent and Soaps
- Gels, Catalysts and Zeolites
- Foundry
- Soil Stabilisation
- Silica Sols and Water Treatment
- Coatings

## **SUMMARY ABOUT OUR COMPANY'S BUSINESS**

Our Company is engaged in the business of manufacturing of sodium silicate which includes food grade sodium silicate, special drilling grade silicate and detergent grade silicate. We produce sodium silicate both in glass and liquid form. Food grade sodium silicate is used in the manufacturing of Silica precipitate and Gel which finds its applications in toothpaste, salt, cosmetics, glucose powder, tyre & rubber and pesticides etc. Sodium silicate, (special drilling grade silicate) is also used in off-shore drilling and for reactivation of old oil and gas fields. The sodium silicate manufactured by us is also used in water-proofing, infoundries and for investment casting, paper, silica gel, textiles and detergents.

Currently, we operate from two (2) manufacturing units in Gujarat having an aggregate installed capacity of 150 MT of glass/day. Unit I has three furnaces with an average combined capacity of 100 MT of glass/day. All the three furnaces are triple pass regenerative and recuperative end fired glass furnace with multiple fuel arrangement, capable of using bio gas, coal and also natural gas. Unit II has a single furnace with a capacity of 50 MT of glass/day, which is also triple pass regenerative and recuperative end fired glass furnace.

### **Our Competitive Strengths**

- Sound understanding in this line of business
- Professional management team
- Location and Cost Benefits
- Flexibility to adopt technology
- Focus on long term revenue stream

### **Our Business Strategy**

- Maintain long-term relations with clients
- Technological investment
- Reduce operational costs and increase cost competitiveness



## BRIEF DETAILS OF THE ISSUE

<b>Equity Shares offered:</b> Fresh Issue by our Company	[•] Equity Shares of face value of Rs.10 each aggregating upto Rs. 5,310.00 Lacs
<b>Issue Price</b>	Rs. [•] per Equity Share
<b>Net Issue to the Public</b>	[•] Equity Shares of face value of Rs.10 each aggregating upto Rs.5,310.00 Lacs
<u>Of which:</u>	
(A) Qualified Institutional Buyers portion (QIBs)	[•] Equity Shares of face value of Rs. 10 each constituting not more than 50% of the Net Issue to the Public (Allocation on a proportionate basis)  Of the above [•] Equity Shares, [•] Equity Shares shall be available for allocation to Mutual Funds  The balance [•] Equity Shares shall be available to all QIBs, including Mutual Funds
(B) Non-Institutional Portion	[•] Equity Shares of face value of Rs 10 each constituting not less than 15% of the Net Issue to the Public (Allocation on a proportionate basis)
(C) Retail Portion	[•] Equity Shares of face value of Rs 10 each constituting not less than 35% of the Net Issue to the Public (Allocation on a proportionate basis)
<b>Note:</b> Under-subscription, if any, in any of the categories would be allowed to be met with spill over from the other categories, at the sole discretion of our Company and the BRLM.	
<b>Equity Shares outstanding prior to the Issue</b>	1,03,61,111 Equity Shares of face value of Rs.10 each
<b>Equity Shares outstanding after the Issue</b>	[•] Equity Shares of face value of Rs.10 each
<b>Use of Issue proceeds</b>	<i>Please refer to the Section titled "Objects of the Issue" beginning on page 55 of the Red Herring Prospectus for additional information.</i>

## SUMMARY OF FINANCIAL INFORMATION

The following summary of financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009 and restated as described in the Auditor's Report of our statutory auditor's H B Patel & Associates, Chartered Accountants dated May 28, 2010 in the section titled 'Financial Information'. You should read this financial data in conjunction with our financial statements for each of Financial Years 2006, 2007, 2008, 2009 and 2010 including the notes thereto and the reports thereon, which appears under the *Section titled "Financial Information" and Chapter titled "Management's Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements" beginning on pages 116 and 137 of the Red Herring Prospectus.*

### Summary statement of Assets & Liabilities, as restated

(Rs. in Lacs)

Sr. No.	Particulars	As at March 31				
		2006	2007	2008	2009	2010
<b>A.</b>	<b>Fixed Assets</b>					
	Gross block	415.65	572.27	1282	2398.47	2393.68
	Less: Depreciation	114.1	140.11	173.68	229.88	395.72
	Total	301.55	432.16	1108.32	2168.59	1997.96
	Less: Revaluation Reserve	0	0	0	492.01	492.01
	NET BLOCK	301.55	432.16	1108.32	1676.58	1505.95
	CAPITAL Work -in-Progress	0	0	0	0	929.4
	<b>TOTAL - FIXED ASSETS (A)</b>	<b>301.55</b>	<b>432.16</b>	<b>1108.32</b>	<b>1676.58</b>	<b>2435.35</b>
<b>B.</b>	<b>Investments (B)</b>	0	0	0	0	0
<b>C.</b>	<b>Current assets, loans and advances:</b>					
	Inventories	0	117.16	235.5	353.37	278.53
	Receivables	99.51	163.45	174.22	678.13	1718.48
	Cash and bank balances	26.04	39.16	4.29	8.01	45.6
	Loans and advances	52.29	94.92	130.66	201.33	121.53
	Other Current Assets	0	0	30.46	0	0
	<b>Total (C)</b>	<b>177.84</b>	<b>414.69</b>	<b>575.13</b>	<b>1240.84</b>	<b>2164.14</b>
	<b>Total assets (A + B + C)</b>	<b>479.39</b>	<b>846.85</b>	<b>1683.45</b>	<b>2917.42</b>	<b>4599.49</b>
<b>D.</b>	<b>Liabilities and provisions</b>					
	Secured loans	122.12	246.23	785.81	1181.82	1277.2
	Unsecured loans	36.03	26.6	2	0	174.05
	Deferred Tax Liability	45.12	76.74	110.41	175.94	365.68
	Current liabilities	15.51	165.65	123.65	273	428.36
	Provisions	2.96	2.09	4.33	4.7	328.69
	<b>Total Liabilities (D)</b>	<b>221.74</b>	<b>517.31</b>	<b>1026.2</b>	<b>1635.46</b>	<b>2573.98</b>
<b>E.</b>	<b>Net Worth (A+B+C-D)</b>	<b>257.65</b>	<b>329.54</b>	<b>657.25</b>	<b>1281.96</b>	<b>2025.51</b>

**F. Represented by**

Share capital					
-Equity Share Capital	230.00	300.00	537.65	700.00	1036.11
-Preference Share Capital	0.00	0.00	0.00	0.00	0.00
Less:- Call in Arrears	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>230.00</b>	<b>300.00</b>	<b>537.65</b>	<b>700.00</b>	<b>1036.11</b>
Share Application Money	0.00	0.00	30.23	214.06	0.00
Reserves and surplus	56.68	70.93	136.72	883.64	1559.72
Less: Revaluation Reserve	0.00	0.00	0.00	492.01	492.01
<b>TOTAL</b>	<b>56.68</b>	<b>70.93</b>	<b>166.95</b>	<b>605.69</b>	<b>1067.71</b>
Less: Miscellaneous Expenditure (To the extent not written off)	0.63	0.47	2.72	23.73	78.31
Deferred tax Assets	28.40	40.92	44.63	0.00	0.00
Total	29.03	41.39	47.35	23.73	78.31
<b>Net Worth</b>	<b>257.65</b>	<b>329.54</b>	<b>657.25</b>	<b>1281.96</b>	<b>2025.51</b>

**Summary statement of Profit & Loss, as restated**

(Rs. in Lacs)

Sr. No.	Particulars	For the year ended March 31				
		2006	2007	2008	2009	2010
<b>A</b>	<b>Income</b>					
	Sales of Products Manufactured by the Company	949.20	714.64	1526.56	3290.62	6187.25
	Sales of Products Traded by the Company	0	0	0	0	0
	Less Excise Duty	0	0	0	0	0
	Net Sales	949.20	714.64	1526.56	3290.62	6187.25
	Other Income	0.33	0.95	54.53	4.58	1.55
	Increase/(Decrease) in Inventories	-84.91	117.17	118.33	113.93	31.87
	<b>Total (A)</b>	<b>864.62</b>	<b>832.76</b>	<b>1699.42</b>	<b>3409.13</b>	<b>6220.67</b>
<b>B</b>	<b>Expenditure</b>					
	Materials consumed	705.98	557.66	1299.74	2514.79	4435.77
	Cost of Goods Sold					
	Wages and Staff Costs	17.70	24.01	32.82	32.91	79.63
	Other manufacturing expenses	28.16	133.53	153.24	253.49	394.37
	Administrative, selling and distribution expenses	56.80	22.57	42.99	33.72	48.68
	Loss on sales of Fixed assets	0	0	0	0	0
	<b>Total (B)</b>	<b>808.64</b>	<b>737.77</b>	<b>1528.79</b>	<b>2834.91</b>	<b>4958.45</b>
	<b>Profit Before Interest, Depreciation and Tax</b>	<b>55.98</b>	<b>94.99</b>	<b>170.63</b>	<b>574.22</b>	<b>1262.22</b>
<b>C</b>	<b>Depreciation</b>	<b>28.78</b>	<b>26.01</b>	<b>33.57</b>	<b>57.04</b>	<b>165.84</b>
<b>D</b>	<b>Profit Before Interest and Tax</b>	<b>27.20</b>	<b>68.98</b>	<b>137.06</b>	<b>517.18</b>	<b>1096.38</b>
	Financial Charges	17.81	35.19	40.92	151.68	196.19
<b>E</b>	<b>Profit after Interest and Before Tax</b>	<b>9.39</b>	<b>33.79</b>	<b>96.14</b>	<b>365.50</b>	<b>900.19</b>
	Provision for Taxation	0.8	3.74	9.86	41.36	268.29
	Provision for Deferred Tax	16.72	15.35	20.10	68.80	189.74
	Provision for FBT	0.48	0.46	0.39	0.43	0
	Add/Less Tax adjustment	0	0	0	0	0
	<b>Total</b>	<b>18.00</b>	<b>19.55</b>	<b>30.35</b>	<b>110.59</b>	<b>458.03</b>
	<b>Profit After Tax but Before Extra ordinary Items</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>
<b>F</b>	<b>Extraordinary items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Impact of material adjustments for restatement in corresponding years (net of tax) (B)	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>G</b>	<b>Net Profit after adjustments</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>
	<b>Net Profit Transferred to Balance Sheet</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>

## GENERAL INFORMATION

Our Company was originally incorporated as Arbuda Steel Private Limited on August 27, 1996 under the Companies Act, 1956 *vide* Certificate of Incorporation bearing registration number 04 – 30581 of 1996 - 1997 issued by the Registrar of Companies, Dadra and Nagar Haveli, Gujarat. The name of our Company was changed to Aster Silicates Private Limited *vide* fresh Certificate of Incorporation dated April 13, 2006. Our Company was converted into a public limited company *vide* fresh Certificate of Incorporation dated December 4, 2009 and consequently the name of our Company was changed to “Aster Silicates Limited”. The Corporate Identification Number of our Company is U27609GJ1996PLC030581.

### Registered Office:

#### Aster Silicates Limited

A- 602, Fairdeal House,  
Swastik Char Rasta,  
Off C G Road, Navrangpura,  
Ahmedabad – 380 009

**Tel No. :** + 91 79 26422840

**Fax No.:** + 91 79 26422840

**Contact Person:** Mr. Janak B. Patel, Company Secretary & Compliance Officer

**E-mail:** [ipo@astersilicatesltd.com](mailto:ipo@astersilicatesltd.com)

**Website:** [www.astersilicatesltd.com](http://www.astersilicatesltd.com)

For details of change in name and registered office, *please refer to the Chapter titled “History and Other Corporate Matters” beginning on page 97 of the Red Herring Prospectus.*

### Address of the RoC

Registrar of Companies, Gujarat  
ROC Bhavan, Opp. Rupal Park,  
Near Ankur Bus Stand, Naranpura,  
Ahmedabad – 380 013, Gujarat.

### Our Board of Directors:

The Board of Directors consists of the following:

Sr. No.	Name of the Director	Designation	Category	DIN
1)	Mr. Mahesh A. Maheshwari	Chairman & Managing Director	Executive & Non Independent	00027682
2)	Mrs. Namrata M. Maheshwari	Whole Time Director	Executive & Non Independent	00027762
3)	Mr. Jaykishore S Rana	Director	Non-Executive & Independent	02869784
4)	Mr. Venkatachalam Subramaniam	Director	Non-Executive & Independent	02870438
5)	Mr. Manish G Asawa	Director	Non-Executive & Independent	00544028

For detailed profile of our Directors, *please refer to the Chapter titled “Our Management” and “Our Promoters and their Background” beginning on pages 101 & 112 respectively of the Red Herring Prospectus.*

## **COMPANY SECRETARY AND COMPLIANCE OFFICER**

**Mr. Janak B. Patel**

**Aster Silicates Limited**

Off C G Road, Navrangpura,

Ahmedabad – 380 009

**Tel No. :** + 91 79 26422840

**Fax No.:** + 91 79 26422840

**E-mail:** [ipo@astersilicatesltd.com](mailto:ipo@astersilicatesltd.com)

**Website:** [www.astersilicatesltd.com](http://www.astersilicatesltd.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 / LENDERS TO OUR COMPANY**

**SICOM Limited**

Nirmal, 1<sup>st</sup> Floor

Nariman Point,

Mumbai – 400 021.

**Tel. No.:** +91 22 6657 2700 / 2202 3018

**Fax No.:** +91 22 2288 2895

**Email:** [dkotian@sicomindia.com](mailto:dkotian@sicomindia.com)

**Website:** [www.sicomindia.com](http://www.sicomindia.com)

**Contact Person:** Ms. Disha Kotian

**Small Industries Development Bank of India**

Navjivan Amrit Jayanti Bhavan,

1<sup>st</sup> Floor, P. B. No. 10,

Navjivan P. O.,

Ahmedabad – 380 014.

**Tel. No.:** +91 79 2754 3062 - 63

**Fax No.:** +91 79 2754 1086

**Email:** [dghosh@sidbi.com](mailto:dghosh@sidbi.com)

**Website:** [www.sidbi.com](http://www.sidbi.com)

**Contact Person:** Mr. D. Ghosh

## **STATUTORY AUDITORS TO OUR COMPANY**

**H.B. Patel & Associates**

**Chartered Accountants**

305, 3<sup>rd</sup> floor, "Ashoka",

Sardar Patel Stadium Road,

Opp. Mahadev Nagar Society,

Near Goleen Triangle, Navrangpura,

Ahmedabad – 380014.

**Tel. No.:** +91 79 4004 5187 / 8187

**Email:** [hbpca\\_106@yahoo.co.in](mailto:hbpca_106@yahoo.co.in)

**Contact Person:** Mr. Harikrishna Patel

**Membership No.:** 49395

## ISSUE MANAGEMENT TEAM

### BOOK RUNNING LEAD MANAGER

#### **Saffron Capital Advisors Private Limited**

**SEBI Registration No:** INM000011211

204, Vishwananak, Gurunanakwadi,  
Andheri Ghatkoper Link Road, Chakala  
Andheri (East), Mumbai - 400 099

**Tel No:** +91 22 4082 0906/0903

**Fax No:** +91 22 4082 0999

**Website:** [www.saffronadvisor.com](http://www.saffronadvisor.com)

**Email:** [aster.ipo@saffronadvisor.com](mailto:aster.ipo@saffronadvisor.com)

**Investor Grievance Id:** [investorgrievance@saffronadvisor.com](mailto:investorgrievance@saffronadvisor.com)

**Contact Person:** Mr. Saurabh Vijay

### REGISTRAR TO THE ISSUE

#### **Sharepro Services (India) Private Limited**

**SEBI Registration No:** INR000001476

13AB, Samhita Warehousing Complex  
Sakinaka Telephone Exchange Lane,  
Off Andheri Kurla Road,  
Sakinaka, Mumbai 400 072

**Tel No:** +91 22 6772 0300/0400

**Fax No:** +91 22 2859 1568

**Website:** [www.shareproservices.com](http://www.shareproservices.com)

**E-mail:** [aster.ipo@shareproservices.com](mailto:aster.ipo@shareproservices.com)

**Contact Person:** Mr. Subhash Dhingreja / Mr. Kumresan V

### LEGAL ADVISOR TO THE ISSUE

#### **Rajani Associates**

Advocates & Solicitors  
204-207 Krishna Chambers  
59, New Marine Lines  
Mumbai – 400 020.

**Tel No:** +91 22 4096 1000

**Fax No:** +91 22 4096 1010

**Email:** [info@rajaniassociates.net](mailto:info@rajaniassociates.net)

### SYNDICATE MEMBERS

#### **Saffron Global Markets Private Limited**

**SEBI Registration No:** INB231295230

A Wing, 1st Floor, Western Tower,  
Western Express Highway,  
Parsi Wada, Vile Parle (East)  
Mumbai - 400 057.

**Tel No:** +91 22 4082 0907/4082 4901

**Fax No:** +91-22-4082 0999

**Email:** [aster.ipo@saffronadvisor.com](mailto:aster.ipo@saffronadvisor.com)

**Website:** [www.saffronadvisor.com](http://www.saffronadvisor.com)

**Contact Person:** Mr. Neeraj Khandelwal

**Reliance Securities Limited****SEBI Registration No:** INB231234833/ INB011234839

4<sup>th</sup> Floor, Parijat House,  
1076, Off Dr. E. Moses Road,  
Manjrekar Lane, Worli Naka,  
Mumbai 400 018, India

**Tel No:** +91 22 3046 2300**Fax No:** +91 22 3046 2532**E-mail:** [jithesh.narayanan@relianceada.com](mailto:jithesh.narayanan@relianceada.com)**Website:** [www.reliancemoney.com](http://www.reliancemoney.com)**Contact Person:** Mr. Jithesh Narayanan**BANKERS TO THE ISSUE & ESCROW COLLECTION BANK****HDFC Bank Limited****SEBI Registration No:** INBI00000063

FIG-OPS Department,  
Lodha I Think Techno Campus,  
O-3, Level, Next to Kanjurmarg Railway Station,  
Kanjurmarg (East),  
Mumbai 400042

**Tel. No:** +91 22 3075 2928**Fax No:** +91 22 25799801**Website:** [www.hdfcbank.com](http://www.hdfcbank.com)**Email:** [deepak.rane@hdfcbank.com](mailto:deepak.rane@hdfcbank.com)**Contact Person:** Mr. Deepak Rane**ICICI Bank Limited****SEBI Registration No:** INBI00000004

Capital Market Division  
30, Mumbai Samachar Marg,  
Fort, Mumbai 400 001

**Tel. No:** +91 22 66310311/312**Fax No:** +91 22 22611138**Website:** [www.icicibank.com](http://www.icicibank.com)**Email:** [venkataraghavan.t@icicibank.com](mailto:venkataraghavan.t@icicibank.com)**Contact Person:** Mr. Venkataraghavan T.**Indusind Bank Limited****SEBI Registration No:** INBI00000002

IBL House,  
CTS No 179G  
MIDC Cross Road 'B'

Off Andheri Kurla Road,

**Tel. No:** +91 22 67728721**Fax No:** +91 22 66412349**Website:** [www.indusind.com](http://www.indusind.com)**Email:** [suresh.esaki@indusind.com](mailto:suresh.esaki@indusind.com)**Contact Person:** Mr. Suresh Esaki



## REFUND BANKER TO THE ISSUE

### HDFC Bank Limited

**SEBI Registration No:** INBI00000063

FIG-OPS Department,

Lodha I Think Techno Campus,

O-3, Level, Next to Kanjurmarg Railway Station,

Kanjurmarg (East),

Mumbai 400042

**Tel. No:** +91 22 3075 2928

**Fax No:** +91 22 25799801

**Website:** [www.hdfcbank.com](http://www.hdfcbank.com)

**Email:** [deepak.rane@hdfcbank.com](mailto:deepak.rane@hdfcbank.com)

**Contact Person:** Mr. Deepak Rane

## SELF CERTIFIED SYNDICATE BANKS

The SCSBs as per updated list available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)). Investors are requested to refer the SEBI website for updated list of SCSBs and their designated branches.

## STATEMENT OF RESPONSIBILITIES BETWEEN BRLM

Saffron Capital Advisors Private Limited is the sole BRLM to the Issue and shall be responsible for the following activities:

Sr. No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such composition of debt and equity, type of instruments, etc.	Saffron	Saffron
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.	Saffron	Saffron
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.	Saffron	Saffron
4.	Appointment of the Registrar, Bankers to the issue and appointment of other intermediaries viz. printers and advertising agency	Saffron	Saffron
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.	Saffron	Saffron
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	Saffron	Saffron
7.	Retail & HNI segment Marketing, Which will cover inter alia: <ul style="list-style-type: none"><li>▪ Preparation of road show presentation.</li><li>▪ Finalising centers for holding Brokers' conference</li><li>▪ Finalising media, marketing and PR Strategy</li><li>▪ Follow up on distribution of publicity and issue</li></ul>	Saffron	Saffron

	material including application form, brochure and deciding on quantum of issue material <ul style="list-style-type: none"> <li>▪ Finalising collection centers as per schedule III of SEBI (ICDR) Regulations, 2009</li> </ul>		
8.	Institutional Marketing, which will cover inter alia: <ul style="list-style-type: none"> <li>▪ Finalisation of list of investors.</li> <li>▪ Finalisation of one to one meetings and allocation of institutions.</li> <li>▪ Finalisation of presentation material</li> </ul>	Saffron	Saffron
9.	Managing Book & co-ordination with stock Exchanges for bidding terminals, mock trading etc	Saffron	Saffron
10.	Pricing and QIB allocation	Saffron	Saffron
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.	Saffron	Saffron
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 fulfill their functions and enable it to discharge this responsibility through suitable agreements with our Company.	Saffron	Saffron

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies etc. will be finalised by our Company in consultation with the BRLM.

Even if many of these activities will be handled by other intermediaries, 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

### **Brickwork Ratings India Private Limited**

**SEBI Registration No.** IN/CRA/005/2008

No. 39/2, II Floor

Near Dairy Circle

Bannerghatta Road

Bangalore – 560 029

**Tel. No:** +91 22 2831 1426, 2831 1439

**Fax No:** +91 22 2838 9144

**Website:** [www.brickworkratings.com](http://www.brickworkratings.com)

**Email:** [kn.suvarna@brickworkratings.com](mailto:kn.suvarna@brickworkratings.com)

**Contact Person:** Mr. K. N. Suvarna

This Issue has been graded by Brickwork Ratings India Private Limited through its letter dated April 29, 2010 and has been assigned a BWR IPO Grade 2/5 (pronounced “two on five”) indicating that the fundamentals of the IPO are below average relative to other listed equity

securities in India, The IPO grading is assigned on a five point scale from 1 to 5 with an “IPO Grade 5” indicating strong fundamentals and an “IPO Grade 1” indicating poor fundamentals.

A copy of the report provided by Brickwork Ratings India Private Limited, furnishing the rationale for its grading is annexed to the Red Herring Prospectus and is also available for inspection at the registered office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the bid/issue closing date.

## **TRUSTEES**

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

## **APPRAISAL AND MONITORING AGENCY**

The proposed funds requirement is not appraised by any Bank/Financial Institution. As the net proceeds of the Issue will be less than Rs. 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.

## **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.

## **BOOK BUILDING PROCESS**

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

- Our Company;
- BRLM, in this case being Saffron Capital Advisors Private Limited;
- Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. Syndicate members are appointed by the BRLM;
- Registrar to the issue, in this case being Sharepro Services (India) Private Limited,
- Banker(s) to the issue, Refund Bank(s), and
- Self Certified Syndicate Banks

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 Net 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 Net Issue shall be available for allotment to Non Institutional Bidders and not less than 35% of the Net 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 Saffron Capital Advisors Private Limited as the BRLM to manage the Issue and procure subscriptions to the Issue.

The process of Book Building under the SEBI (ICDR) Regulations, 2009 is subject to change from time to time and Investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay entire bid amount upon submission of their Bid. Allocation to QIBs will be on a proportionate basis. *For further details please refer paragraph titled "Maximum and Minimum Bid Size" beginning on page 178 under Chapter titled "Issue Procedure" beginning on page 173 of the Red Herring Prospectus.*

All the bidders have the option to submit their Bids under the "ASBA Process", which would entail blocking of funds in the investor's bank account rather than transfer of funds to the respective Escrow Accounts. *For further details, please refer to the Chapter titled "Issue Procedure" beginning on page 173 of the Red Herring Prospectus.*

Steps to be taken by the Bidders for bidding:

- 1) Check eligibility for making a Bid (*For details please refer to the paragraph titled "Who Can Bid" beginning on page 174 under Chapter titled "Issue Procedure" beginning on page 173 of the Red Herring Prospectus*);
- 2) Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form including ASBA Form;
- 3) Ensure that the Bid-cum-Application Form including ASBA Forms is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form including ASBA Forms; and
- 4) Ensure that the Permanent Account Number is mentioned on Bid-cum-Application Form/ASBA Form. Bidders are specifically requested not to mention their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected on this ground.
- 5) Bids by QIBs will have to be submitted only to the BRLM or Syndicate Member, other than bids by QIBs who bid through ASBA process, who shall submit the bids to the Designated Branch of the SCSBs.

#### **BID/ISSUE PROGRAM**

<b>Bid/Issue opens on: June 24, 2010</b>	<b>Bid/Issue closes on: June 28, 2010</b>
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Bids and any revision in Bids shall be accepted **only between 10.00 am and 5.00 pm** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. Standardized cut-off time for uploading of bids on the Bid/Issue closing date is as under:

1. A standard cut-off time of 3.00 pm for acceptance of bids
2. A standard cut-off time of 4.00 pm for uploading of bids received from non retail applicants i.e. QIBs and HNIs.
3. A standard cut-off time of 5.00 pm for uploading of bids received from retail applicants, where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

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, not later than the times mentioned above. All times mentioned in the Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the BRLM and the Syndicate Members shall not be responsible. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

**Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, bids and any revision in Bids shall not be accepted on Saturdays and holidays as declared by the Exchanges.**

We reserve the right to revise the Price band during the Bidding Period in accordance with SEBI (ICDR) Regulations, 2009. The cap on the Price Band should not be more than 20% of the floor of the Price band. Subject to compliance with the immediately preceding sentence, the floor of the Price band can move up or down to the extent of 20%.

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

## **UNDERWRITING AGREEMENT**

After the determination of the Issue Price but prior to 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 issued in the Issue. Pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement dated [●], the obligations of the Underwriters are several and are subject to certain conditions to closing, as 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 completed prior to filing the Prospectus with RoC)*

<b>Name and Address of the Underwriters</b>	<b>Indicative Number of Equity shares to be Underwritten</b>	<b>Amount Underwritten (Rs. in Lacs)</b>
<b>Saffron Capital Advisors Private Limited</b> <b>SEBI Registration No:</b> INM000011211 204, Vishwananak, Gurunanakwadi, Andheri Ghatkoper Link Road Chakala, Andheri (East), Mumbai - 400 099. <b>Tel No:</b> +91 22 4082 0906/0903 <b>Fax No:</b> +91 22 4082 0999 <b>Website:</b> <a href="http://www.saffronadvisor.com">www.saffronadvisor.com</a> <b>Email:</b> <a href="mailto:aster.ipo@saffronadvisor.com">aster.ipo@saffronadvisor.com</a>	[•]	[•]
<b>Saffron Global Markets Private Limited</b> A Wing, 1st Floor, Western Tower, Western Express Highway, Parsi Wada, Vile Parle (East) Mumbai - 400 057. <b>Tel No:</b> +91 22 4082 0907/4082 4901 <b>Fax No:</b> +91-22-4082 0999 <b>Website:</b> <a href="http://www.saffronadvisor.com">www.saffronadvisor.com</a> <b>Email:</b> <a href="mailto:aster.ipo@saffronadvisor.com">aster.ipo@saffronadvisor.com</a>	[•]	[•]
<b>Reliance Securities Limited</b> 4th Floor, Parijat House, 1076, Off Dr. E. Moses Road, Manjrekar Lane, Worli Naka, Mumbai 400 018, India <b>Tel No:</b> +91 22 3046 2300 <b>Fax No:</b> +91 22 3046 2532 <b>Website:</b> <a href="http://www.reliancemoney.com">www.reliancemoney.com</a> <b>E-mail:</b> <a href="mailto:jithesh.narayanan@relianceada.com">jithesh.narayanan@relianceada.com</a>	[•]	[•]
<b>Total</b>	<b>[•]</b>	<b>5,310.00</b>

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

Our Board of Directors (based on a certificate given by the Underwriters), are of the opinion that the same are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers.

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

## CAPITAL STRUCTURE

The Share Capital of our Company as on the date of filing of the Red Herring Prospectus with SEBI is as set forth below:

Particulars	Nominal Value (Rs.)	Aggregate Value (Rs.)
<b>A. AUTHORISED CAPITAL</b>		
2,00,00,000 Equity Shares of Rs. 10/- each	20,00,00,000	
<b>B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
1,03,61,111 Equity Shares of Rs. 10/- each	10,36,11,110	[●]
<b>C. ISSUE IN TERMS OF THE RED HERRING PROSPECTUS</b>		
[●] Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	[●]	53,10,00,000
<b>D. NET ISSUE TO THE PUBLIC</b>		
[●] Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	[●]	53,10,00,000
<b>E. PAID UP CAPITAL AFTER THE PRESENT ISSUE</b>		
[●] Equity Shares of Rs. 10/- each	[●]	[●]
<b>F. SHARE PREMIUM ACCOUNT</b>		
Before the issue		2,88,88,880
After the issue**		[●]

*\*\*The Share Premium Account after the Issue will be determined after Book Building Process*

### Notes to Capital Structure:

#### 1. Details of Increase in Authorized Equity Share Capital

Particulars of Increase/Modification	Cumulative No. of Shares	Cumulative Authorised Capital (Rs.)	Date of Meeting	Whether AGM / EGM
Incorporation	10,000	1,00,000	--	--
Increase from Rs. 1 Lac to Rs. 42 Lacs	4,20,000	42,00,000	09.04.1997	EGM
Increase from Rs. 42 Lacs to Rs. 75 Lacs	7,50,000	75,00,000	31.03.1999	EGM
Increase from Rs. 75 Lacs to Rs. 100 Lacs	10,00,000	1,00,00,000	15.03.2004	EGM
Increase from Rs. 100 Lacs to Rs. 200 Lacs	20,00,000	2,00,00,000	30.03.2005	EGM
Increase from Rs. 200 Lacs to Rs. 230 Lacs	23,00,000	2,30,00,000	01.07.2005	EGM
Increase from Rs. 230 Lacs to Rs. 300 Lacs	30,00,000	3,00,00,000	28.02.2007	EGM
Increase from Rs. 300 Lacs to Rs. 400 Lacs	40,00,000	4,00,00,000	18.07.2007	EGM
Increase from Rs. 400 Lacs to Rs. 500 Lacs	50,00,000	5,00,00,000	20.09.2007	EGM
Increase from Rs. 500 Lacs to Rs. 600 Lacs	60,00,000	6,00,00,000	25.03.2008	EGM
Increase from Rs. 600 Lacs to Rs. 700 Lacs	70,00,000	7,00,00,000	29.05.2008	EGM
Increase from Rs. 700 Lacs to Rs. 1,000 Lacs	1,00,00,000	10,00,00,000	30.03.2009	EGM
Increase from Rs. 1,000 Lacs to Rs. 2,000 Lacs	2,00,00,000	20,00,00,000	07.12.2009	EGM

**2. Share Capital History: Our existing Equity Share Capital has been subscribed and allotted as under:**

Date of Allotment/ Fully Paid up	Number of Equity Shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Remarks	Cumulative No. of Equity Shares	Cumulative Paid up Share Capital (Rs.)	Cumulative Share Premium (Rs.)
27.08.1996	400	10	10	Cash	Subscribers to memorandum	400	4,000	Nil
01.06.1997	4,19,600	10	10	Cash	Further Allotment to others	4,20,000	42,00,000	Nil
31.03.1999	1,70,000	10	10	Cash	Further Allotment to others	5,90,000	59,00,000	Nil
31.03.2004	1,60,000	10	10	Cash	Further Allotment to others	7,50,000	75,00,000	Nil
31.03.2005	12,30,000	10	10	Cash	Further Allotment to Promoters and others	19,80,000	1,98,00,000	Nil
20.03.2006	3,20,000	10	10	Cash	Further Allotment to Promoter	23,00,000	2,30,00,000	Nil
31.03.2007	7,00,000	10	10	Cash	Further Allotment to Promoters and others	30,00,000	3,00,00,000	Nil
30.09.2007	10,00,000	10	10	Cash	Further Allotment to Promoters and others	40,00,000	4,00,00,000	Nil
05.02.2008	7,71,000	10	10	Cash	Further Allotment to Promoters and others	47,71,000	4,77,10,000	Nil
30.03.2008	6,05,500	10	10	Cash	Further Allotment to Promoters and others	53,76,500	5,37,65,000	Nil
31.12.2008	16,23,500	10	10	Cash	Further Allotment to Promoters and others	70,00,000	7,00,00,000	Nil
30.09.2009	30,00,000	10	10	Cash	Further Allotment to Promoters and others	1,00,00,000	10,00,00,000	Nil
09.12.2009	3,61,111	10	90	Cash	Further Allotment to Promoters	1,03,61,111	10,36,11,110	2,88,88,880

**3. Equity Shares issued for consideration other than cash**

Our Company has not issued any Equity Shares for consideration other than cash.

4. Till date no Equity Shares have been allotted pursuant to any scheme approved under section 391-394 of the Companies Act, 1956.
5. The gross block of fixed assets as per books as on March 31, 2008 was Rs. 1,282.00 lacs. Our Company has carried out valuation of the fixed assets, since the assets of the Company were not revalued since its inception and were being shown at a lower value in comparison to its market value. The assets were revalued and the total value of assets due to revaluation was increased by Rs. 492.01 lacs. We have not issued any shares out of the revaluation reserves.



6. Our Company does not have any Employee Stock Option Scheme /Employee Stock Purchase Plan for our employees and we do not intend to allot any shares to our employees under Employee Stock Option Scheme / Employee Stock Purchase Plan from the proposed issue. As and when, options are granted to our employees under the Employee Stock Option Scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
7. Except as stated below, our Company has not made any issue of Equity Shares during preceding one year.

Date of Issue	Name of the Persons	No. of Shares	Issue Price (Rs.)	Whether Part of Promoter Group
31.12.2008	Mr. Mahesh A. Maheshwari	11,30,000	10	Yes
	Mrs. Namrata M. Maheshwari	3,23,500	10	Yes
	Ms. Mohini Bhandari	1,05,000	10	No
	Mr. Sandip Bhandari	55,000	10	No
	Sandip S Bhandari HUF	10,000	10	No
	<b>Sub-total</b>	<b>16,23,500</b>		
30.09.2009	Mr. Mahesh A. Maheshwari	17,04,600	10	Yes
	Mrs. Namrata M. Maheshwari	6,85,400	10	Yes
	Mr. Jyotindra A. Choksi	6,10,000	10	No
	<b>Sub-total</b>	<b>30,00,000</b>		
09.12.2009	Mr. Mahesh A. Maheshwari	1,00,000	90	Yes
	Mrs. Namrata M. Maheshwari	2,61,111	90	Yes
	<b>Sub-total</b>	<b>3,61,111</b>		

8. We presently do not have any proposal or intention, negotiations and consideration to alter our capital structure by way of split or consolidation of the denomination of Equity Shares or issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or Qualified Institutions Placement within a period of six months from the date of opening of this Issue.
9. **Promoters' Contribution and Lock-in details in respect of Promoters, whose names figure in the Red Herring Prospectus as Promoters in the paragraph on 'Promoters and their Background' are as under:**

**Capital built up of the Promoters is detailed below:**

Name of Promoter	Date of Allotment / Transfer and made fully paid	Nature of Allotment (Bonus, Rights etc.)	No. of Shares	Face Value	Issue / Transfer Price	Consideration
<b>Mr. Mahesh A. Maheshwari</b>	27.08.1996	Subscribers to Memorandum	100	10	10	Cash
	31.03.2003	Transfer (Purchase)	10,020	10	10	Cash
	31.03.2004	Transfer (Purchase)	30,200	10	10	Cash
	31.12.2004	Transfer (Purchase)	1,00,780	10	10	Cash

	31.03.2005	Further Allotment	4,10,000	10	10	Cash
	31.03.2005	Transfer (Purchase)	3,17,080	10	10	Cash
	20.03.2006	Further Allotment	3,20,000	10	10	Cash
	31.03.2006	Transfer (Purchase)	9,80,000	10	10	Cash
	31.03.2007	Further Allotment	3,45,000	10	10	Cash
	30.09.2007	Further Allotment	2,05,000	10	10	Cash
	05.02.2008	Further Allotment	2,22,500	10	10	Cash
	30.03.2008	Further Allotment	62,900	10	10	Cash
	31.03.2008	Transfer (Purchase)	15,75,000	10	10	Cash
	30.09.2008	Transfer (Purchase)	4,55,000	10	10	Cash
	31.12.2008	Further Allotment	11,30,000	10	10	Cash
	31.03.2009	Transfer (Purchase)	1,70,000	10	10	Cash
	18.04.2009	Transfer	(21,90,400)	10	10	Cash
	30.09.2009	Further Allotment	17,04,600	10	10	Cash
	09.12.2009	Further Allotment	1,00,000	10	90	Cash
	02.02.2010	Transmitted on demise of father	100	10	Nil	Transmis sion
	<b>Total (A)</b>		<b>59,47,880</b>			
<b>Mrs. Namrata M. Maheshwari</b>	23.09.1999	Transfer (Purchase)	5,220	10	10	Cash
	15.05.2000	Transfer (Purchase)	17,540	10	10	Cash
	31.03.2003	Transfer (Purchase)	10,520	10	10	Cash
	31.12.2003	Transfer (Purchase)	1,720	10	10	Cash
	31.03.2004	Transfer (Purchase)	51,720	10	10	Cash
	31.12.2004	Transfer (Purchase)	45,100	10	10	Cash
	31.03.2007	Further Allotment	50,000	10	10	Cash
	05.02.2008	Further Allotment	48,500	10	10	Cash
	30.03.2008	Further Allotment	95,100	10	10	Cash
	31.12.2008	Further Allotment	3,23,500	10	10	Cash
	18.04.2009	Transfer (Purchase)	11,50,000	10	10	Cash
	18.04.2009	Transfer	(15,10,300)	10	10	Cash
	30.09.2009	Further Allotment	6,85,400	10	10	Cash
	09.12.2009	Further Allotment	2,61,111	10	90	Cash
	<b>Total (B)</b>		<b>12,35,131</b>			
	<b>Total (A)+(B)</b>		<b>71,83,011</b>			

None of the Equity Shares held by our promoters have been pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, or creditor/lender.

10. During the past six months, there are no transactions in our Equity Shares, which have been purchased/(sold) by our Promoters, their relatives and associates, persons in promoter group (as defined under sub-clause (zb) sub-regulation (1) Regulation 2 of the SEBI (ICDR) Regulations, 2009) or the Directors of the Company.
11. None of our Promoters, persons forming part of Promoter Group, Directors or the relatives thereof have financed the purchase of the Equity Shares of our Company by any other person or entity during the period of six months immediately preceding the date of filing the Red Herring Prospectus with SEBI.
12. The Equity Shares which are eligible for being locked in for three years as per SEBI (ICDR) Regulations, 2009.

Name of Promoter	Date of Allotment / Transfer and made fully paid	Nature of Allotment (Bonus, Rights etc.)	No. of Shares	Face Value	Issue / Transfer Price	Consideration	% of Post Issue Capital#	Lock in Period (Years) #
<b>Mr. Mahesh A. Maheshwari</b>	27.08.1996	Subscribers to Memorandum	100	10	10	Cash		
	31.03.2003	Transfer (Purchase)	10,020	10	10	Cash		
	31.03.2004	Transfer (Purchase)	30,200	10	10	Cash		
	31.12.2004	Transfer (Purchase)	1,00,680	10	10	Cash		
	31.03.2005	Further Allotment	4,10,000	10	10	Cash		
	31.03.2005	Transfer (Purchase)	3,16,780	10	10	Cash		
	20.03.2006	Further Allotment	3,20,000	10	10	Cash		
	31.03.2006	Transfer (Purchase)	2,80,000	10	10	Cash		
	31.03.2007	Further Allotment	3,45,000	10	10	Cash		
	30.09.2007	Further Allotment	2,05,000	10	10	Cash		
	05.02.08	Further Allotment	2,22,500	10	10	Cash		
	30.03.2008	Further Allotment	62,900	10	10	Cash		
	31.03.2008	Transfer (Purchase)	15,25,000	10	10	Cash		
	30.09.2008	Transfer (Purchase)	3,05,000	10	10	Cash		
	<b>Total (A)</b>		<b>41,33,180</b>					
<b>Mrs. Namrata M. Maheshwari</b>	23.09.1999	Transfer (Purchase)	5020	10	10	Cash		
	15.05.2000	Transfer (Purchase)	17,540	10	10	Cash		
	31.03.2003	Transfer (Purchase)	10,520	10	10	Cash		
	31.12.2003	Transfer (Purchase)	1,720	10	10	Cash		
	31.03.2004	Transfer (Purchase)	41,720	10	10	Cash		
	31.12.2004	Transfer (Purchase)	45,000	10	10	Cash		
	05.02.08	Further Allotment	48,500	10	10	Cash		

30.03.2008	Further Allotment	95,100	10	10	Cash
<b>Total (B)</b>		<b>2,65,120</b>			
<b>Total (A)+(B)</b>		<b>43,98,300</b>			

20% of the Post-Issue Paid-up Equity Share Capital, as determined after the book-building process, would be locked-in for a period of three years from the date of allotment and the balance Pre-Issue Paid-up Equity Share Capital would be locked-in for a period of one year from the date of allotment. The lock-in period shall be reckoned from the date of allotment of Equity Shares in the present Issue. These securities will not be disposed / sold / transferred by the Promoters during the period starting from the date of filing the Red Herring Prospectus with SEBI till the date of commencement of lock in period as stated in the Red Herring Prospectus.

# In this Issue since the issue size of Rs. 5,310 Lacs is fixed, the number of Equity Shares to be allotted under the Issue would be determined after the determination of Issue Price after the completion of book building process. Currently, the post issue capital is not determined and consequently, we are unable to determine the % of post issue capital. Further, the number of Equity Shares of Promoters to be locked in for 3 years (i.e. 20% of post issue capital) and one year shall be determined once post issue capital is known. Accordingly, we have disclosed all the shares which are eligible for three years lock-in and the exact lock-in period will be disclosed after the determination of post issue capital of our Company.

**Note:** The Equity Shares that are being locked-in are eligible for computation of Promoter's contribution under Regulation 33(1) of the SEBI (ICDR) Regulations and are being locked-in under Regulation 36 of the SEBI (ICDR) Regulations.

**13. We confirm that the minimum Promoters' contribution of 20% of the post-Issue Capital, which is subject to lock-in for three years does not consist of :**

- (a) Equity Shares acquired within three years before the filing of the Red Herring Prospectus with SEBI for consideration other than cash and revaluation of assets or capitalisation of intangible assets or resulting from a bonus issued by utilization of revaluation reserves or unrealized profits of our Company or from bonus issue against Equity Shares which are ineligible for minimum Promoter's contribution.
- (b) Securities acquired by our Promoters, during the preceding one year, at a price lower than the price at which Equity Shares are being offered to the public in the Issue. All the Equity Shares forming part of minimum promoter's contribution have been acquired more than one year prior from the date of the Draft Red Herring Prospectus.
- (c) Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- (d) Equity Shares issued to our Promoters on conversion of partnership firms into limited company.
- (e) Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under SEBI (ICDR) Regulations, 2009.
- (f) Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoter's contribution subject to lock-in.

(g) Pledged Equity Shares held by our Promoters.

14. The specific written consent has been obtained from the Promoters for inclusion of such number of their existing shares to ensure minimum Promoter's contribution subject to lock-in to the extent of 20% of Post-Issue Paid-up Equity Share Capital.
15. The entire pre-issue Equity Share Capital of our Company other than the minimum Promoter's contribution, which is locked-in for a period of three years, shall be locked-in for a period of one year from the date of allotment in the present Public Issue.
16. Our Company, our Promoter, our Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements with any person for purchase of our Equity Shares issued by our Company through the Red Herring Prospectus.
17. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to 50 Equity Shares, which is the minimum bid lot in this Issue.

Consequently, the actual allotment may go up by a maximum of 10% of the Net Issue to Public, as a result of which, the post-issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoter and subject to lock- in shall be suitably increased; so as to ensure that 20% of the Post Issue paid-up capital is locked in.

18. Since the entire money of Rs. [●] per share (Rs. 10 face value + Rs. [●] premium) is being called on application, all the successful applicants will be issued fully paid-up Equity Shares only.

19. The Pre-Issue & Post-Issue shareholding pattern of our Promoter & Promoter Group is as under:

Sr. No.	Particulars	Pre-Issue		Post-Issue*	
		No. of Shares	% Holding	No. of Shares	% Holding
<b>a.</b>	<b>Promoter</b>	<b>71,83,011</b>	<b>69.33%</b>	<b>71,82,911</b>	<b>[●]</b>
	Mr. Mahesh A. Maheshwari	59,47,880	57.41%	59,47,880	[●]
	Mrs. Namrata M. Maheshwari	12,35,131	11.92%	12,35,131	[●]
<b>b.</b>	<b>Immediate Relatives of the Promoter</b>	<b>2,00,200</b>	<b>1.93%</b>	<b>2,00,200</b>	<b>[●]</b>
	Ms. Preeti Maheshwari	2,00,100	1.93%	<b>2,00,100</b>	<b>[●]</b>
<b>c.</b>	<b>Companies in which 10% or more of the share capital is held by the Promoter / an immediate relative of the Promoter / a firm or HUF in which the Promoter or any one or more of their immediate relatives is a member</b>	<b>17,500</b>	<b>0.17%</b>	<b>17,500</b>	<b>[●]</b>
	Mahesh Maheshwari HUF	17,500	0.17%	17,500	[●]
<b>d.</b>	Companies in which Company mentioned in c. above holds 10% or more of the share capital	--	--	--	--
<b>e.</b>	HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total	--	--	--	--

f.	All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoter Group".	--	--	--	--
<b>Total Promoter and Promoter Group Holding</b>		<b>74,00,611</b>	<b>71.43%</b>	<b>74,00,611</b>	<b>[●]</b>
<b>Total Paid up Capital</b>		<b>1,03,61,111</b>	<b>100.00%</b>	<b>[●]</b>	<b>[●]</b>

20. Shareholding Pattern of our Company as per clause 35 of the listing agreement is as under:

Category code (I)	Category of shareholder (II)	Number of shareholders (III)	Total number of shares (IV)	Number of shares held in dematerialized form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	Number of Shares (VIII)	As a percentage (IX) = (VIII) / (IV) * 100
<b>(A)</b>	<b>Promoter and Promoter Group</b>							
<b>(1)</b>	<b>Indian</b>							
(a)	Individuals/ Hindu Undivided Family	4	7400611	Nil	71.43	71.43	N.A	N.A.
(b)	Central Government/ State Government(s)							
(c)	Bodies Corporate							
(d)	Financial Institutions/ Banks							
(e)	Any Other (specify)							
	<b>Sub-Total (A)(1)</b>	<b>4</b>	<b>7400611</b>	<b>Nil</b>	<b>71.43</b>	<b>71.43</b>	<b>N.A</b>	<b>N.A.</b>
<b>(2)</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals / Foreign Individuals)							
(b)	Bodies Corporate							
(c)	Institutions							
(d)	Any Other (specify)							
	<b>Sub-Total (A)(2)</b>	<b>Nil</b>						
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>4</b>	<b>7400611</b>	<b>Nil</b>	<b>71.43</b>	<b>71.43</b>	<b>N.A</b>	<b>N.A.</b>
<b>(B)</b>	<b>Public shareholding</b>						N.A	N.A
<b>(1)</b>	<b>Institutions</b>						N.A	N.A
(a)	Mutual Funds/UTI							

Category code (I)	Category of shareholder (II)	Number of shareholders (III)	Total number of shares (IV)	Number of shares held in demat- erIALIZED form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	Number of Shares (VIII)	As a percentage (IX) = (VIII) / (IV) * 100
(b)	Financial Institutions/ Banks							
(c)	Central Government/ State Government(s)							
(d)	Venture Capital Funds							
(e)	Insurance Companies							
(f)	Foreign Institutional Investors							
(g)	Foreign Venture Capital Investors							
(h)	Any Other (specify)							
	<b>Sub-Total (B)(1)</b>	Nil						
<b>(2)</b>	<b>Non-institutions</b>							
(a)	Bodies Corporate	5	790000	Nil	7.62%	7.62%	N.A.	N.A.
(b)	Individuals - i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	6	10500	Nil	0.10%	0.10%	N.A.	N.A.
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	20	2160000	Nil	20.85%	20.85%	N.A.	N.A.
(c)	Any Other (specify)							
	<b>Sub-Total (B)(2)</b>	31	2960500	Nil	28.57%	28.57%	N.A.	N.A.
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	31	2960500	Nil	28.57%	28.57%	N.A.	N.A.
	<b>TOTAL (A)+(B)</b>	35	10361111	Nil	100.00%	100.00%	N.A.	N.A.
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	N.A.			N.A		N.A	N.A
	<b>GRAND TOTAL (A)+(B)+(C)</b>	35	10361111	Nil	100.00%	100.00%	N.A.	N.A.

21. Shareholding Pattern of our Company before and after the Issue is as under:

Category	Pre-Issue		Post-Issue*	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters	71,83,011	69.33%	71,82,911	[●]
Promoter Group	2,17,600	2.10%	2,17,700	[●]
<b>Promoter &amp; Promoter Group Sub-total</b>	<b>74,00,611</b>	<b>71.43%</b>	<b>74,00,611</b>	<b>[●]</b>
Employees / Non-Promoter Director	500	0.00%	500	[●]
Public	29,60,000	28.57%	[●]	[●]
<b>Total</b>	<b>1,03,61,111</b>	<b>100.00%</b>	<b>[●]</b>	<b>[●]</b>

\*The final Post Issue Shareholding pattern will be determined after the Book-Building Process.

22. The Equity Shares which are subject to lock-in shall carry the inscription 'non-transferable' and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the Stock Exchanges, where the shares are to be listed, before the listing of the securities.
23. The Equity Shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
24. The Equity Shares to be held by the Promoter under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoter, which are locked in, may be transferred to and among Promoter Group or to a new Promoter(s) or persons in control of our Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.
25. As on the date of filing of the Red Herring Prospectus with SEBI, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
26. Equity Shares held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:
- if the specified securities are locked-in for 3 years in terms of clause (a) of regulation 36 of SEBI (ICDR) Regulations, 2009, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;
  - if the specified securities are locked-in for one year in terms of clause (b) of regulation 36 of SEBI (ICDR) Regulations, 2009 and the pledge of specified securities is one of the terms of sanction of the loan.
27. In case of over-subscription in all categories, not more than 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (including specific allocation of 5% within the category of QIBs for Indian Mutual Funds). Further a not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the 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.



28. Under subscription, if any, in the Qualified Institutional Buyers Portion, Non-institutional Portion and Retail Portion shall be allowed to be met with spill over from the other categories, at the sole discretion of our Company and BRLM. However, if the aggregate demand by Mutual Funds is less than 5% of QIB Portion, the balance share available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to QIB Bidders.

29. As on date of filing of the Red Herring Prospectus with SEBI, the entire Issued Share Capital of our Company is fully paid-up.

30. Particulars of top ten shareholding is as follows:

a. As on the date of filing the Red Herring Prospectus

Sr. No.	Name of the Shareholder	No. of Shares	% of issued capital
1	Mr. Mahesh A. Maheshwari	59,47,880	57.41%
2	Mrs. Namrata M. Maheshwari	12,35,131	11.92%
3	Mr. Jyotindra A. Choksi	6,10,000	5.89%
4	Mr. Ketan R. Gorania	4,50,000	4.34%
5	Saakshi Shares Private Limited	2,00,000	1.93%
6	Spazio Designs Private Limited	2,00,000	1.93%
7	Kaiser Capital Private Limited	2,00,000	1.93%
8	Ms. Preeti Maheshwari	2,00,100	1.93%
9	Amonker Trading Co. Pvt. Ltd.	1,50,000	1.45%
10	Mr. Geharilal Ranka	1,00,000	0.97%
	<b>Total</b>	<b>92,93,111</b>	<b>89.69%</b>

b. 10 days prior to the date of filing the Red Herring Prospectus

Sr. No.	Name of the Shareholder	No. of Shares	% of issued capital
1	Mr. Mahesh A. Maheshwari	59,47,880	57.41%
2	Mrs. Namrata M. Maheshwari	12,35,131	11.92%
3	Mr. Jyotindra A. Choksi	6,10,000	5.89%
4	Mr. Ketan R. Gorania	4,50,000	4.34%
5	Saakshi Shares Private Limited	2,00,000	1.93%
6	Spazio Designs Private Limited	2,00,000	1.93%
7	Kaiser Capital Private Limited	2,00,000	1.93%
8	Ms. Preeti Maheshwari	2,00,100	1.93%
9	Amonker Trading Co. Pvt. Ltd.	1,50,000	1.45%
10	Mr. Geharilal Ranka	1,00,000	0.97%
	<b>Total</b>	<b>92,93,111</b>	<b>89.69%</b>

c. 2 years prior to the date of filing the Red Herring Prospectus

Sr. No.	Name of the Shareholder	No. of Shares	% of then issued capital
1	Mr. Mahesh A. Maheshwari	45,78,580	85.16%
2	Mrs. Namrata M. Maheshwari	3,25,420	6.05%
3	Mr. Ashoksinh Chudasma	2,80,000	5.21%

4	Mr. Bharatsinh Chudasma	1,00,000	1.86%
5	Mr. Jivraj Bhai Patel	50,000	0.93%
6	Mahesh Maheshwari, HUF	17,500	0.33%
7	Harshvardhini P. Sharma	25,000	0.46%
	<b>Total</b>	<b>53,76,500</b>	<b>100.00%</b>

- 31.** Our Company has not raised any bridge loan against the proceeds of this Issue.
- 32.** Our Promoters and members of Promoter Group will not participate in this Issue.
- 33.** 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 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.
- 34.** Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such accounting and disclosure norms as specified by SEBI from time to time.
- 35.** A Bidder cannot make a Bid for more than the number of Equity Shares being issued through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- 36.** No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our Promoters to the persons who receive allotments, if any, in this issue.
- 37.** As on the date of filing of the Red Herring Prospectus our Company has 35 members.
- 38.** The BRLM does not hold any equity shares of our Company.

## SECTION V- OBJECTS OF THE ISSUE

### OBJECTS OF THE ISSUE

The present Issue is being made to raise the funds for the following purposes:

1. Expansion of Manufacturing facilities
2. Additional Working Capital Requirements
3. Public Issue expenses

The other Objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on BSE and NSE. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

The main object clause of Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Issue. Further, we confirm that the activities which we have been carrying out till date are in accordance with the object clause of our Memorandum of Association.

### Cost of Project & Means of Finance

The cost of project and means of finance as estimated by our management are given below:

		(Rs. In Lacs)
Sr. No.	Particulars	Amount
1.	Expansion of manufacturing facilities	4,432.19
2.	Additional Working Capital Requirement	750.00
3.	Public Issue Expenses	500.00
	<b>Total</b>	<b>5,682.19</b>

### Means of Finance

		(Rs. In Lacs)
Sr. No.	Particulars	Amount
1.	Proceeds from Initial Public Offer	5,310.00
2.	Internal Accruals	372.19
	<b>Total</b>	<b>5,682.19</b>

We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance (excluding the amount to be raised through the proposed Public Issue) and existing identifiable internal accruals have been made. The details of the same are as follows:

Means of finance (excluding the amount to be raised through the proposed Public Issue) i.e. through Internal Accruals	372.19
Amount already deployed out of internal accruals as on May 21, 2010 as per Deployment Certificate by statutory auditors M/s. H.B. Patel & Associates, Chartered Accountants vide their certificate dated May 28, 2010	372.19
<b>Percentage of Funds Deployed to Total Internal Accruals</b>	<b>100.00%</b>

In case the IPO does not go as planned, our Company will make alternative arrangements like availing of fresh loans from bank(s) and/or utilizing internal accruals.

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution or any independent organization. Our plans are subject to a number of variables, including possible cost overruns; receipt of critical

governmental approvals; and changes in management's views of the desirability of current plans, among others.

In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in any other project and/or our Company's internal accrual, and/ or the term loans/working capital loans that may be availed from the Banks/ Financial Institutions.

## Appraisal

Our Company has not got its proposed requirements of funds as detailed in this chapter appraised by any bank or financial institution.

## Brief Details about the Project

### 1. Expansion of manufacturing facilities

The existing unit at Jhagadia Industrial Estate, Bharuch, which has a capacity to manufacture 50 MTPD of Sodium Silicate, is located on land admeasuring about 14,760 sq.mts. We propose to enhance the capacity by adding a 300 MTPD facility to manufacture Sodium Silicate, at the same premises in Bharuch and we do not intend to acquire any land for this purpose.

Our Company intends to install a special designed triple pass regenerative and recuperative Furnace of 100 MT capacity each capable of working on biogas with a facility of having duel fuel arrangement for working on other fuel like Natural Gas etc. The furnace shall be capable of being operated both manually and automatically, and shall also possess versatility for manufacturing Sodium Silicate in glass and liquid format.

			(Rs. In Lacs)
Sr. No.	Particulars	Amount	
a)	Land Development	71.20	
b)	Civil Works	440.00	
c)	Plant & Machinery	3,665.99	
d)	Contingencies	200.00	
e)	Deposit with Gujarat Gas	55.00	
<b>Total</b>		<b>4,432.19</b>	

#### a) Land Development

The said expansion is being set up at on the existing land at Bharuch. An amount of Rs. 71.20 lacs has been estimated as Land Development charges as per the estimate provided by V.G. Suthar, Structural Designer & Chartered Engineer, vide his certificate dated November 14, 2009.

Sr. No.	Particulars	Qty	Rate per sq.mt	Amount (Rs. Lacs)
1.	Construction of water bound Macadam road, including necessary excavation, rubble soling, inclusive of base course of crushed aggregate, inclusive of rolling and voids filled with screening and binding material etc.	8,900 sq.mts	Rs. 800	71.20

#### b) Civil Works

For the proposed expansion, our Company would be required to undertake the below-mentioned civil works for the expansion of sodium silicate manufacturing facilities. The estimated cost is

based on the certificate dated November 14, 2009, issued by V.G. Suthar, Structural Designer & Chartered Engineer.

Sr. No.	Particulars	Qty	Estimated cost per unit (Rs.)	Amount (Rs. Lacs)
1.	Foundation for furnace	3	3,66,850	11.01
2.	Factory Shed	3	99,35,550	298.07
3.	U.G. RCC tank with a capacity of 5 lac litres	--	--	42.32
4.	Regenerator Chamber	3	29,42,000	88.26
<b>Total</b>				<b>439.66</b>
<b>Say</b>				<b>440.00</b>

### c) Plant & Machinery

We intend to procure the following machineries for our proposed expansion.

Sr. No.	Particulars	Cost per unit	Qty	Total Cost	Supplier	Date of Quotation/ Order
		(Rs. Lacs)		(Rs. Lacs)		
1.	<p><b>A) Orders Placed</b></p> <p>Furnace: End fired Triple pass, regenerative &amp; Recuperative 300 mts capacity with duel feeding (Manual &amp; Auto) two stainer, Chambers for glass outlet with Gutters upto Chimney with M. S. Chimney 140* Ht. capable of working on 100% biomass/gas &amp; also arrangement of multiple fuel</p> <p>Order placed with Ambica Ceramics vide P.O. dated 03-04-09.</p> <p>Expected date of supply – August 2010</p>	Lumpsum for 300 tonnes		2,128.00	Ambica Ceramics, Vadodara/ Interkiln Industries Ltd, Ahmedabad	01-Apr-09
2.	<p>High Intensity induced 3 Roll Magnetic Separator, with control panel</p> <p>Order placed with Electro Magnetic Industries, Vadodara vide P.O dated 20-11-09</p> <p>Expected date of supply – One Machine received and second expected by July 2010</p>	19.45	2	38.90	Electro Magnetic Industries, Vadodara	14-Nov-09
3.	<p>Refractory Recuperator to preheat air from flue gases</p>	39.90	3	119.70	Royal Refractories,	7-Dec-09

	Order placed with Royal Refractories, Ahmedabad vide P.O dated 09-12-09  Machinery received erection in progress.				Ahmedabad	
4.	Agro based gasifire with erection and commissioning and piping till furnaces  Order placed with Vikas Engg Industries, vide P.O dated 09-12-09  Expected date of supply – One Machine received and second expected by September 2010	272.50	2	545.00	Vikash Engg Industries, Kadi	16-Dec-09
5.	<b>B) Orders Not Placed</b> a) Air Blower – 15 HP	0.57	10	5.65	Chakshu Engineering, Ahmedabad	11-Dec-09
	b) Air Blower – 5 HP	0.21	10	2.06		
6.	Vertical Mixture machine 350 kg /batch	8.78	4	35.12	D.M.P. Engineering Works, Ahmedabad	12-Nov-09
7.	Feeder Machines, Capacity 5 Tonne /hrs. with gear box, Electric Motor, S.S. Cooling Tank and spare S.S. Tank & S.S. Worm.	2.25	10	22.50	D.M.P. Engineering Works, Ahmedabad	12-Nov-09
8.	S.S. Dissolving Vessels size 8' X 8' dia; 12" side thickness; 30 mm thick bottom S.S. plate for long life	8.19	40	327.60	Jay Mahakali Profile Cutting, Ahmedabad	28-Nov-09
9.	Stainless Steel Glass conveyor machine 45' length of plate with one end fixed and other end mobile with cooling blowers, water jackets, spares, plates chain and necessary drive arrangements	7.52	10	75.24	D.M.P. Engineering Works, Ahmedabad	12-Nov-09
10.	Pump set- Misc. tools, Valves, with fitting piping etc				Rajendra Traders,	6-Nov-09

	3 HP pumps - 12.5 HP pumps - 20 HP -	0.16 0.53 0.82	6 5 5	0.93 2.65 4.08	Ahmedabad	
11.	Weigh Bridge 40 ton/Flowmeter	3.40	2	6.80	Beta Engineering Works, Gandhinagar	7-Dec-09
12.	Electrification with Cabling	Lumpsum		25.00	Local Electric contractor	--
13.	Combustion Systems automatic Burners for Natural Gas & Biogas with accessories	3.40	24	81.60	Patel Boiler Services, Ankleshwar	10-Dec-09
14.	Gas Skid, Automation & Pressure Reducing Valve Train, Meters & Terminals. Pipe line etc.,	16.32	1	16.32	Nirmal Industrial Controls Pvt Ltd	9-Dec-09
15.	M.S. Chimney; Length 140'; 9500 kgs approx	7.91	3	23.74	Jay Mahakali Profile Cutting, Ahmedabad	28-Nov-09
16.	Storage M.S. Tanks RCC Tanks - 50000 lts	Lumpsum		19.80	Jay Mahakali Profile Cutting, Ahmedabad	28-Nov-09
17.	Gas Generators with Automation 125 KVA X 2 with Panel Automation and Dual Fuel Kit	9.25	2	18.50	Parekh Power	2-Dec-09
18.	Bio Mass Briquetting Plant with material handling equipment	12.90	6	77.40	Jay Khodiyar Machine Tools, Rajkot	11-Nov-09
	<b>Total Add: Transportation costs (Estimated approx @ 2.25%)</b>			<b>3,576.58 89.41</b>		
	<b>Total Plant &amp; Machinery Cost</b>			<b>3,665.99</b>		

**Note:** The actual suppliers of the equipments and the prices may differ after considering the conditions prevailing while placing the orders.

We do not intend to purchase any second hand machineries, and all the above machineries are indigenous. Accordingly there is no foreign exchange outgo and foreign exchange fluctuation that would impact us for the same. None of the machine suppliers are related to our Company and its promoters.

#### d) Contingencies

Contingencies have been estimated @ 4.79% 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, we have estimated an amount of Rs. 200 lacs to be earmarked for contingencies.

#### e) Deposit with Gujarat Gas

For the expansion of our manufacturing facilities at Bharuch, we initially intend to use Natural gas from Gujarat Gas Company Limited as a source of fuel. However, gradually, we intend to shift the fuel source to Biogas, and have Natural gas as a standby arrangement. For this purposes and the new Natural gas connection, we have estimated an amount of Rs. 55.00 lacs to be kept as deposit (monthly average bill) with Gujarat Gas Company Limited.

##### Basis for estimation of deposit

Existing Gas price per m <sup>3</sup>	Rs. 11.75
Estimated additional gas usage per day	15,000 m <sup>3</sup>
Monthly gas consumed	4,65,000 m <sup>3</sup>
Estimated monthly billing	Rs. 54.64 lacs

## 2. Additional Working Capital Requirement

Our Company will utilize a part of the Issue Proceeds to fund additional future working capital requirements. Based on our past experience, we have estimated and disclosed the number of days for debtors collection period and creditors payment period and the inventory holding periods as the basis for estimation. Considering the existing growth rate and the proposed expansion, the total working capital needs of our Company, as assessed based on the internal working of our Company is expected to reach Rs. 4,043.94 lacs by FY 2011 out of which we propose to fund Rs. 750.00 lacs through this Public Issue, details of which are mentioned hereunder:

(Rs. Lacs)						
Particulars	No. of days	Working Capital Requirement FY 2009 Actual	No. of days	Working Capital Requirement FY 2010 Actual	No. of days	Working Capital Requirement FY 2011 Estimated
<b>Current Assets</b>						
Sundry Debtors	75.22	678.13	101.38	1,718.48	90.00	3014.28
Raw Materials	16.27	112.24	0.47	5.53	15.00	371.76
Stock in progress	10.48	72.33	9.18	108.87	16.00	402.83
Finished Goods	18.72	168.79	9.68	164.13	12.00	417.38
Other Current Assets	--	96.13		110.00	--	678.48
<b>Total Current Assets (A)</b>		<b>1127.62</b>		<b>2,107.01</b>		<b>4884.73</b>
<b>Current Liabilities</b>						
Sundry Creditors	29.14	201.08	27.51	326.26	30.00	758.90
Other Liabilities & provisions		4.70		398.63		81.89
<b>Total Current Liabilities (B)</b>		<b>205.78</b>		<b>724.89</b>		<b>840.79</b>
<b>Working Capital Gap (A-B)</b>		<b>921.84</b>		<b>1382.12</b>		<b>4043.94</b>
<b>Less: Existing Bank Borrowings Sanctioned</b>		<b>512.50</b>		<b>616.18</b>		<b>616.18</b>



<b>Net Working Capital Requirement</b>		<b>409.34</b>		<b>765.94</b>		<b>3427.76</b>
<b>Funding Through Own Funds</b>		<b>409.34</b>		<b>765.94</b>		<b>765.94</b>
<b>Funding Proposed through Bank Borrowings/Own Funds</b>		--		--		<b>1911.82</b>
<b>Proposed Working Capital to be funded from IPO</b>		--		--		<b>750.00</b>

### 3. 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:

<b>(Rs. in Lacs)</b>			
<b>Activity</b>	<b>Expenses (Rs. in Lacs)</b>	<b>% of Issue Size</b>	<b>% of Issue expenses</b>
BRLM	106.2	2.00%	21.24%
Registrar to the Issue	1.50	0.03%	0.30%
Syndicate Fees, Underwriting, Brokerage and Selling Commission	100.00	1.88%	20.00%
Advertisement and marketing expenses	75.00	1.41%	15.00%
Printing and stationery (including expenses on transportation of the material)	100.00	1.88%	20.00%
IPO Grading	4.00	0.08%	0.80%
Others (Filing Fees with SEBI, BSE and NSE, legal fees, listing fees, RoC Fees, travelling and other miscellaneous expenses etc.)	113.30	2.13%	22.66%
<b>Total</b>	<b>500.00</b>	<b>9.42%</b>	<b>100.00%</b>

### Schedule of Implementation

<b>Sr. No.</b>	<b>Particulars</b>	<b>Month of Commencement</b>	<b>Month of Completion</b>
1.	Land	Already available	
2.	Land Development and Civil Works	April 2010	July 2010
3.	Purchase of Plant & Machinery		
	- Placement of Order	Commenced	July 2010
	- Delivery	January 2010	September 2010
4.	Trial run	December 2010	December 2010
5.	Commercial production	January 2011	

### Deployment of Funds in the Project

We have incurred the following expenditure on the project till May 21, 2010. The same has been certified by our statutory auditors M/s. H.B. Patel & Associates, Chartered Accountants *vide* their certificate dated May 28, 2010.

Sr. No.	Particulars	Amount
1.	Land Development	13.04
2.	Civil Works	303.79
3.	Plant & Machinery	887.95
4.	IPO Expenses	50.97
	<b>Total</b>	<b>1,255.75</b>

The above mentioned deployment has been financed out of the following:

Sr. No.	Particulars	Amount
1.	Internal Accruals	372.19
2.	Unsecured Loans from Luniar Finstock Private Limited, Ahmedabad	883.56
	<b>Total</b>	<b>1,255.75</b>

The excess amount deployed by us shall be recouped from the public issue proceeds.

The above mentioned unsecured loan has been taken from Luniar Finstock Private Limited, Ahmedabad. This loan carries interest at the rate of 12% per annum and is repayable on demand.

#### Details of balance fund deployment

(Rs. in Lacs)

Sr. No.	Particulars	Already deployed till May 21, 2010	FY 2011	Total
1)	Land development	13.04	58.16	71.20
2)	Civil Works	303.79	136.21	440.00
3)	Purchase of Plant & Machinery	887.95	2,778.04	3,665.99
4)	Deposit With Gujarat Gas		55.00	55.00
5)	Additional Working Capital Requirements		750.00	750.00
6)	Contingencies		200.00	200.00
7)	Public Issue Expenses	50.97	449.03	500.00
	<b>Total</b>	<b>1,255.75</b>	<b>4426.44</b>	<b>5,682.19</b>

#### Interim Use of Funds

The management, in accordance with the approval of the Board of Directors, will have the flexibility in deploying the Issue Proceeds received by us. 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 and deposits with banks for the necessary duration or for reducing overdraft.

#### Monitoring of Issue proceeds

Our Audit Committee will also monitor the utilization of the Issue Proceeds. We will disclose the utilization of the Issue proceeds under separate head in our balance sheet for the Financial Year 2011.

Further, on an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent. The statement shall be certified by the Statutory Auditors. Further, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Red Herring Prospectus. Pursuant to Clause 49 of the listing agreement, our Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the Issue Proceeds. We will disclose the utilization of the Issue Proceeds under a separate head in our balance sheet till such time the Issue Proceeds have been utilized, clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet till such time the Issue Proceeds have been utilized, provide details, if any, in relation to all such Issue Proceeds that have not been utilized thereby also indicating investments, if any, of such unutilized Issue Proceeds.

No part of the Issue Proceeds of this issue will be paid as consideration to our Promoters, directors, key managerial employees or group concerns/companies promoted by our Promoters.

## **BASIC TERMS OF THE ISSUE**

### **Terms of the Issue**

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid cum Application Form, 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.

### **Terms of Payment**

Applications should be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. The entire price of the Equity Shares of Rs. [●] per share (Rs. 10 face value + Rs. [●] premium) is payable on application. In case of allotment of lesser number of Equity Shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.

### **Ranking of Equity Shares**

The Equity Shares being offered through the Issue shall be subject to the provisions of the Companies Act, the Memorandum and Articles of Association our Company and shall rank *pari passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The Allottees, in receipt of Allotment of Equity Shares under the Issue, will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment.

### **Face Value and Issue Price per Share**

The Equity Shares having a face value of Rs. 10 each are being offered in terms of the Red Herring Prospectus at a price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 50 Equity Shares to the successful bidders.

### **Minimum Subscription**

If our Company do not receive the minimum subscription of 90% of the Issue to the Public including devolvement of the Underwriters within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act 1956.

## BASIS FOR ISSUE PRICE

*Investors should read the following summary along with the Sections titled “Risk Factors”, “About Us” and “Financial Information” beginning on pages 11, 75 & 116 respectively of the Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risks and you may lose all or part of your investments.*

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.

### Qualitative Factors:

#### 1. Sound understanding in this line of business

Our promoters have been in this line of business since more than a decade, and have been active in this space, in terms of the technological changes and other factors, which affect the business operations of companies operating in this space e.g our Company is amongst the early movers to switch their raw material from soda ash to caustics, as the same is a better reactant as compared to the former, thus resulting in saving of fuel costs. We also saw great opportunity in moving from the conventional fossil fuels to biogas, resulting in additional cost savings.

#### 2. Professional management team

Our operations are led by our Chairman & Managing Director. We have a dedicated and experienced management personnel who are in charge of operation, quality management and delivery to our customers. Our experience together with our competitive rates, consistent and successful track record of timely delivery and customer satisfaction provides us a competitive edge.

#### 3. Location and Cost Benefits

Our manufacturing facilities are located in Gujarat providing us logistics and material handling advantage. Our major suppliers and major clients are within a 10 km radius, thus saving our logistics costs and efforts.

#### 4. Flexibility to adopt technology

As our furnace in manufacturing facilities has the capability to use multiple fuels, in case of unavailability of a particular fuel, our production is not affected due to multiple fuel arrangements.

#### 5. Focus on long term revenue stream

Our association with major clients (Samarpan Silica, Bhavna Chemical Industries, Insilco Limited, Huber Chemicals India Private Limited and Madhu Silica Private Limited) have been firmly entrenched over the years by providing quality materials at competitive rates. We intend to enhance the existing relations and developing similar relations with other major players to focus on long term revenues.

### Quantitative Factors

Information presented in this section is derived from our Company's restated, financial statements.

#### 1. Adjusted Earnings Per Share

Particulars	EPS (Rs)	Weights
2007-2008	1.82	1
2008-2009	4.41	2
2009-2010	5.14	3
<b>Weighted Average EPS</b>	<b>4.34</b>	

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

Particulars	P/E at the lower end of the price band (Rs. 112)	P/E at the higher end of the price (Rs. 118)
a. Based on 2009-10 EPS of Rs. 5.14	21.79	22.96
b. Based on weighted average EPS of Rs. 4.34	25.81	27.19

### Industry P/E

We are manufacturer of Sodium Silicate which is an intermediate product for personal care industry. Sodium silicate finds its applications in toothpaste, gels, washing powders, soaps etc. Swapna Chemicals, Baroda, Saibaba Chemicals, Ankleshwar and Nenco Chemicals, Bharuch, are some of our closest competitors. However, all of them being unlisted entities, published data on the industry, peer group and performance is not available.

## 3. Return on Net Worth

Particulars	RONW (%)	Weights
2007-2008	10.49	1
2008-2009	23.87	2
2009-2010	21.83	3
<b>Weighted Average RONW</b>	<b>20.62</b>	

## 4. Minimum Return on Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 5.14 is

a) At the higher end of the price band	10.41 %
b) At the lower end of the price band	10.58 %

## 5. Net Asset Value (Rs.)

Particulars	At the lower end of the price band (Rs. 112)	At the higher end of the price band (Rs. 118)
As on March 31, 2010	23.53	23.53
After Issue	48.57	49.36
Issue Price	[●]	

## 6. Comparison of Accounting Ratios with Peer Group Companies:

There is no listed peer company which is engaged in the same line of activity. For further details please refer to the point 2 above.

## 7. The face value of our Equity Shares is Rs.10 per share and the Issue Price of Rs. [●] is [●] times of the face value of our Equity Shares. The final price would be determined on the basis of the demand from the investors.

The BRLM believes that the Issue Price of Rs. [●] per Equity Shares is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the Auditors Report in the Red Herring Prospectus to have a more informed view about the investment proposition.

## STATEMENT OF TAX BENEFITS

### **The Board of Directors**

#### **Aster Silicates Limited**

A – 602, Fairdeal House,  
Swastik Char Rasta,  
Off C G Road, Navrangpura,  
Ahmedabad - 380009, Gujarat

Dear Sirs,

### **Sub: Statement of Possible Tax Benefits**

We hereby report that the enclosed annexure states the possible tax benefits that may be available to Aster Silicates Limited (the “Company”) and to the Shareholders of the Company under the provisions of 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 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 fulfill.

The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. 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.

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 opinion, 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 IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For M/s. H.B. Patel & Associates, Chartered Accountants**

**(H.B. Patel)**

**Proprietor**

**Membership No. 49395**

**Place: Ahmedabad**

**Date: May 28, 2010**

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

### **A. SPECIAL TAX BENEFITS TO THE COMPANY:**

**No special tax benefits are available to the Company.**

### **B. SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF OUR COMPANY: NIL**

### **C. GENERAL TAX BENEFITS, AVAILABLE TO ALL CATEGORIES OF COMPANIES OR TO THE SHAREHOLDERS OF ANY COMPANY, SUBJECT TO FULFILLING CERTAIN CONDITIONS AS REQUIRED UNDER THE RESPECTIVE ACTS:**

#### **BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received by the Company from domestic companies is exempt from income tax.
2. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India after 1st October, 2004 and is liable to securities transaction tax.
4. Under section 111A of the IT Act and other relevant provisions of the IT Act, 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 and 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.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act88;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term



specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Deduction under Section 32: As per provisions of Section 32(1)(iia) of the Act, the company is entitled to claim additional depreciation of 20% of the actual cost of any new machinery or plant which has been acquired and installed after 31st March, 2005 subject to fulfillment of conditions prescribed therein.
7. Under section 115JAA (2A) of the Act tax credit shall be allowed in respect of any tax paid (MAT) under section 115JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years immediately succeeding the year in which the MAT credit initially arose.

#### **BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, 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.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act;

- (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, 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.
7. Under section 111A of the IT Act and other relevant provisions of the IT Act, 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 and 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. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

#### **BENEFITS AVAILABLE TO MUTUAL FUNDS**

1. As per the provisions of Section 10(23D) of the IT Act, Mutual Funds registered under the Securities and Exchange Board of India 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.

#### **BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.

3. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

- (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;

- (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

4. Under section 115AD (1)(ii) of the Act short term capital gains on transfer of securities shall be chargeable @ 30% and 10% (where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax). The above rates are to be increased by applicable surcharge and education cess.

Under section 115AD(1)(iii) of the Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.

5. As per section 90(2) of the IT Act, 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.
6. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

## **BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS**

1. Under section 10(23FB) of the IT Act, 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.

**BENEFITS AVAILABLE TO NON-RESIDENTS/ NON-RESIDENT INDIAN SHAREHOLDERS  
(OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
3. Under the first proviso to section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the IT Act-discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. 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.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, 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.

7. Under section 111A of the IT Act and other relevant provisions of the IT Act, 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 and 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. Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the IT Act, which inter alia entitles them to the following benefits:
  - i. 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 and 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 and education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.
  - ii. Under provisions of section 115F of the IT Act, 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.
  - iii. Under provisions of section 115G of the IT Act, 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 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.
  - iv. In accordance with the provisions of Section 115H of the Act, a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the assessing officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
9. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable under the head "Profit and

gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

10. As per Section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the Non-Resident/ Non- Resident India would prevail over the provisions of the IT Act to the extent they are more beneficial to the Non-Resident/ Non-Resident India.

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

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

#### **Notes:**

1. 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;
2. 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;
3. 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;
4. 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
5. 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

*Disclaimer: Pursuant to the requirements of the SEBI (ICDR) Regulations, 2009, the discussion on the business of Our Company in the Red Herring Prospectus consists of disclosures pertaining to industry grouping and classification. The industry grouping and classification is based on our Company's own understanding and perception and such understanding and perception could be substantially different or at variance from the views and understanding of third parties. Our Company acknowledges that certain products described in the Red Herring Prospectus could be trademarks, brand names and/ or generic names of products owned by third parties and the reference to such trademarks, brand names and/or generic names in the Red Herring Prospectus is only for the purpose of describing the products. The industry data has been collated from various industry and/or research publications and from information available from the World Wide Web.*

*The information in this section is derived from various government/Industry Association publications and other sources. Neither we, nor any other person connected with the issue has 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 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.*

### GLOBAL CHEMICAL INDUSTRY

The global chemical` industry, estimated at US\$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, the chemicals industry has still grown at a rate higher than the overall-manufacturing segment.

As per industry reports the pharmaceutical segment contributes approximately 26% of the total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approx. size of \$ 750 billion while the specialty and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approx. half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

### Market Trends

- The global chemicals industry is estimated to have grown by about 5% from 2005.
- The US continues to be largest consumer of chemicals globally.
- Increasing demand from emerging economies in Asia and Brazil
- Commodity chemicals continues to be the largest segment followed by specialty and fine chemicals and agrochemicals
- Major trends observed in the industry are consolidation and outsourcing.

Globally the Chemical industry is moving towards globalization, consolidation, cost reduction, increased use of information technology(IT),focusing on research and development and increased environment consciousness.

(Source: Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals, <http://chemicals.nic.in/chem1.htm>)

## INDIAN CHEMICAL INDUSTRY

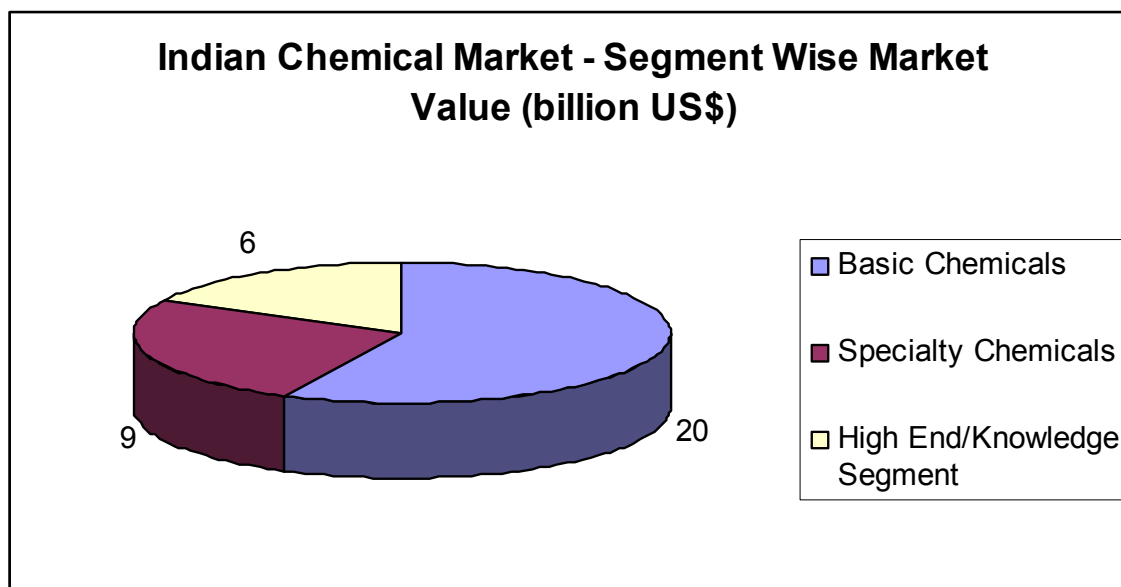
Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

The chemical industry includes basic chemicals and its products, petrochemicals, fertilizers, paints and varnishes, gases, soaps, perfumes and toiletries and pharmaceuticals and is one of the most diversified of all industrial sectors covering thousands of commercial products. Its contribution to the GDP of the country is around 3 per cent.

The Indian Chemicals Industry comprises both small and large-scale units. The fiscal concessions granted to the small sector in mid-eighties led to the establishment of a large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian Chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, brand building and environmental friendliness, this industry is increasingly moving towards greater customer orientation. Even though India enjoys an abundant supply of basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.

(Source: Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals, Annual Report 2008-09)

The chemical industry is an important constituent of the Indian economy with an estimated turnover at around US\$ 35 billion, constituting 1.5% of the global chemical industry estimated at US\$ 2400 billion.



The total investment in the sector is nearly US\$ 60 billion and the employment is about one million. It accounts for 13%–14% of total exports and 8%–9% of total imports of the country. Gujarat dominates with 51% of the total share of major chemicals produced in the country.

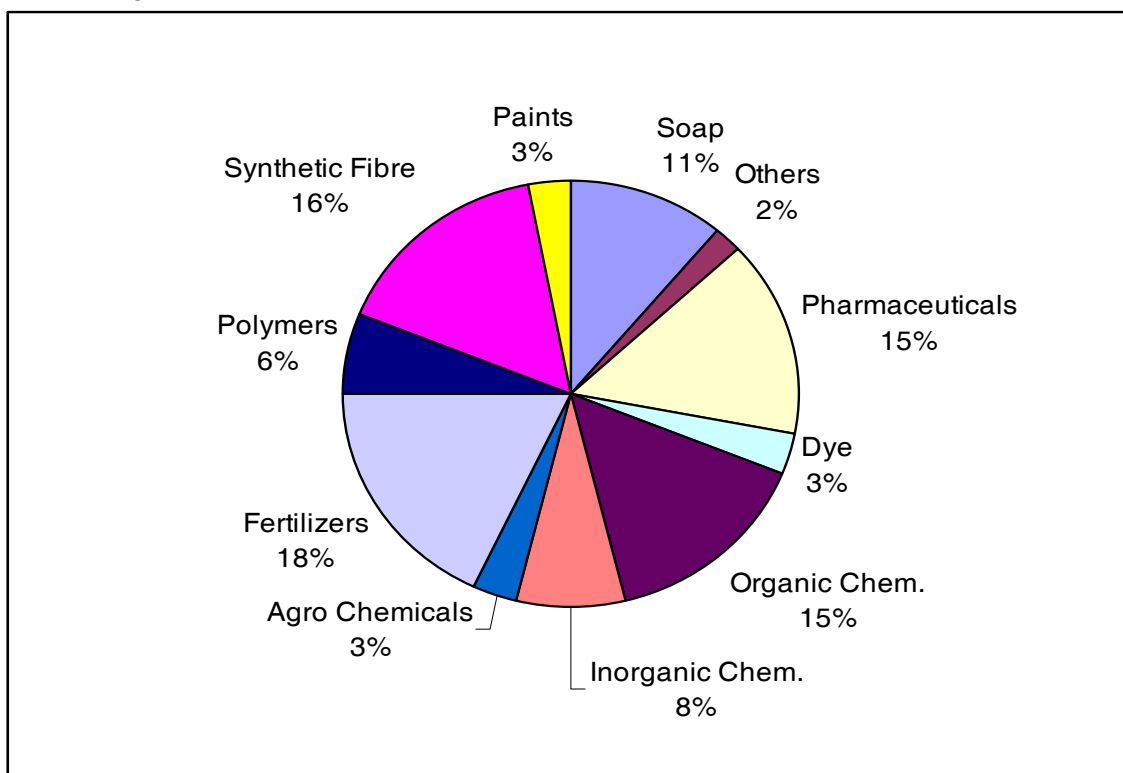


Various sub-sectors such as chloralkali, inorganic chemicals, organic chemicals, dyestuffs and dye intermediates, and agrochemicals grew at varying rates during the Tenth Five Year Plan, with inorganic chemicals recording the highest CAGR at 10% and agro-chemicals the lowest CAGR at 0.7%. The chemicals industry as a whole grew at an average of 4.7% during the Tenth Five Year Plan. The industry expectation is that the sector may grow in the range of 5%–8% during the Eleventh Plan

*(Source: Eleventh Five Year Plan 2007-2012, Volume III)*

Increased competition resulting from globalization is driving the chemical industry towards consolidation, cost reduction, location of manufacturing bases close to raw materials, cheaper energy sources, lower tax regimes, increased use of information technology (IT), and intensification of R&D activities. At the same time the industry is responding to the increased environment consciousness worldwide. Consolidation has become imperative as the industry seeks economies of scale in manufacturing, logistics, and R&D. Cost reduction is being aggressively attempted through improved operating norms and financial restructuring. Enhanced worldwide concern for the protection of the environment has been forcing the industry to modernize and innovate.

Over the last decade, the Indian chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With increasing investments in R&D, the industry is registering significant growth in the knowledge sector comprising specialty chemicals, fine chemicals, and pharmaceuticals. Broadly, the share of basic, knowledge, and specialty chemicals is 57%, 18%, and 25%, respectively. Share of different segments of Chemical Industry in India is shown in Figure below:



*(Source: Eleventh Five Year Plan 2007-2012, Volume III)*

### FDI in Chemical Industry

In the Chemical Sector, 100 percent FDI is permissible. Manufacture of most chemical products inter-alia covering organic/ inorganic, dyestuffs and Pesticides is delicensed. The entrepreneurs need to submit only IEM with the Department of

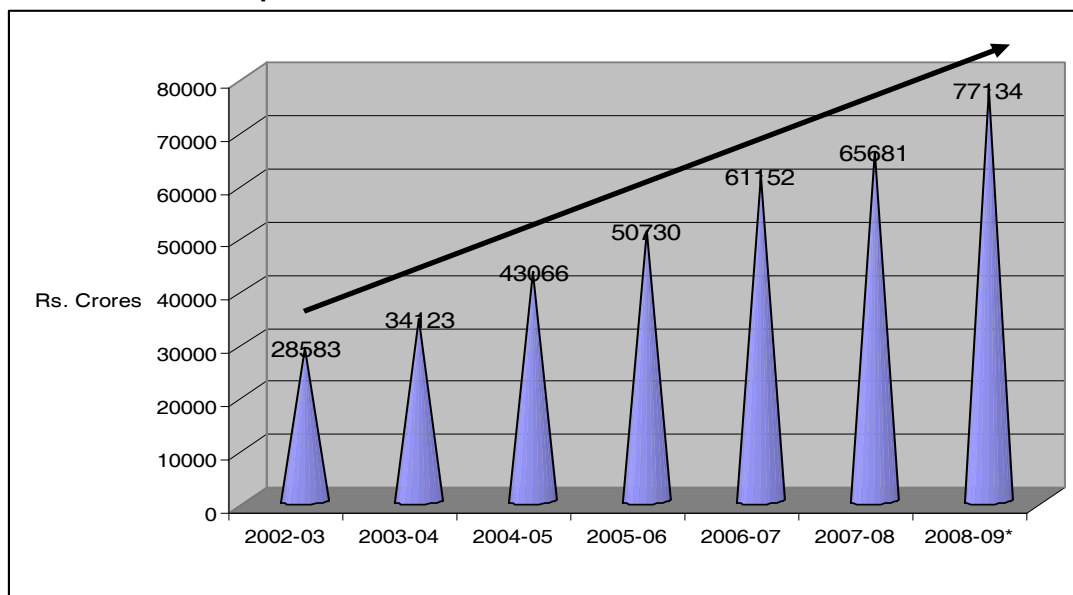
Industrial Policy and Promotion provided no locational angle is applicable. Only the following items are covered in the compulsory licensing list because of their hazardous nature:

- Hydrocyanic acid and its derivatives
- Phosgene and its derivatives
- Isocyanates and di-isocyanates of hydrocarbons

### International Trade

Exports and imports of Chemicals and Petrochemicals during 2002-03 to 2008-09 (up to Feb., 09) have shown upward trends, as exhibited in the charts below:

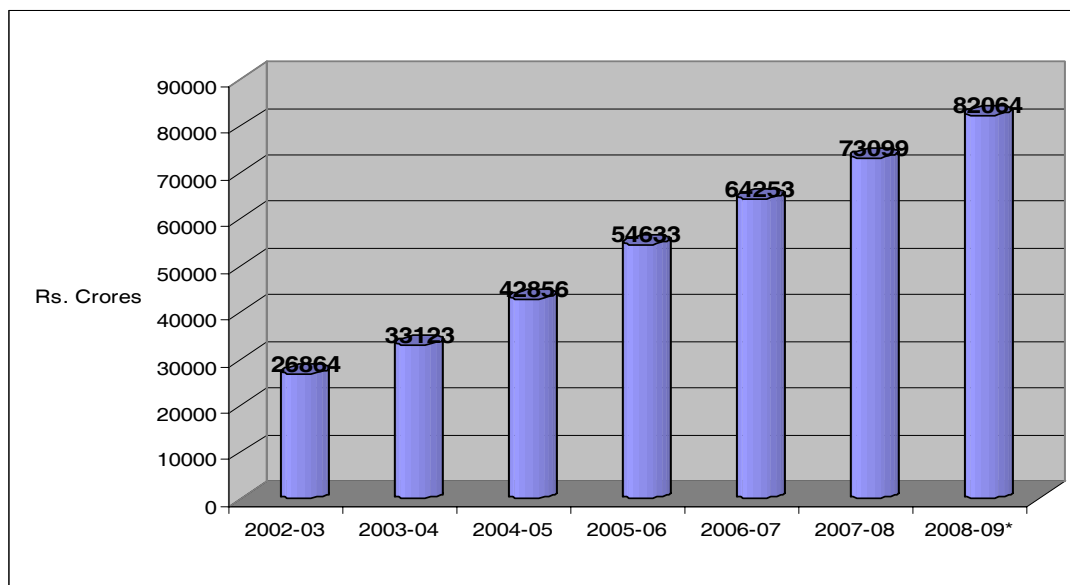
**Chart I – Trend of Exports**



\*Provisional (upto February 2009)

(Source: Department of Chemicals and Petrochemicals, Annual Report 2008-09)

**Chart II – Trend of Imports**



\*Provisional (upto February 2009)

(Source: Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals, Annual Report 2008-09)

### Chemical Sector – Production Trends

India also produces a large number of fine and specialty chemicals, which have very specific uses, which find wide usage as food additives and pigments, polymer additives, anti-oxidants in the rubber industry, etc.

Basic chemicals undergo several processing stages to be converted into downstream chemicals. These are used by the agriculture sector and industry, besides direct use by the consumers. Agriculture and industrial usages of chemicals include auxiliary materials such as adhesives, unprocessed plastics, dyes and fertilizers, while direct usage by the consumers include pharmaceuticals, cosmetics, household products, paints etc. The production of major basic chemicals during 2002-03 to 2008-09 is exhibited in table below:

(In 000' MT)

Years	Alkali Chemicals	Other Inorganic Chemicals	Organic Chemicals	Pesticides (Tech.)	Dyes & Dyestuffs	Total Major Chemicals	Annual Growth Rate (%)
2002-03	4792	404	1349	70	26	6641	
2003-04	5070	441	1474	85	26	7096	6.85
2004-05	5272	508	1506	94	28	7408	4.40
2005-06	5475	544	1545	82	30	7676	3.62
2006-07	5269	602	1545	85	33	7534	-1.85
2007-08	5443	609	1546	83	44	7725	2.54
2008-09*	5550	622	1373	77	51	7673	-0.67
CAGR(%)*	2.58	8.55	2.76	3.47	11.10	3.07	

\* Upto February 2009

(Source: Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals, Annual Report 2008-09)

## Sectoral Highlights

The chemicals industry is diverse and heterogeneous comprising several sectors that are largely unrelated to one another. The key sectors that make up the industry are:

- Petrochemicals
- Chlor- Alkali & Inorganic chemicals
- Organic chemicals
- Paints and dyes
- Fine and specialties
- Pesticides and Agrochemicals

### Chlor-Alkali & Inorganic Chemicals Sector

Chlor - alkali industry consists of caustic soda, chlorine and soda ash. These products are mainly used in paper, soap, detergents, PVC, medical, chlorinated paraffin wax etc. Major inorganic chemicals are sulphuric acid, carbon black, titanium dioxide, calcium carbide, aluminium fluoride etc. The demand of Caustic Soda is driven by Aluminium industry. Chlorine is mainly consumed by PVC, medical, paper, chlorinated paraffin wax industries.

The contribution of Chlor-Alkali & Inorganic Chemicals industry is to the extent of 8% of the total chemical industry. The total size of Indian Chlor Alkali & Inorganic Chemical industry is US\$ 2500 million. The Chlor alkali and Soda Ash are the major inorganic chemicals accounting for 62% in this sector. Sulphuric Acid, Carbon Black, Titanium Dioxide are other major contributors.

### Organic Chemicals

The basic Organic chemicals and Intermediates Industry is one of the important sectors of the Chemical Industry and has made phenomenal progress since independence. This sector has provided vital chemicals and intermediates to other sectors of the Chemical Industry. The annual world production of organic chemicals has increased from 15 to 400 million tonnes in the last 50 years.

### Dyestuff & Dyes

The Indian Dyestuff industry, meets more than 95% requirement of the domestic market. Today, India exports dyes and dye intermediate to the very same countries, on which it was dependant for imports till a decade ago. All ranges of dyes such as disperse, reactive, vats, pigments and leather dyes are now being manufactured in India. The textile industry is the major consumer of dyestuffs and about 70% of the total production is consumed by this sector. The world market for dyes, pigments and dye intermediates is estimated at about US \$ 23 billion consisting of dyes and pigment market of 1.3 million tones valued at US \$ 16 billion and dye intermediates market of US\$ 7 billion.

### Specialty Chemicals

Specialty Chemicals are high priced, low volume chemicals used for specific applications by various industries. Main specialty chemicals are rubber chemicals, water treatment chemicals, polymer additives, lubricating additives, specialty pigments etc. These chemicals are mainly based on organic chemicals. Globally the contribution of specialty chemicals is upto 25% of the chemical sector i.e. it is approximately worth US\$ 453 billion. The average annual growth is expected to be 7.5%.

## Pesticides and Agrochemicals

India is currently the largest manufacturer of Pesticides in Asia second only to Japan. The total food grain production has risen from 50.82 million MT in 1950-51 to an estimated quantity of 209.32 million MT in 2005-2006. Global Generic Market is Rs. 45000 crores (US\$ 10 billion). The Total Agrochemical market in India is approx. Rs. 4500 crores. India exports pesticides for approx. Rs. 2800 crores. The Indian Pesticides Industry can be broadly divided into three categories, Multi-National Companies, Indian companies including the Public Sector companies and Small Scale Sector Units. Besides about 60 Indian companies in the organized sector manufacturing pesticides, there are around 10 multi-national companies operating in the country. Most Indian technical manufacturers are focused on off-patent pesticides, which comprise over 70% of the Indian market.

## Petrochemicals

The petrochemical industry of India is less than 40 years old. The sector has a significant growth potential. Although the current per capita consumption of petrochemicals products is low, the demand for the same is growing 10% during the Sixth Plan, 13.2% during the Seventh Plan, 25% expected during the Eight Plan.

*(Source: Planning Commission for formulation of the 11th Five Year Plan (2007-2012),)*

### Strengths:

- A diversified manufacturing base having a capacity to produce quality chemicals from world-class plants.
- Vibrant downstream industries in different segments.
- Competitive core industries, essential for the development of chemical industries.
- Capability to produce world-class end products.
- Strong presence in the export market in sub-segments such as Dyes, Pharma and Agrochemicals.
- Large domestic market.
- Major raw material component sources within the country.
- Good R&D base and quality human resources.

### Weakness:

**Cost of Power:** Very high cost of power, unreliability of supply and frequent interruption. Transmission and distribution losses are very high.

**Cost of Finance:** Chemical industry is highly capital-intensive, cost of finance in India is very high, interest rates are 14%-15% p.a. as compared to 2% to 6% prevailing in developed countries.

**Infrastructure:** India ranked 55th in infrastructure development in the Global Competitiveness Report 1999. Infrastructure facilities are not of world class. Transport and communications are complex, resulting in delays and slow movement of goods. In-adequate port facilities result in

high demurrage costs. For example, turnaround time for vessels is an average of eight days in India as against one or two days in Singapore.

**Scale of Production:** Due to earlier policy of import substitution and industrial licensing, chemical plants in India were built to cater to domestic requirements. The per capita consumption in India is less as compared to other countries and hence plant sizes are not comparable to world-scale operations. Major competitors abroad enjoy economies of scale advantages.

**Technology:** Chemical Industry has grown by concentrating on processes modification rather than basic research. Investment in R&D with a view to generating intellectual property is absent. A change of mindset is needed to invest in R&D to be able to sell value-added products and compete in developed countries.

*(Source: Planning Commission, 11<sup>th</sup> Five Year Plan, 2007-12)*

## **SODIUM SILICATE**

Sodium silicate is the common name for a compound sodium metasilicate, also known as water glass or liquid glass. It is available both in aqueous solution and in solid glass form.

### **Principle Uses of Sodium Silicate**

#### **Adhesives and Cements:**

Liquid sodium silicates of suitable concentration, usually in the weight ratio range of 2.8 to 3.3 are widely used as adhesives in making fiber drums, paper tubes and miscellaneous materials. Sodium Silicate is an excellent adhesive for scaling fiberboard boxes because it sets quickly and firmly hold the flaps together.

Sodium Silicate solutions of varying ratios are used for making many kinds of cement, including types for acid proof constructions, refractory uses and binding thermal insulating materials. Cement made with sodium silicates are used for lining and laying refractory units, preparing foundry moulds and cores, laying brick in sulfite digesters for chemical wood pulps and construction of acid proof masonry. Other advantages of sodium silicate as binders in cements are ease of application, low costs, and a strong bonding action for many types of surfaces.

#### **Detergent and Soaps:**

Many detergent operations are performed using both the liquid and dry granular forms of sodium silicates. Such operations range from metal cleaning, textile processing, laundering and de-inking paper, to washing dishes, dairy equipments, bottles, floors and locomotives. Sodium silicate possess such fundamental properties as low interfacial tension of solutions against various components if dirt, good emulsifying and suspending powers, reserve alkalinity for neutralizing or saponifying soil materials and high buffering power. Both liquid silicates and metasilicates are added to soaps as builders. Liquid silicate of weight ratio around 3.3 is used in the order of 1% (anhydrous basis) in bar and toilet soaps to prevent rancidity.

#### **Gels, Catalysts and Zeolites:**

Silica gels may be prepared by treating sodium silicate solutions with acids, washing the precipitated silicic acid to remove soluble salts, drying, and reducing the resultant product to suitable particle size range. Siliceous ratio silicates are generally used for making silica gels. The end product, a granular glassy material, has an immense internal pore area, giving it the capacity to absorb large quantities of moisture as well as other substances. This property makes the gel useful as dehumidifying agents for air and other gases, and as filtering agents to clarify juices and beers, for making them thermal insulation materials. Closely related to silica gels are the

amorphous silica powders which are used as additives to rubber products to provide abrasion and wear resistance. Other uses for these silica products are for thickening agents in inks, plastics and varnishes, suspending agents in paints, as well as anti caking additives in various compounds such as dusting powders and insecticides.

#### **Foundry:**

Another application of the gel forming properties of sodium silicate is in the foundry industry. Mixtures of sand and silicate for making both molds and cores in the foundry industry. Sodium silicate solutions in the weight range from 3.33 to 2.00 are generally recommended for foundry use.

#### **Soil Stabilisation:**

The gel forming property of sodium silicate is used to advantage in soil stabilization. Sodium silicate solutions along with reacting chemicals, have been used for consolidation of porous soil structures for many years. Soils are solidified and stabilized to increase their load bearing capacity, to arrest settlement and lateral movement of foundations, and to control the flow of water in earthwork engineering projects such as dams, mines, tunnels and excavations.

#### **Silica Sols and Water Treatment:**

Silica sols of colloidal silica may be prepared in several different ways. Methods of preparation include dialysis, electro dialysis, neutralization of a sodium silicate solution by an acid or acid substance, peptizing a silica hydrogel, and passage of a sodium silicate solution through an ion exchanger for sodium removal. Activated silica sols are used in water purification as coagulant aids, flocculating impurities with aluminium and iron salts. Activated silica is used in the treatment of both raw and waste waters. Corrosion of iron in water systems may be controlled by the addition of small amounts of sodium silicate, which deposits a thin protective film of silica on the metal.

#### **Coatings:**

Sodium silicate solutions, either unaltered or suitably modified, are used in making various paints and coatings. Upon losing small amounts of water, thin layers of liquid silicates first become tacky and then change to hard films. Sodium silicates used in coating and paint formulations vary in ration from about 2.0 to 3.3. Two other well established uses of sodium silicate coatings are for welding rods and roofing granules.

## BUSINESS OVERVIEW

Our Company is engaged in the business of manufacturing of sodium silicate which includes food grade sodium silicate, special drilling grade silicate and detergent grade silicate. We produce sodium silicate both in glass and liquid form. Food grade sodium silicate is used in the manufacturing of Silica precipitate and Gel which finds its applications in toothpaste, salt, cosmetics, glucose powder, tyre & rubber and pesticides etc. Sodium silicate, (special drilling grade silicate) is also used in off-shore drilling and for reactivation of old oil and gas fields. The sodium silicate manufactured by us is also used in water-proofing, infoundries and for investment casting, paper, silica gel, textiles and detergents.

Sodium silicates serve a wide range of end use markets, including soaps and detergents, pulp and paper, paint and pigments, catalysts, and metal cleaning. Sodium silicate is the generic name for a series of compounds derived from soluble sodium silicate glasses. These materials are aqueous liquids containing sodium oxide (Na<sub>2</sub>O) and silicon dioxide (SiO<sub>2</sub>) in various ratios. Varying the amount of SiO<sub>2</sub> and Na<sub>2</sub>O gives solutions having differing properties and diverse industrial applications.

Currently, we operate from two units in Gujarat having aggregate installed capacity of 150 MT of glass/day. Unit I has three furnaces with an average combined capacity of 100 MT of glass/day. All the three furnaces are triple pass regenerative and recuperative end fired glass furnace with multiple fuel arrangement, capable of using bio gas, coal and also natural gas. Unit II has a single furnace with a capacity of 50 mts of glass/day, which is also triple pass regenerative and recuperative end fired glass furnace.

Through this proposed project, our Company intends to install a special designed triple pass regenerative and recuperative Furnace of 100 MT capacity each capable of working on biogas with a facility of having dual fuel arrangement for working on other fuel like Natural Gas etc. The furnace shall be capable of being operated both manually and automatically, and shall also possess versatility for manufacturing Sodium Silicate in glass and liquid format. For the expansion of our manufacturing facilities at Bharuch, we initially intend to use Natural gas from Gujarat Gas Company Limited as a source of fuel. However, gradually, we intend to shift the fuel source to Biogas, and have Natural gas as a standby arrangement.

### Land and Location:

The existing land at Jhagadia Industrial Estate, Bharuch has an area of 14,760 sq.mts, where Unit II of the existing manufacturing facility is located. Land admeasuring approximately 10,000 sq.mts, which is unused is proposed to be utilised for an expansion of 300 MTPD for the proposed new project.

Currently, we are operating from the following two units:

Location	Capacity
Unit I - Block No. 214, Sarasa Village Road, AT & Post Village Kanera, Ta. & Dist. Kheda - 387540, Gujarat	100 MT of glass/day
Unit II - Plot No. 831, Jhagadia Industrial Estate, Jhagadia, Dist. Bharuch - 393110, Gujarat	50 MT of glass/day

### Our Competitive Strengths

We believe that the following are our primary competitive strengths:



## **1. Sound understanding in this line of business**

Our promoters have been in this line of business since more than a decade, and have been active in this space, in terms of the technological changes and other factors, which affect the business operations of companies operating in this space. e.g. our Company is amongst the early movers to switch their raw material from soda ash to caustics, as the same is a better reactant as compared to the former, thus resulting in saving of fuel costs. We also saw great opportunity in moving from the conventional fossil fuels to biogas, resulting in additional cost savings.

## **2. Professional management team**

Our operations are led by our Chairman and Managing Director. We have dedicated and experienced management personnel who are in charge of operations, quality management and delivery to our customers. Our experience together with our competitive rates, consistent and successful track record of timely delivery and customer satisfaction provides us a competitive edge.

## **3. Location and Cost Benefits**

Our manufacturing facilities are located in Gujarat providing us logistics and material handling advantage. Our major suppliers and major clients are within a 10 km radius, thus saving our logistics costs and efforts.

## **4. Flexibility to adopt technology**

As our furnace in manufacturing facilities has the capability to use multiple fuels, in case of unavailability of a particular fuel, our production is not affected due to multiple fuel arrangements.

## **5. Focus on long term revenue stream**

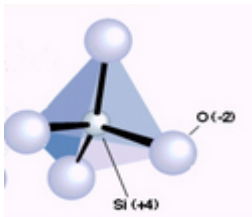
Our association with major clients (Samarpan Silica, Bhavna Chemical Industries, Insilco Limited, Huber Chemicals India Private Limited and Madhu Silica Private Limited) have been firmly entrenched over the years by providing quality materials at competitive rates. We intend to enhance the existing relations and developing similar relations with other major players to focus on long term revenues.

## **Plant & Machinery**

Our major plant and machinery includes:

1. **Furnaces and regenerators** – These are melting tanks made up of high temperature refractories working upto 1400° Celsius and capable of holding around 300 tonnes of molten glass at high temperatures with a service life of 7-10 years.
2. **Digester vessels and Ceramic recuperators** – The waste heat passes through these digester vessels and dissolves the glass to liquid solutions. Refractory recuperator is a 3 pass recuperator, capable of utilising almost 2 lac m<sup>3</sup> of flue gas per day and recovering the heat from the flue gases
3. **Electromagnets** upto 20,000 gauss power are used to remove trace elements of iron and lead, arsenic, nickel, and other heavy metals, which are fairly magnetic materials from the raw material to make refined grade of food grade sodium silicate.
4. **Bio Gas plants** – of capacity 70 lac kJals per hr are used to process approx 50-70 MT of biomass per day to produce biogas, which is finally used in the furnaces as fuel

## Technology



**Sodium Silicate**



**Liquid Sodium Silicate**



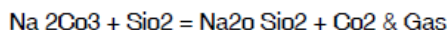
**Sodium Silicate Crystal**

Sodium silicates serve a wide range of end use markets, including soaps and detergents, pulp and paper, paint and pigments, catalysts, and metal cleaning. Sodium silicate is the generic name for a series of compounds derived from soluble sodium silicate glasses. These materials are aqueous liquids containing sodium oxide ( $\text{Na}_2\text{O}$ ) and silicon dioxide ( $\text{SiO}_2$ ) in various ratios. Varying the amount of  $\text{SiO}_2$  and  $\text{Na}_2\text{O}$  gives solutions having differing properties and diverse industrial applications.

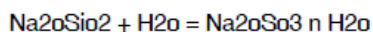
### **Production process:**

Sodium silicate glass is made by fusing high purity silica sand and soda ash in open hearth furnaces at  $1300^\circ\text{C}$ . The molten glass is cooled, fractured, and dissolved under pressure with hot water and steam.

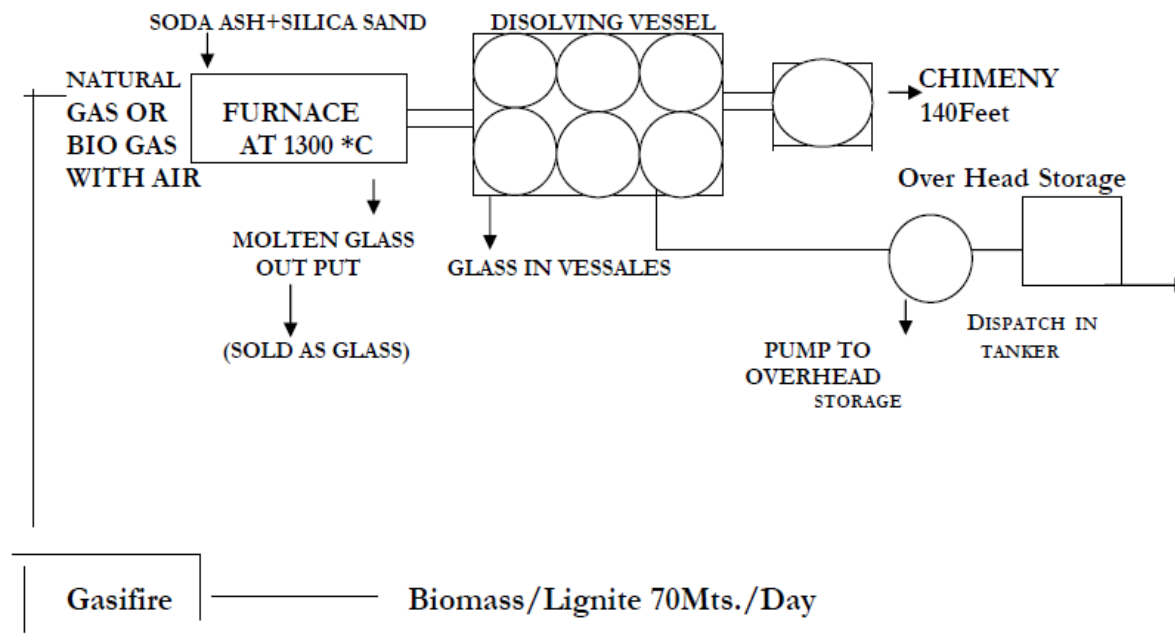
## PROCESS FLOW DIAGRAM & CHEMICAL EQUATION



Soda Ash + Silica = [Silicate in Glass form] + [Flue Gas from Chimney]



[Silicate in liquid form of desired Solid content]



Soda Ash & Silica Sand are weighted & mixed in fixed proportion as per the quality requirement then the mixture is charged in to continuous running Glass Furnace at 1300°C

At this temperature the mixture fuses in to molten Glass

This molten Glass is taken out of Furnace cooled & then packed & sold as Sodium Silicate Glass.

Flue gases coming out of flue pass below the dissolving vessels, which are filled with water.

This Sodium Silicate Glass is Soluble Glass and gets dissolving in water at this temperature. Sodium Silicate of desired solid % as per customers requirement is taken off & pumped on storage tank & is ready for dispatch.

Natural Gas or Bio Gas (Gasifier) fuel is burnt. For the flue gas chimney of 140 Feet Height is provided.

There is also arrangement of collection sample at bottom & top of chimney.

**Our Product:** Sodium Silicate which includes food grade sodium silicate, special drilling grade silicate and detergent grade silicate.

### **Some applications of Sodium Silicate:**

**Detergents & Soaps** - Many detergent operations are performed with sodium silicates. Such operations range from metal cleaning and textile processing to washing laundry, dishes, dairy equipment, bottles, floors, and automobiles. Silicates are incorporated in synthetic detergent compositions to control corrosion and minimize alkali attack. Without silicates, many synthetic detergent compositions would be corrosive to aluminum, zinc, and certain metal alloy parts in washers. They may also attack porcelain enamel and overglaze fine china decorations.

**Adhesives and Cements** - Liquid sodium silicates are widely used as adhesives in making fiber drums, paper tubes, and other materials. Sodium silicate is an excellent adhesive for sealing fiberboard boxes because it sets quickly and firmly holds the flaps together. Advantages of a soluble silicate adhesive include the easy wetting of the surfaces to be joined, controlled penetration, suitable viscosity, good setting characteristics, and high strength. Sodium silicates are especially valuable as adhesives because they can change from a liquid to a semi-solid condition upon the loss of a small amount of water. Sodium silicates are used in making many kinds of cement, including cements for acid-proof construction, refractories, and thermal insulating materials. Advantages of sodium silicates as binders in cements include resistance to acid, high temperature, and water.

**Pulp & Paper** - Sodium silicates are used for de-inking, sizing, coating, and bleaching of recycled paper products in the pulp and paper industry.

**Gels and Powders** - Sodium silicate is a key feedstock for the manufacture of silica gels. These products are granular, glassy materials that have a large capacity to absorb moisture and other substances. Gels are useful as dehumidifying agents for air and other gases, and as filtering agents to clarify juices and beers. Silica powders serve as additives for rubber products to provide abrasion and wear resistance. They are also used as thickening agents in inks, plastics and varnishes, suspending agents in paints, and anti-caking additives in various compounds. Sodium silicates are raw materials for molecular sieves. These compounds are crystalline in structure and have controlled internal pore sizes, giving them the ability to separate mixtures of different sized molecules.

**Petroleum Industry** - Sodium silicates are used in making silica-alumina catalysts for various operations in the petroleum industry, such as the production of high octane gasoline.

**Foundry** - Mixtures of sand and silicate offer advantages in making molds and cores in foundries by eliminating the need for drying or baking, as required with oil or resin bonded forms.

**Soil Stabilization** - Soil stabilization techniques take advantage of the gel-forming property of sodium silicate to increase load-bearing capacity, arrest settlement and lateral movement of foundations, and control the flow of water in earthwork engineering projects such as dams, mines, tunnels, and excavations.

**Water Treatment** - Activated silica colloidal solutions act as coagulants in applications for treating both raw and waste waters.

Corrosion of iron in water systems may be controlled by the addition of small amounts of sodium silicate, which deposits a thin protective film of silica on the metal.

**Coatings** - Sodium silicate solutions are used in making various paints and coatings, as well as for welding rods and roofing granules.

## Physical and Chemical Properties of Sodium silicates

Sodium silicates are colorless liquids that feel slippery to the touch. These products do not have a distinguishing odour. Sodium silicates are stable at normal temperatures and pressures and are not combustible. Spills of sodium silicate can be very slippery. Spilled material dries to form a glass film that can cut skin.

## Collaborations

We have not entered into any technical or other collaboration.

## Utilities & Infrastructure Facilities

Our registered office is located at Ahmedabad. We have other administrative offices at our factory locations at Kheda and Bharuch. Our offices are equipped with relevant computer systems, servers, relevant software and other communication equipments, uninterrupted power supply, internet connectivity and other facilities, which are required for our business operations to function smoothly.

## Raw Materials

Our major raw material soda ash is available in plenty throughout Gujarat. However we are gradually moving from soda ash to caustic soda because of 1) high soda ash prices 2) caustic soda is a superior raw material as compared to soda ash 3) caustic soda being a better reactive agent than soda ash, there would be savings in fuel costs and 4) caustic soda is available from major suppliers within short distance of the Bharuch unit.

Our other major raw material silica sand is available freely from the nearby silica mines from local contractors, and we do not envisage any difficulty in procuring the same.

## Manpower

Currently, our Company has a total of 27 employees on rolls. The detailed break-up of our employees is as under:

Particulars	Ahmedabad office	Kheda Unit	Bharuch Unit	Total
Management/Officers	3	4	5	12
Others/Supervisors	1	6	8	15
<b>Sub-total</b>	<b>4</b>	<b>10</b>	<b>13</b>	<b>27</b>
Contract Labour		18	8	26
<b>Total</b>	<b>4</b>	<b>28</b>	<b>21</b>	<b>53</b>

Other than the above, we employ local labour for loading/unloading on a need basis.

We will be recruiting the additional manpower (mostly skilled labourers, approx 20-30) in due course for which we do not envisage any difficulty as the same is easily available in and around our plant locations.

## Power

For our existing facilities at Bharuch and Kheda, we have 50 KVA load sanctioned each from Gujarat Electricity Board. Additionally we have gas-based generators as backup in case of power failure.

To meet our future requirements for proposed project at Bharuch, an application for additional 50 KVA shall be made at an appropriate time, if required. Our company has already been sanctioned a 50 KVA connection under LTP III scheme, wherein, the additional power requirement will be readily available after implementation of the proposed project.

### **Fuel**

Fuel is a very critical aspect for the operation of furnace at our plants. The plant at Bharuch primarily operates on Natural Gas, for which we have a supply agreement with Gujarat Gas Company Limited. The said contract is valid upto March 31, 2012. However for the proposed expansion at Bharuch, we intend to use Biogas as a fuel to fire the furnaces. Further it is also proposed that the existing unit at Bharuch shall also use Biogas as a primary source of fuel alongwith the proposed expansion. The existing gas supply agreement will be used as a standby measure. Biogas is a clean fuel source, and is cost effective vis-à-vis natural gas and other conventional fuel sources. Biogas is already being used as the primary source of fuel at our unit at Kheda. In the event that fuel source is not available at both the units, coal, which is procured locally, can be an effective backup option.

### **Water**

Water is being used for manufacturing as well as general purposes. Our water requirement at Bharuch is being met by water connection provided by GIDC. For the water requirement at Kheda, we have installed bore well at our unit, which is sufficient to meet the demand of the plant. Water is readily available in the industrial area and we do not envisage any problem on this account.

### **Past Production Figures for the Industry**

We fall under the subset of the chemical industry, more specifically a manufacturer of sodium silicate. Production figures of sodium silicate in India are not available from any reliable sources.

### **Competition & Future Prospects**

We are in the business of manufacturing sodium silicate. Swapna Chemicals, Baroda, Saibaba Chemicals, Ankleshwar and Nenco Chemicals, Bharuch, are some of the notable players from whom we face competition.

However, there is always a possibility of large players going in for backward integration, and setting up their own sodium silicate manufacturing facility to meet their requirements. This practice of backward integration is currently not in vogue, as large players want to focus on their core-competence, rather than getting into backward-integration process, which eats into their precious resources in the form of additional manpower, time, money and energy. The current trend is to grow and develop a local partner like us, who supplies raw material which is as per their specification and at reasonable prices.

The industry in which we operate is highly competitive and fragmented. We have a number of fringe and small players as our competitors offering products similar to ours. However, we believe that our quality and delivery schedules at competitive prices distinguish us from other players operating in this space.

### **Approach to Marketing and Marketing Set-up**

Marketing is a major aspect of our business operations, and it looked after by our Chairman & Managing Director himself. Our relations with our customers have been developed over a long period and we value the relations we have with each and every client. Our marketing activities are

based on existing relationships developed, direct customer enquiries/request for quote and short listed enquiries based on referencing.

Our approach is to have institutional customers (directly or through their agents), who will source their raw material requirements from us on a long term basis. As of March 31, 2010, we have top 5 clients accounting for 83.08% of our turnover, and we expect our top 5 customers to generate more than 80% of our revenues in the next 3-5 years. However, we expect to bring down our exposure to top 5 clients to a level of 60% of our revenues in a 5-8 year timeframe.

## Our Business Strategy

### 1. Maintain long-term relations with clients

We believe that business is a by-product of relationships and our business model is based on the demands and needs of the clients. We believe that continuous satisfaction of the requirements of the customers helps the company in fetching better dividends thereby making our mark in the market and continuously growing our market share.

### 2. Technological investment

With the changing market scenario, new and advanced technologies are being developed for various processes for manufacturing sodium silicate. Our Company intends to pass on the benefits derived from new technological developments to our customers, through better quality at competitive prices.

We have invested in latest technologies for manufacturing sodium silicate such as triple pass regenerative and recuperative end fired glass furnace with multiple fuel arrangement and shall continue to follow the same by upgrading our technology from time to time thereby keeping ourselves abreast of the latest trends and advancements.

### 3. Reduce operational costs and increase cost competitiveness

Our Company intends to maintain the operational efficiencies at the highest possible level as compared to our peers in the industry. We are constantly trying to improve our cost structure through reducing our administrative costs, storage cost, transportation costs and inventory levels. We shall always endeavor to adopt best practices in all functions and processes.

## Licensed and Installed Capacity and Capacity Utilization

Particulars	31.03.2008			31.03.2009			31.03.2010		
	Capacity (MT Glass/Day) *	No. of Days	Total Capacity (MT)	Capacity (MT Glass/Day) *	No. of Days	Total Capacity (MT)	Capacity (MT Glass/Day)*	No. of Days	Total Capacity (MT)
<b>Kheda Unit I</b>									
Licensed /Installed Capacity - Furnace 1	30	330	9900	30	330	9900	30	330	9900
Licensed /Installed Capacity - Furnace 2	30	330	9900	30	330	9900	30	330	9900
Licensed /Installed Capacity - Furnace 3							40	330	13200
<b>Bharuch Unit II</b>									
Licensed /Installed Capacity				50	330	16500	50	330	16500

Aggregate estimated production at 100% capacity utilization (MT)			19800			36300			49500
Total Production (Unit I & Unit II)(MT)			16262			29992			42857
Capacity Utilization (%)			82.13%			82.62%			86.58%

\*Glass/Day signifies Sodium Silicate in glass or crystal form

### Projected Capacity and Capacity Utilisation

Particulars	31.03.2011			31.03.2012			31.03.2013		
	Capacity (MT Glass/Day)	No. of Days	Total Capacity (MT)	Capacity (MT Glass/Day)	No. of Days	Total Capacity (MT)	Capacity (MT Glass/Day)	No. of Days	Total Capacity (MT)
<b>Kheda Unit I</b>									
Licensed /Installed Capacity - Furnace 1	30	330	9900	30	330	9900	30	330	9900
Licensed /Installed Capacity - Furnace 2	30	330	9900	30	330	9900	30	330	9900
Licensed /Installed Capacity - Furnace 3	40	330	13200	40	330	13200	40	330	13200
<b>Bharuch Unit II</b>									
Licensed /Installed Capacity (MT Glass/Day)	50	330	16500	50	330	16500	50	330	16500
Addition in Capacity after Proposed Expansion	300	83	24900	300	330	99000	300	330	99000
Aggregate estimated production at 100% capacity utilization (MT)			74400			148500			148500
Total Production (Unit I & Unit II)(MT)			61980			123750			123750
Capacity Utilization (%)			83.31%			83.33%			83.33%

### Export Obligations, if any

As on the date on the Red Herring Prospectus our Company does not have any Export Obligations.

### Intellectual Property Rights

Our Company has not filed any application for registering intellectual property.

### PROPERTY

The details of the properties owned/leased by our Company are provided herein below:

Land Description	Owned/ Leased	Term of the Lease & Area
<b>Registered office</b>		



A/602, Fairdeal House, Near Swastik Char Rasta, Navrangpura, Ahmedabad.	Leased	300 Sq. Ft.  December 13, 2010
<b>Unit II – Bharuch</b>		
Plot No. 831, G.I.D.C., Jhagadia Industrial Estate, District Bharuch	Leased	14760.00 sq. mtrs.  99 Years from April 30,2007
<b>Unit I – Kheda*</b>		
<b>Sub Plot No. 2</b> , Block No.214, Paiki of village Kanera, Taluka Kheda	Owned	2917.06 Sq. Mtrs along with undivided proportionate share in road land of approx. 834.28 sq. mts  Mortgaged with SIDBI as security for availing financial assistance.
<b>Plot No. 3:</b> Our Company has deposited the title deeds of the said Plot No. 3 situated at Block No.214, Paiki of village Kanera, Taluka Kheda with SICOM Limited as a security for availing financial assistance. The said Plot admeasures approximately 2011.93 Sq. Mtrs. along with undivided proportionate share in road land admeasuring 575.41 Sq. Mtrs.		
<b>Plot No. 4</b> , Block No.214, Paiki of village Kanera, Taluka Kheda	Owned	1925 Sq. Mtrs along with undivided proportionate share in road land of approx. 550.55 Sq. Mtrs Date of Sale: March 2, 2006  Mortgaged with SIDBI as security for availing financial assistance.
<b>Plot No.5, 6 &amp; 7:</b> Our Company has entered into an Agreement for Sale dated March 30, 2009 with one of our Promoters namely Ms. Namrata M. Maheshwari for purchase of Plot No. 5, 6, & 7 for a consideration of Rs.101.37 lakhs (Rs.1,01,37,093) situated at Block No.214/P, Village Kanera, Taluka Kheda wherein Plot No.5. 6 & 7 admeasures 1287.56 Sq. Mtrs. along with undivided proportionate share in road land admeasuring 368.27 Sq. Mtrs, 951.50 Sq. Mtrs. along with undivided proportionate share in road land admeasuring 272.13 Sq. Mtrs and 2737.39 Sq. Mtrs. along with undivided proportionate share in road land admeasuring 282.88 Sq. Mtrs respectively. The said plots are mortgaged with SIDBI as security for availing financial assistance.		

The aforesaid properties (other than leased) are registered in the name of our Company. Our Company has a clear title to the said properties and the aforesaid properties are free from all encumbrances save and except the charges created in favour of banks on the security of the said property. No government approvals are required by our Company for the acquisition of the said property. No part of the purchase price has been paid otherwise than in cash.

No part of issue proceeds are to be paid to our promoters/directors or persons forming part of the promoter group for any land to be purchased/leased from them. Our Company does not propose to purchase or take on lease any new land for the proposed expansion.

## KEY INDUSTRY REGULATIONS AND POLICIES

*We are subject to a number of central and state legislations which regulate substantive and procedural aspects of our business. Additionally, our operations require sanctions from the concerned authorities, under the relevant Central and State legislations and local bye-laws. The following is an overview of some of the important laws, policies and regulations which are pertinent to our business. The regulations set out below are not exhaustive and are only intended to provide general information to Bidders.*

*Taxation statutes such as the I.T. Act, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees' Provident Fund and Miscellaneous Act, 1952 and other miscellaneous regulations and statutes such as the Trade Marks Act, 1999 apply to us as they do to any other Indian company.*

### **Industrial Laws:**

#### **1. Contract Labour (Regulation and Abolition) Act, 1970**

The Contract Labour (Regulation and Abolition) Act, 1970 applies to every establishment in which 20 or more workmen are employed or were employed on any day on the preceding 12 months as contract Labour and to every contractor who employs or who employed on any day of the preceding 12 months 20 or more workmen. It does not apply to establishments where the work performed is of intermittent or casual nature. It aims to prevent any exploitation of the persons engaged as contract labour, who are generally neither borne on pay roll or muster roll nor is paid wages directly. It provides for registration requirements of the principal employer, who has the responsibility for inadequate wage payments by the contractor to the labour.

#### **2. The Shops and Establishment Act, 1948**

The Shops and Establishment Act, 1948 governs a company in the states where it has offices/godowns. It regulates the conditions of work and employment in shops and commercial establishments and generally prescribes obligations in respect of registration, opening and closing hours, daily and weekly working hours, health and safety measures, and wages for overtime work.

#### **3. The Minimum Wages Act, 1948**

The Minimum Wages Act, 1948 came into force with an objective to provide for the fixation of a minimum wage payable by the employer to the employee. Every employer is mandated to pay the minimum wages to all employees engaged to do any work skilled, unskilled, and manual or clerical (including out-workers) in any employment listed in the schedule to this Act, in respect of which minimum rates of wages have been fixed or revised under the Act.

#### **4. The Payment of Gratuity Act, 1972**

The Payment of Gratuity Act, 1972 was enacted with the objective to regulate the payment of gratuity, to an employee who has rendered for his long and meritorious service, at the time of termination of his services. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years:

- a) On his/her superannuation; or
- b) On his/her retirement or resignation; or
- c) On his/her death or disablement due to accident or disease (in this case the minimum requirement of five years does not apply).

## **5. The Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 was enacted with the objective of providing of payment of bonus to employees on the basis of profit or on the basis of productivity. This Act ensures that a minimum annual bonus is payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Every employer is bound to pay to every employee, in respect of the accounting year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or Rs.100, whichever is higher.

## **6. Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 was introduced with the object to institute provident fund for the benefit of employees in factories and other establishments. It empowers the Central Government to frame the "Employee's Provident Fund Scheme", "Employee's Deposit linked Insurance Scheme" and the "Employees' Family Pension Scheme" for the establishment of provident funds under the EPFA for the employees. It also prescribes that contributions to the provident fund are to be made by the employer and the employee.

## **7. The Industrial Disputes Act, 1947**

The Industrial Disputes Act, 1947 makes provisions for investigation and settlement of industrial disputes and for providing certain safeguards to the workers.

### **Environmental Laws:**

## **8. The Environmental Protection Act, 1986**

The Environmental Protection Act, 1986 is an "umbrella" legislation designed to provide a framework for co-ordination of the activities of various central and state authorities established under various laws. The potential scope of the Act is broad, with "environment" defined to include water, air and land and the interrelationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

## **9. Environmental Legislation**

We are required under applicable law to ensure that our operations are compliant with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974, as amended ("Water Pollution Act"), the Air (Prevention and Control of Pollution) Act, 1981, as amended ("Air Pollution Act") and the Environment Protection Act, 1986, as amended ("Environment Act"). The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation prohibits any person from establishing any industry, operation or

process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the Water Pollution Act are to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The Environment Act has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

### **Foreign Investment Regime**

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act ("**FEMA**"), and the rules, regulations and notifications thereunder, as issued by the RBI 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 Foreign Investment Promotion Board ("**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 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. At present, foreign investment in companies engaged in manufacturing activities falls under the RBI automatic approval route for FDI/NRI investment upto 100%.

### **Kyoto protocol**

The Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change. The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the European community for reducing Green House Gas (GHG) emissions. These amount to an average of five per cent (5%) against 1990 levels over the five-year period 2008-2012. Recognizing that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere as a result of more than 150 years of industrial activity, the Protocol places a heavier burden on developed nations under the principle of "common but differentiated responsibilities". The Kyoto Protocol was adopted in Kyoto, Japan, on December 11, 1997 and came into force on February 16, 2005. One Hundred and Eighty Four (184) Parties of the Convention have ratified the Protocol to date. The detailed rules for the implementation of the Protocol were adopted at seventh conference of parties in Marrakesh, Morocco, in 2001, and are called the "Marrakesh Accords".

Of the few methods to participate in the Carbon market a Clean Development Mechanism (CDM) project must provide emission reductions that are additional to what would otherwise have occurred. The projects must qualify through a rigorous and public registration and issuance process. Approval is given by the Designated National Authorities. Public funding for CDM project activities must not result in the diversion of official development assistance. The mechanism is overseen by the CDM Executive Board, answerable ultimately to the countries that have ratified the Kyoto Protocol. Currently the mechanism is actually on till 2012 and negotiations are on in Copenhagen which will eventually set the tone for the future of this Protocol.

## HISTORY AND OTHER CORPORATE MATTERS

Our Company was originally incorporated as Arbuda Steel Private Limited on August 27, 1996 under the Companies Act, 1956 *vide* Certificate of Incorporation bearing registration number 04 – 30581 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli. The name of our Company was changed to Aster Silicates Private Limited *vide* fresh Certificate of Incorporation dated April 13, 2006. Our Company was converted into a public limited company *vide* fresh Certificate of Incorporation dated December 4, 2009 and consequently the name of our Company was changed to Aster Silicates Limited. Our Company has been allocated Corporate Identification Number U27609GJ1996PLC030581. The current Promoters of our Company are Mr. Mahesh A. Maheshwari and Mrs. Namrata M. Maheshwari.

Our Company was initially promoted to carry on the business of iron and steel under the name of Arbuda Steel Private Limited. However, we did not pursue the iron and steel business and we initiated the business of manufacturing sodium silicates under the trade name of 'Sterling Chemical Industries', proprietor - Arbuda Steel Private Limited and started commercial production of Sodium Silicate in July 1997 at the Kheda Unit with a capacity of 12 MT Glass/day. Currently, our Company operates from two units in Gujarat having an aggregate installed capacity of 150 MT of glass/day. Our promoter, Mr. Mahesh A. Maheshwari had his interests in the field of designing, combustion, during and after graduating as a Mechanical Engineer from L.D. Engineering College, Ahmedabad, he took forward his interests in designing energy saving furnaces and process technology in the area of sodium silicate, by promoting our Company. As on date, our Company has 35 members.

Our turnover and profitability for last five years has been as follows:

(Rs. in Lacs)

For the year ended					
Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Sales	949.20	714.64	1526.56	3290.62	6187.25
Profit before Taxation	9.39	33.79	96.14	365.50	900.19
Net Profit after Tax	-8.61	14.24	65.79	254.91	442.16

### Changes in Registered Office of our Company:

Date of change	Registered address changed from	Changed to	Reason for change
On Incorporation	1-B, Gitanjali Society, Gordhanwadi, Maninagar, Ahmedabad.		--
August 28, 1996	1-B, Gitanjali Society, Gordhanwadi, Maninagar, Ahmedabad.	63, Jeevan Deep Row Houses, Opposite Suvas Flats, Thaltej, Ahmedabad – 380 054.	Due to better infrastructure facilities
September 30, 2007	63, Jeevan Deep Row Houses, Opposite Suvas Flats, Thaltej, Ahmedabad – 380 054.	A/602, Fairdeal House, Near Swastik Cross Road, Navrangpura, Ahmedabad – 380 009.	Due to better infrastructure facilities and central location of the new office in Ahmedabad

**Major Events:**

▪ Incorporated the Company in 1996
▪ Started commercial production of Sodium Silicate in July 1997 at the Kheda Unit with a capacity of 12 TPD
▪ Modified the furnaces to single pass regenerators in 2004-05 for fuel efficiency (Kheda unit)
▪ Converted the furnace into a double pass regenerators in 2005-06 (Kheda unit)
▪ Converted the furnace into a triple pass regenerators in 2006-07 (Kheda unit) capable of running on coal and natural gas
▪ Furnace at Kheda modified to allow use of biogas and other multi-fuels as an alternate fuel in 2007-08
▪ Started commercial production at the Bharuch Unit with a capacity of 50 TPD in April 2008
▪ Signed an agreement with a German Public Company for carbon credit offset for switching the fuel source from conventional fuel source to biogas in 2008-09 (both Kheda and Bharuch unit).
▪ Further modified all the furnaces in 2008-09 to allow operation using 100% biogas

**Main Objects of our Company:**

The main objects of our Company, as contained in our Memorandum of Association, are as set forth below:

To carry on the business as exporters, importers, factors, agents, consignors, manufacturers, consignees, dealers, distributors, shippers and packers of all type & kind of chemical such as soda ash, caustic soda, soda lie, sodium silicate in glass liquid, powder form of any molar ratio and inorganic chemicals, pigments, colours, acids, dyes, dye intermediates, auxiliaries, in India or elsewhere.

**Changes in Memorandum of Association since Incorporation:**

Particulars of Change	Date of Meeting	Whether AGM / EGM
Increase in Authorised Capital from Rs. 1 Lac to Rs. 42 Lacs	09.04.1997	EGM
Increase Authorised Capital from Rs. 42 Lacs to Rs. 75 Lacs	31.03.1999	EGM
Increase Authorised Capital from Rs. 75 Lacs to Rs. 100 Lacs	15.03.2004	EGM
Increase Authorised Capital from Rs. 100 Lacs to Rs. 200 Lacs	30.03.2005	EGM
Increase Authorised Capital from Rs. 200 Lacs to Rs. 230 Lacs	01.07.2005	EGM

<u>Change in main Objects Clause:</u>	25.03.2006	EGM
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The main objects clause was replaced by the following new Objects Clause:

1. To carry on the business as exporters, importers, factors, agents, consignors, manufacturers, consignees, dealers, distributors, shippers and packers of all types and kind of chemicals such as soda ash, caustic soda, soda lie, sodium silicate in glass, liquid, powder form of any molar ratio and inorganic chemicals, pigments, colours, acids, dyes, dye intermediates, auxiliaries in India or elsewhere.

<u>Change of Name</u>	06-04-2006	EGM
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The name of our Company was changed from Arbuda Steel Private Limited to Aster Silicates Private Limited

Increase Authorised Capital from Rs. 230 Lacs to Rs. 300 Lacs	28.02.2007	EGM
Increase Authorised Capital from Rs. 300 Lacs to Rs. 400 Lacs	18.07.2007	EGM
Increase Authorised Capital from Rs. 400 Lacs to Rs. 500 Lacs	20.09.2007	EGM
Increase Authorised Capital from Rs. 500 Lacs to Rs. 600 Lacs	25.03.2008	EGM
Increase Authorised Capital from Rs. 600 Lacs to Rs. 700 Lacs	29.05.2008	EGM
Increase Authorised Capital from Rs. 700 Lacs to Rs. 1,000 Lacs	30.03.2009	EGM
<u>Change of Constitution and Name</u>	16.11.2009	EGM

Our Company was converted into a public limited company and the name of our Company was changed from Aster Silicates Private Limited to Aster Silicates Limited.

Increase Authorised Capital from Rs. 1,000 Lacs to Rs. 2,000 Lacs	07.12.2009	EGM
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## Revaluation of Assets

The gross block of fixed assets as per books as on March 31, 2008 was Rs. 1,282.00 lacs. Our Company has carried out valuation of the fixed assets, since the assets of the Company were not revalued since its inception and were being shown at a lower value in comparison to its market value. The assets were revalued and the total value of assets due to revaluation was increased by Rs. 492.01 lacs. We have not issued any shares out of the revaluation reserves.

## Subsidiaries

Our Company does not have any subsidiaries as on date of filing of the Red Herring Prospectus.

## Shareholders Agreements

Our Company has not entered into any "Shareholders Agreement" with any entities as on date of filing of the Red Herring Prospectus.

## Other Agreements

Other than as mentioned below there are no other agreements not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the issuer or a contract entered into more than two years before the date of the offer document.

## CDM Emission Reduction Purchase Agreement

Our Company has executed a CDM Emission Reduction Purchase Agreement ("**Agreement**") with a public company existing under the laws of Germany ("**German Company**") wherein our

Company after obtaining requisite approvals shall undertake project approved to generate CER's and German Company shall buy these CER's in accordance with the pricing terms and delivery schedule as specified in the Agreement.

The Agreement further provides for certain procedural requirements to be fulfilled by our Company, completion of which shall determine the obligation under the Agreement, which are set out below:

Sr. No	Conditions	Our Comments
1.	Our Company shall obtain a secured DNA approval (Designated National Authority – which is India is The National CDM Authority under the Ministry of Environment & Forests) from the host country;	Approval No. 4/5/2009-CCC, dated August 03, 2009, received from Director Climate Change, Ministry of Environment and Forests, Govt. of India
2.	Our Company must be authorised to participate in the project by the host country;	
3.	Our Company has registered the project;	
4.	German Company has obtained a secured DNA approval from Germany; and	Obtained
5.	Our Company shall obtain a written confirmation of German Company that it has conducted due diligence and the outcome of the due diligence has been satisfactory.	The due diligence process has commenced and final outcome is awaited

The Agreement further provides for Right of First Refusal (ROFR) to German Company for the purchase of any CERs after 2012 under equal conditions as being offered to third parties failing which our Company shall be liable to penalty of € 1,00,000. The Agreement shall remain in force till the time the Agreement is terminated in accordance with the terms and conditions mentioned under the clause "Termination Rights". The Project is currently under final validation process and subsequent to the approval from DOE, the same will be sent for UNFCCC for registration by the German company.

### **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

The Board of Directors of our Company has an optimum combination of executive and non-executive Directors in compliance with Clause 49 of the Listing Agreement. Our Board has five Directors out of which 3 are independent director, which is in compliance with clause 49 of the listing agreement of the Stock Exchanges. Mr. Mahesh A. Maheshwari, Chairman and Managing Director is in charge of overall management of our Company subject to the supervision and control of the Board.

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

Sr. No.	Full Name, Age, Father's Name, Address, Designation, Status, Occupation, DIN and Nationality	Date of Appointment and Terms of Office	Other Directorships
1)	<b>Mr. Mahesh A. Maheshwari</b> 45 Years S/o Mr. Amolakh S. Sharda  C/503, Sanskar Apartment, Opposite Karnawati Club, S.G. Highway, Ahmedabad  <b>Designation:</b> Chairman & Managing Director  Executive & Non Independent  <b>Occupation:</b> Business <b>DIN:</b> 00027682 <b>Nationality:</b> Indian	Reappointed as Managing Director on December 1, 2009.  Term of office: Period of 5 years ending November 30, 2014	Nil
2)	<b>Mrs. Namrata M. Maheshwari</b> 41 Years D/o Mr. Prabhulal Kevalram Kacholiya  C/503, Sanskar Apartment, Opposite Karnawati Club, S.G. Highway, Ahmedabad  <b>Designation:</b> Executive Director  Executive & Non Independent  <b>Occupation:</b> Business <b>DIN:</b> 00027762 <b>Nationality:</b> Indian	Appointed as Director on July 1, 2000  Reappointed as Whole time Director on December 1, 2009  Term of office: Liable to retire by rotation	Nil
3)	<b>Mr. Jaykishore S Rana</b> 75 Years S/o Sawailal D Rana  5, Sarita Sangam Society, Rajesh Apartments, Gotri Road, Vadodara, Gujarat	Appointed as Additional Director on November 28, 2009  Term of office: Liable to retire by rotation.	Nil

	<b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Professional <b>DIN:</b> 02869784 <b>Nationality:</b> Indian		
4)	<b>Mr. Venkatachalam Subramaniam</b> 60 Years S/o Mr. Subramaniam Iyer  43, Gurukrupa Nagar II, Chandlodia II, Ahmedabad  <b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Professional <b>DIN:</b> 02870438 <b>Nationality:</b> Indian	Appointed as Additional Director on November 28, 2009  Term of office: Liable to retire by rotation.	Nil
5)	<b>Mr. Manish G Asawa</b> 36 Years S/o Dr. Girdhari Lal Asawa  1 <sup>st</sup> Floor, Paras, Panchvati, Opp. NCC Office, Jamnagar, Gujarat  <b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Professional <b>DIN:</b> 00544028 <b>Nationality:</b> Indian	Appointed as Additional Director on December 2, 2009  Term of office: Liable to retire by rotation.	Nil

Note: None of the above mentioned Directors are on the RBI List of wilful defaulters as on the date of the 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 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.

Our Directors have not entered into any service contracts with our Company providing for benefits upon termination of employment.

### **Brief Profile of our Directors**

For a brief profile of our Promoter Directors Mr. Mahesh A. Maheshwari and Mrs. Namrata M. Maheshwari please refer chapter titled "Our Promoters and their Background" beginning on page 112 of the Red Herring Prospectus.

**Mr. Jaykishore S Rana**, aged 75 years, is a Non Executive and Independent Director of our Company. He holds BE in Electrical Engineering from L.D. College of Engineering, Ahmedabad, Gujarat University. He has also completed his ME (Electrical Engineering) from Gujarat University. He has an overall experience of 50 years in the field of engineering. He has previously worked as professor in L.D. College of Engineering from 1959 to 1965. He joined R&D Centre of Jyoti Limited, Vadodara, a company engaged in the business of power electronics, in the year 1965. In the year 1983 he started his own independent consultancy as Resource Consultancy Services in the field of energy issues, energy conservation and energy audits. He retired from active consultancy in the year 2005-2006.

**Mr. S. Venkatachalam** aged 60 years, is a Non Executive and Independent Director of our Company. He is a commerce graduate from Madras University and has also completed his Post Graduate Diploma in Import and Export Management from Saint Xavier's Institute of Management, Mumbai. He is an ex-banker and was working with Karur Vysya Bank. He has to his credit 25 years experience in Foreign Exchange.

**Mr. Manish G Asawa** aged 36 years, is a Non Executive and Independent Director of our Company. He is a commerce graduate from Bharthiar University, Coimbatore, Tamil Nadu. He has also completed his ICWAI and CA (Inter). He is having an experience of 10 years in business of agriculture and farms. He is the CEO of the Pmanek Biofarms Private Limited, Jamnagar, Gujarat since September 2003. He is also the trustee of Virambga Ashabha Manek Charitable Trust, since April 2009. He also owns a proprietorship concern in the name and style of Alpha B&G since 2007, dealing in essential and Organic oils, Aloe Vera and Natural Organic fertilisers, Plant growth vitaliser etc.

### **Family Relationship between Directors**

<b>Name</b>	<b>Designation</b>	<b>Relationship with other Directors</b>
Mr. Mahesh A. Maheshwari	Chairman & Managing Director	Spouse of Mrs. Namrata M. Maheshwari
Mrs. Namrata M. Maheshwari	Executive Director	Spouse of Mr. Mahesh A. Maheshwari

### **BORROWING POWERS OF BOARD OF DIRECTORS**

The Board of Directors of our Company has power to borrow up to Rs. 50 crores as per the members' resolution passed in the EGM of our Company held on December 7, 2009. The extract of the resolution of our Company authorizing the Board's borrowing powers is given herein below:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies, as may be considered fit for the business of the Company on such terms and conditions as it may deem fit and expedient in the interest of the Company, notwithstanding that monies borrowed together with the monies already borrowed by the Company (apart from temporary

loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) provided that the maximum amount of monies so borrowed by the Company shall (apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business) and outstanding at any given point of time, not at any time exceed the sum of Rs. 50 Crores (Rupees Fifty Crores only)."

## **COMPENSATION AND BENEFITS TO THE MANAGING DIRECTOR / WHOLE TIME DIRECTORS**

We have not entered into any service contract with our Managing Director/ Whole-time Directors.

(Rs. in Lacs)

<b>Sr. No.</b>	<b>Name of Director</b>	<b>Designation</b>	<b>Compensation paid for the FY 2009 – 2010</b>
1.	Mr. Mahesh A Maheshwari	Chairman & Managing Director	12.00
2.	Mrs. Namrata M. Maheshwari	Vice Chairman	12.00

### **1. Terms of appointment and compensation of Mr. Mahesh A. Maheshwari, Chairman & Managing Director is as follows:**

The remuneration of Mr. Mahesh A. Maheshwari is Rs. 1,00,000 per month with effect from December 1, 2009 *vide* resolution passed at the Board Meeting held on December 1, 2009.

Further, in any case the remuneration in any financial year shall not exceed, in aggregate, the permissible limits of remuneration prescribed from time to time under section 198 and 199 of the Companies Act, 1956 read with schedule XIII.

### **2. Terms of appointment and compensation of Mrs. Namrata M. Maheshwari is as follows:**

The remuneration of Mrs. Namrata M. Maheshwari is Rs. 1,00,000 per month with effect from December 1, 2009 *vide* resolution passed at the Board Meeting held on December 1, 2009.

Further, in any case the remuneration in any financial year shall not exceed, in aggregate, the permissible limits of remuneration prescribed from time to time under section 198 and 199 of the Companies Act, 1956 read with schedule XIII.

### **Sitting Fees Payable to Non-Executive Directors**

Our Company has not paid sitting fees to any of its Non-Executive Directors as on the date of the Red Herring Prospectus.

### **Policy On Disclosures and Internal Procedure For Prevention Of Insider Trading**

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges.

Mr. Janak B. Patel, Company Secretary & Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

### **Shareholding of Directors**

As per Articles of Association of our Company, a Director is not required to hold any shares in our Company to qualify him for the office of Director of our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as on the date of the Red Herring Prospectus:

Sr. No.	Name of the Directors	No of Equity Shares	Percentage (%) of holding in our Company
1.	Mr. Mahesh A. Maheshwari	59,47,880	57.41%
2.	Mrs. Namrata M. Maheshwari	12,35,131	11.92%
3.	Mr. Venkatachalam Subramaniam	100	0.0010%

### Interest of Directors

All our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board, commission payable to our non-executive Directors as well as to the extent of remuneration payable to our executive Directors for their services as executive directors of our Company and reimbursement of expenses payable to them under our Articles of Association. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives or firms, trusts or other entities/ bodies corporate in which they have interest, and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our non-Promoter Directors may also be deemed to be interested in the Equity Shares, if any, out of the present Issue that may be subscribed by and Allotted/transferred to the companies, firms and trusts and other entities/bodies corporate in which they are interested as Directors, members, partners and/or trustees or otherwise as also any benefits, monetary or otherwise derived there from. Our Promoter Director Mrs. Namrata M. Maheshwari may be deemed to be interested to the extent to the rent receivable from the property given on lease to our Company.

Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Further, save and except as stated otherwise in the Chapters titled "*Business Overview*", "*Our Promoters and their Background*" and Section titled "Financial Information" beginning on pages 84, 112 and 116, respectively, of the Red Herring Prospectus, our Directors do not have any other interests in our Company as on the date of the Red Herring Prospectus.

### Interest as to Property

Except as stated/referred to in the paragraph titled "Property" beginning on page 92 under "*Business Overview*" and paragraph titled "*Interest of Promoters*" beginning on page 113 of the Red Herring Prospectus, our Directors do not have any interest:

- 1) in the promotion of our Company; or
- 2) in any property acquired by our Company within two years from the date of the Red Herring Prospectus, or proposed to be acquired by our Company.

### CHANGES IN THE 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:

Name of the Director	Date of Appointment	Date of Resignation	Remarks
Mr. Jaykishore S Rana	November 28, 2009	--	Appointment
Mr. Manish G Asawa	December 2, 2009	--	Appointment

Name of the Director	Date of Appointment	Date of Resignation	Remarks
Mr. Venkatachalam Subramaniam	November 28, 2009	--	Appointment
Dr. Sankaran Ramani	December 1, 2009	December 3, 2009	Resignation
Mr. Makarand Anant Kotibhaskar	December 1, 2009	December 3, 2009	Resignation
Mrs. Sunita B. Asawa	December 2, 2009	December 3, 2009	Resignation
Mr. Amolakh S. Sharda	October 3, 2009	December 3, 2009	Resignation

## CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with BSE and NSE with respect to corporate governance and the SEBI (ICDR) Regulations, 2009 in respect of corporate governance will be applicable to our Company at the time of seeking in principle approval for listing of our Company's Equity Shares with 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, Audit Committee and Remuneration Committee.

## COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of our Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Our Board has five Directors out of which 3 are independent directors in accordance with the requirement of clause 49 of the listing agreement of the Stock Exchanges.

Sr. No.	Name of the Director	Designation	Category
1	Mr. Mahesh A. Maheshwari	Chairman & Managing Director	Executive & Non Independent
2	Mrs. Namrata M. Maheshwari	Whole Time Director	Executive & Non Independent
3	Mr. Jaykishore S Rana	Director	Non-Executive & Independent
4	Mr. Venkatachalam Subramaniam	Director	Non-Executive & Independent
5	Mr. Manish G Asawa	Director	Non-Executive & Independent

In terms of the Clause 49 of the Listing Agreement, our Company has already appointed Independent Directors and constituted the following Committees of the Board:

1. Audit Committee
2. Remuneration Committee
3. Shareholders/Investors Grievance Committee

### Audit Committee

Our Board constituted an Audit Committee, pursuant to the provisions of Section 292A of the Companies Act. The constitution of the Audit Committee was approved at a meeting of the Board of Directors held on December 5, 2009.

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the Listing Agreement, which will be entered into with the Stock Exchanges in due course. The committee consists of the following Directors:

Sr. No.	Name	Designation	Nature of Directorship
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1.	Mr. Manish G Asawa	Chairman	Independent Director
2.	Mr. Mahesh A. Maheshwari	Member	Executive & Non Independent
3.	Mr. Venkatachalam Subramaniam	Member	Independent Director

Our Company Secretary, Mr. Janak B. Patel will act as the secretary of the Committee.

The terms of reference of our Audit Committee are given below:

- i. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. 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.
- iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- iv. Appointment, removal and terms of remuneration of internal auditors
- v. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act 1956;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to the financial statements;
  - Disclosure of any related party transactions;
  - Qualifications in the draft audit report.
- vi. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- vii. To monitor the utilisation of proceeds of the proposed initial public offering of the Company and any other issue of shares of the Company, reviewing the report submitted by monitoring agency, if any, and to make appropriate recommendations to the Board in this regard
- viii. Monitoring the use of the proceeds of the proposed initial public offering of the Company.
- ix. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- x. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- xi. Discussions with internal auditors on any significant findings and follow up thereon.
- xii. Reviewing internal audit reports and adequacy of the internal control systems.
- xiii. Reviewing management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- xiv. 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.
- xv. 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.
- xvi. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- xvii. To review the functioning of the whistle blower mechanism, when the same is adopted by the Company and is existing.
- xviii. Carrying out any other function as may be statutorily required to be carried out by the Audit Committee.

## REMUNERATION COMMITTEE

The constitution of the Remuneration Committee was approved at a meeting of the Board of Directors held on December 5, 2009.

The terms of reference of Remuneration Committee comply with the requirements of Clause 49 of the Listing Agreement, which will be entered into with the Stock Exchanges in due course. The committee consists of three independent Directors.

The Remuneration Committee has been constituted with the following Directors:

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Venkatachalam Subramaniam	Chairman	Independent Director
2.	Mr. Manish G Asawa	Member	Independent Director
3.	Mr. Jaykishore S Rana	Member	Independent Director

Our Company Secretary, Mr. Janak B. Patel will act as the secretary of the Committee.

The terms of reference of our Remuneration Committee are given below:

1. To decide and approve the terms and conditions for appointment of executive directors and/or whole time Directors and Remuneration payable to other Directors and matters related thereto.
2. To recommend to the Board, the remuneration packages of the Company's Managing/Joint Managing/ Deputy Managing/Whole time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
3. To be authorised at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Company's Managing/Joint Managing/ Deputy Managing/ Whole-time/ Executive Directors, including pension rights and any compensation payment;
4. To implement, supervise and administer any share or stock option scheme of the Company.

## SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE

The Shareholders' / Investors' Grievance Committee has been formed by the Board of Directors at the meeting held on December 5, 2009 in compliance with Clause 49 of the Listing Agreement. The Shareholders' / Investors' Grievance Committee has been constituted with the following Directors:

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Venkatachalam Subramaniam	Chairman	Independent Director
2.	Mr. Manish G Asawa	Member	Independent Director
3.	Mr. Jaykishore S Rana	Member	Independent Director

Our Company Secretary, Mr. Janak B. Patel will act as the secretary of the Committee.

The terms of reference of our Shareholders' / Investors Grievance Committee are given below:

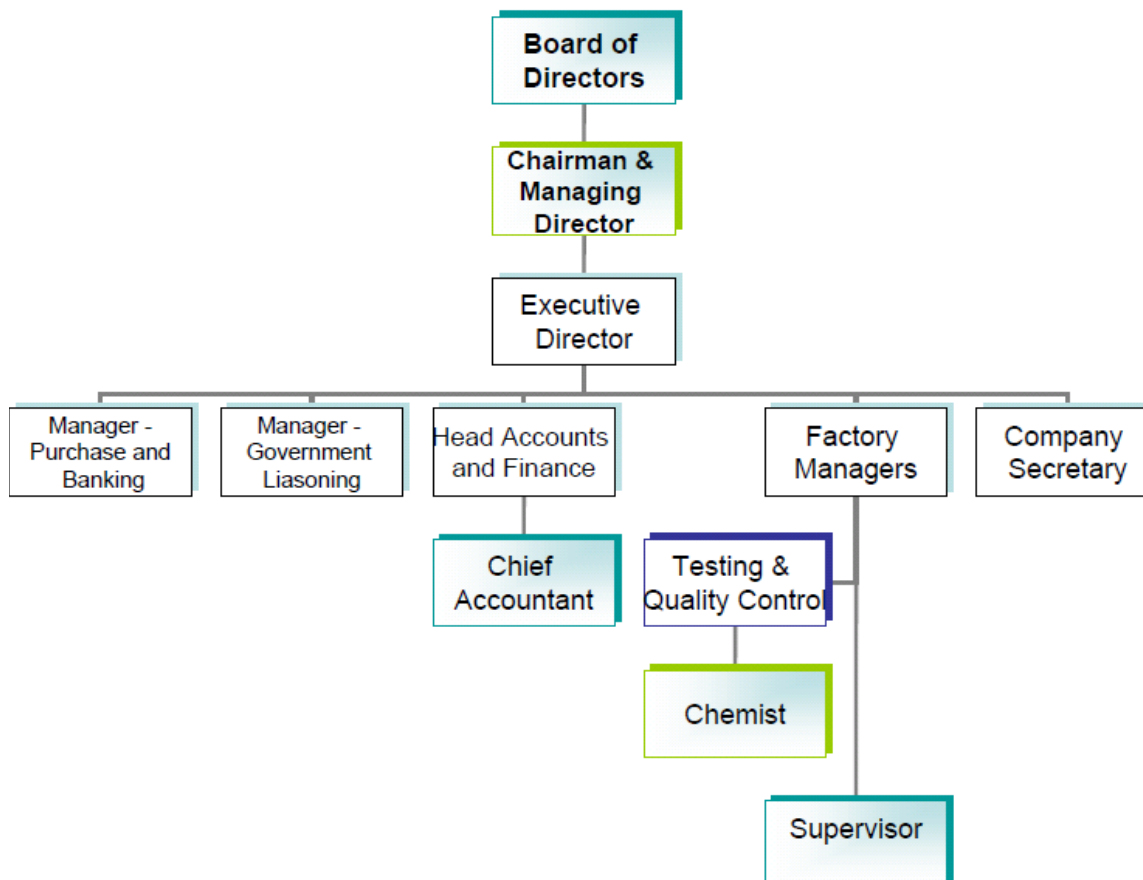
To allot the Equity Shares of the Company, and to supervise and ensure:

- i. Efficient transfer of shares; including review of cases for refusal of transfer transmission of shares and debentures;



- ii. Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- iii. Issue of duplicate / split / consolidated share certificates;
- iv. Allotment and listing of shares;
- v. Review of cases for refusal of transfer / transmission of shares and debentures;
- vi. Reference to statutory and regulatory authorities regarding investor grievances; and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances.”

## ORGANISATIONAL CHART OF OUR COMPANY



## KEY MANAGERIAL PERSONNEL

The key managerial personnel of our Company other than our Executive Directors are as follows:

**Mr. Maulik Padhiyar**, aged 30 years is the Manager - Purchases & Banking of our Company. He is a commerce graduate from Gujarat University and has also completed his Masters in Computer Application from IGNOU. He is associated with the Company since October 30, 1997. He is having overall experience of 12 years. He looks after day to day purchases, banking operations and collections of our Company. Gross remuneration paid to Mr. Maulik Padhiyar for FY 2009-10 was Rs. 1.56 Lacs.

**Mr. Vijay Padaliya** aged 37 years is the Manager – Government Liasoning of our Company. He is a commerce graduate from Saurashtra University. He is associated with the Company since April 3, 2000. He is having overall experience of 13 years in the field of accounts and liasoning and is having more than 9 years experience in our Company. He is looking after liasoning with government departments and is also interacting with various agencies in connection with carbon

credits. He has previously worked with Vishwanath Constructions. Gross remuneration paid to Mr. Vijay Padaliya for FY 2009-10 was Rs. 1.56 Lacs.

**Mr. Hasmukh Somabhai Patel** aged 52 years is the Head – Accounts and Finance of our Company. He is a commerce graduate from Gujarat University. He is with our Company since inception and is in charge of finalization of accounts, Income Tax and Sales Tax etc of our Company. He is having overall experience of 32 years in the field of accounts and taxation and is having more than 12 years of accounting and taxation experience in our Company. He has previously worked with Abhay Mills Limited, Ahmedabad. Gross remuneration paid to Mr. Hasmukh Somabhai Patel for FY 2009-10 was 1.38 Lacs.

**Mr. Naresh Kachoria** aged 37 years, is the Factory Manager of our Jhagadia Unit. He is an SSC by qualification. He joined our Company on December 20, 2007 and is in charge of production of Jhagadia unit. He is having overall experience of 11 years in the field of sodium silicate and is having 2 years of experience in our Company. He has previously running his own proprietary business. Gross remuneration paid to Mr. Naresh Kachoria for FY 2009-10 was 1.56 Lacs.

**Mr. Gautam Patel** aged 43 years, is the Factory Manager at our Kheda Unit. He is an SSC by qualification. He joined our Company on December 15, 1998. He has been with the Company for last 10 years and has been trained by our Chairman & Managing Director. He is overall incharge of production of our Kheda Unit. He is having 11 years of experience in our Company. Gross remuneration paid to Mr. Gautam Patel for FY 2009-10 was 1.56 Lacs.

**Mr. Janak B. Patel**, aged 23 years is the Company Secretary and Compliance Officer of our Company. He is qualified Company Secretary from Institute of Company Secretaries of India. He has completed his Bachelors of Business Administration from Bhavnagar University, Gujarat. Further, he has also completed his LL.B from Gujarat University and his Masters in Computer Application from IGNOU. He is associated with the Company since December 1, 2009 after he qualified as a Company Secretary. He has worked previously as a trainee in the field of secretarial compliances and RoC matters. Mr. Patel is overall incharge of secretarial matters and is also the Compliance Officer for our Company. Gross remuneration paid to Mr. Janak B. Patel for FY 2009-10 was 0.40 Lacs.

**Notes:**

- All the Key Managerial Personnel mentioned above are on the payrolls of our Company as the permanent employees.
- There is no arrangement or understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned key managerial personnel have been recruited.
- The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.
- None of the Key Managerial personnel mentioned above are related to each other, or related to our Promoters/Directors.

**Shareholding of Key Managerial Personnel**

The following is the shareholdings of our key managerial personnel as on date of the Red Herring Prospectus:

Sr. No.	Name	Numbers of Shares Held	Percentage (%) Pre-Issue holding
1.	Mr. Vijay Padaliya	100	0.0010%
2.	Mr. Maulik Padhiyar	100	0.0010%
3.	Mr. Hasmukh S. Patel	100	0.0010%
4.	Mr. Gautam Patel	100	0.0010%

### **Relation of the Key Managerial Personnel with our Promoters/Directors**

None of our key managerial personnel are “related” to the Promoters or Directors of our Company within the meaning of Section 6 of the Companies Act, 1956.

### **Bonus or profit sharing plan for Key Managerial Personnel**

There is no specific bonus or profit sharing plan for the Key Managerial Personnel other than as may be decided by the Management.

### **Change in our Key Managerial Personnel**

Changes in the Key Managerial Personnel of our Company in the last three years are as follows:

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Date of Joining</b>	<b>Date of Resignation</b>	<b>Remark</b>
1.	Mr. Janak B. Patel	Company Secretary & Compliance Officer	December 1, 2009	--	Appointment
2.	Mr. Alpesh Modi	Lab Incharge	May 1, 2009	March 31, 2010	Appointment
3.	Mr. Naresh Kachoria	Factory Manager	December 20, 2007		Appointment

### **Interests of Key Management Personnel**

The Key Management Personnel do not have any interest in our Company other than to the extent of their shareholding in our Company, remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

### **Employees**

The details about our employees appear under the section titled ‘Our Business’ under paragraph ‘Manpower’ on page 89 of the Red Herring Prospectus.

### **Employees Stock Option Scheme**

Our Company does not have any Employee Stock Option Scheme or other similar scheme giving options in our Equity Shares to our employees.

### **Payment or Benefit to Officers of our Company**

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment or engagement, we have not paid any amount or given any benefit to any Officer of our Company in a period of two years before the date of the Red Herring Prospectus, nor is such amount or benefit intended to be paid or given to any officer as on the date of the Red Herring Prospectus.

## OUR PROMOTERS AND THEIR BACKGROUND

Our Company's Promoters are Mr. Mahesh A. Maheshwari and Mrs. Namrata M. Maheshwari, The brief profiles of our Promoters are as follows:

### 1. Mr. Mahesh Amolakh Maheshwari



**Mr. Mahesh A. Maheshwari**, aged 45 years, is the Chairman and Managing Director of our Company. Having completed his Bachelors in Mechanical Engineering from L D Engineering College in Ahmedabad in 1987, he promoted our Company in the year 1996. Prior to that Mr. Mahesh was a consultant, providing consulting services for energy conservation, furnace designs and combustion systems for various industries. He has also completed his management course in SME from IIM (Ahmedabad).

He has over 22 years experience in this line of activity, and has a passion for energy conservation techniques. He is the Chairman and Managing Director of our Company and oversees the day to day management including production, sales to institutional clients and technical development of the production units.

Driving License No: 457369-AR

Voter Id No: LBR8873879

### 2. Ms. Namrata Mahesh Maheshwari



**Ms. Namrata M. Maheshwari**, aged 40 years, is the Director of our Company. She has completed her Bachelors in Electrical Engineering from Sardar Vallabhbhai Regional College of Engineering and Technology, Surat in 1989.

She has experience of working as a lead auditor for ISO 9001 process with SGS India. She currently manages the administrative and banking function of our Company.

Driving License No: GJ01/106250/99

Voter Id No: GJ/11/064/315860

The Permanent Account Number, Bank Account details and Passport Number of our Promoters have been submitted to Bombay Stock Exchange Limited and The National Stock Exchange of India Limited (NSE), on which our Company proposes to list its Equity Shares at the time of filing of the Draft Red Herring Prospectus.

Further, our Promoters have not been identified as a willful defaulter by RBI or any other Government authority and there are no violations of securities laws committed by the Promoters in the past or any such proceedings are pending against the Promoters. None of the Promoters, persons forming part of Promoter Group have been (i) prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

## Relationship of Promoters with each other and with our Directors

Name	Designation	Relationship
Mr. Mahesh A. Maheshwari	Director	Spouse
Mrs. Namrata M. Maheshwari	Director	

## Interest of Promoters

Our Promoters are interested in the promotion of our Company and are also interested to the extent of their shareholding, for which they are entitled to receive the dividend declared, if any, by our Company. Further, our Promoters, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of our Board or committees constituted thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them for services rendered to us in accordance with the provisions of the Companies Act and in terms of the Articles.

Except as stated hereinabove and as stated in *Related Party Transactions*, “Annexure 18” beginning on page 135 under Chapter titled “Auditors’ Report And Financial Information of our Company” beginning on page 116 of the Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Further, except as stated under *paragraph titled “Property” beginning on page 92 under Chapter titled “Business Overview” beginning on pages 84 and paragraph titled “Interest of Directors” beginning on page 105 under Chapter titled “Our Management” beginning on page 101 of the Red Herring Prospectus*, our Promoters do not have any interest in any property acquired by our Company within two years of the date of the Red Herring Prospectus or currently proposed to be acquired by our Company.

## Payment or Benefit to our Promoters

No payment has been made or benefit given to our Promoters in the two years preceding the date of the Red Herring Prospectus or is intended to be given by us except as mentioned/referred to in this Chapter, and the paragraph titled “Property” on page 92 in the Chapters titled “Business Overview” on page 84 and *Related Party Transactions*, “Annexure 18” beginning on page 135 under Chapter titled “Auditors’ Report And Financial Information of our Company” of the Red Herring Prospectus.

## Sales or Purchases between companies in the Promoter Group

Since there are no Promoter Group Companies, there have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company.

## Related Party Transactions

The details of related party transactions have been disclosed as a part of the Auditors Report. For details please refer to *Related Party Transactions*, “Annexure 18” beginning on page 135 under Chapter titled “Auditors’ Report And Financial Information of our Company” beginning on page 116 of the Red Herring Prospectus.

### **Our Group Companies**

Our Company does not have any public or private group companies or private companies which are subsidiary of public limited company.

### **Disassociation Details**

Our Promoters, Mr. Mahesh Maheshwari and Mrs. Namrata Maheshwari had promoted Arbuda Sil-chem Private Limited (ASPL) on January 8, 1990 under the Companies Act, 1956 and having its registered office at 1/B, Gitanjali Society, Gordhanwadi Tekra, Kankaria, Maninagar, Ahmedabad. The name of ASPL was changed to Gujarat Chromium Chemicals Private Limited (Gujarat Chromium) on September 23, 1999. Subsequently, Mr. Mahesh Maheshwari and Ms. Namrata Maheshwari have resigned as directors of Gujarat Chromium in the year 2005 and have completely dis-associated themselves from Gujarat Chromium since then. However, there is a litigation filed against Gujarat Chromium by Nirma Limited, details of which are mentioned under section 'Outstanding Litigations, Material Development and Other Disclosures' beginning on page on page 146 of the Red Herring Prospectus.

## **CURRENCY OF PRESENTATION**

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, 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 the Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in the Red Herring Prospectus are to the legal currency of India.

## **DIVIDEND POLICY**

Dividends, other than interim dividends, will be declared at the AGM of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividends to be paid to the shareholders, considering a number of factors including, without limitation, our Company’s future expansion plans and capital requirements, profits earned during the Financial Year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions. The dividend payments in the past are not necessarily indicative of the dividend amounts, if any, or the dividend policy, of our Company in the future.

Our Company has not paid any Dividend till date.

## SECTION VII - FINANCIAL INFORMATION

### AUDITORS' REPORT AND FINANCIAL INFORMATION OF OUR COMPANY

To,

**The Board of Directors**

**Aster Silicates Limited**

A- 602, Fairdeal House,  
Swastik Char Rasta,  
Off C G Road, Navrangpura,  
Ahmedabad – 380 009.

#### **Reg: Initial Public Offer of Equity Shares by Aster Silicates Limited**

Dear Sirs,

**A.**

- a) We have examined the annexed financial information of Aster Silicates Limited ('The Company') for the Financial Year ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2006.
- 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 Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI (ICDR) Regulations, 2009") issued by Securities and Exchange Board of India ('SEBI') on August 26, 2009 and
  - iii) Our terms of reference with the Company dated November 1, 2009 in connection with the Initial Public Offer of Equity Shares by the Company.

We report that the restated assets and liabilities of the Company as at 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2006 are as set out in '**Annexure 1**' 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 3**' and Notes to the statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' and '**Annexure 5**' to this report.

We report that the restated profits of the Company for the Financial Years ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2006 are as set out in '**Annexure 2**' 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 as appearing in '**Annexure 3**' and Notes to the Statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' and '**Annexure 5**' to this report.

**B.** We have examined the following financial information relating to the Company proposed to be included in the offer document, as approved by the Board of Directors and annexed to this report.

- i. Notes to Adjustments in Restated Financial Statements '**Annexure 5**' to this report



- ii. Details of changes in Significant Accounting Policies as given in '**Annexure 6**' to this report.
  - iii. Details of qualifications appearing in the audit report as given in '**Annexure 7**' to this report.
  - iv. Statement of Cash Flow as appearing in '**Annexure 8**' to this report;
  - v. Accounting Ratios as appearing in '**Annexure 9**' to this report;
  - vi. Statement of Unsecured Loans taken including loan taken from related parties enclosed as '**Annexure 10**' to this report.
  - vii. Capitalisation Statement as appearing in '**Annexure 11**' to this report;
  - viii. Statement of Tax Shelter as appearing in '**Annexure 12**' to this report.
  - ix. Statement of Secured Loans as appearing in '**Annexure 13**' to this report.
  - x. Statement of Investments as appearing in '**Annexure 14**' to this report.
  - xi. Statement of Debtors including the related party debtors enclosed as '**Annexure 15**' to this report.
  - xii. Details of loans and advances as given in '**Annexure 16**' to this report.
  - xiii. Statement of Other Income as appearing in '**Annexure 17**' to this report.
  - xiv. Details of transactions with the Related Parties as appearing in '**Annexure 18**' to this report;
  - xv. Details of Contingent Liabilities as appearing in '**Annexure 19**' to this report;
- C.** The Company has not declared any dividends till date.
- D.**
- 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 3 to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Statements, has been prepared in accordance with Part II of Schedule II of the Act and we have complied with the Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009.
- In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of the Aster Silicates Limited, We hereby confirm that Statements of Assets and Liabilities and Profit and Loss or any other financial information have been incorporated in the offer document after making the following adjustments, wherever quantification is possible:
- 1. Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications except for those audit qualification whose financial impact not ascertainable or not quantifiable.

2. Material amounts relating to adjustments for previous years has been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.
  3. Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the offer document) and of the year in which the change in the accounting policy has taken place has been recomputed to reflect what the profits or losses of those years would have been if an uniform accounting policy was followed in each of those years.
  4. If an incorrect accounting policy is followed, the re-computation of the financial statements has been in accordance with correct accounting policies.
  5. Statement of profit or loss discloses the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items.
- b) The accounting policies of the Company are in compliance with all Indian Accounting Standards.
- c) This report is intended solely for your information and for inclusion in the offer document in connection with the specific Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For H B Patel & Associates**  
**Chartered Accountants**

\_\_\_\_\_  
**H.B. Patel**  
**Proprietor**

**Membership No. 49395**

**Date: May 28, 2010**

## Annexure 1

## SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Lacs)

Sr. No.	Particulars	As at March 31				
		2006	2007	2008	2009	2010
<b>A.</b>	<b>Fixed Assets</b>					
	Gross block	415.65	572.27	1282	2398.47	2393.68
	Less: Depreciation	114.1	140.11	173.68	229.88	395.72
	Total	301.55	432.16	1108.32	2168.59	1997.96
	Less: Revaluation Reserve	0	0	0	492.01	492.01
	NET BLOCK	301.55	432.16	1108.32	1676.58	1505.95
	CAPITAL Work -in-Progress	0	0	0	0	929.4
	<b>TOTAL - FIXED ASSETS (A)</b>	<b>301.55</b>	<b>432.16</b>	<b>1108.32</b>	<b>1676.58</b>	<b>2435.35</b>
<b>B.</b>	<b>Investments (B)</b>	0	0	0	0	0
<b>C.</b>	<b>Current assets, loans and advances:</b>					
	Inventories	0	117.16	235.5	353.37	278.53
	Receivables	99.51	163.45	174.22	678.13	1718.48
	Cash and bank balances	26.04	39.16	4.29	8.01	45.6
	Loans and advances	52.29	94.92	130.66	201.33	121.53
	Other Current Assets	0	0	30.46	0	0
	<b>Total (C)</b>	<b>177.84</b>	<b>414.69</b>	<b>575.13</b>	<b>1240.84</b>	<b>2164.14</b>
	<b>Total assets (A + B + C)</b>	<b>479.39</b>	<b>846.85</b>	<b>1683.45</b>	<b>2917.42</b>	<b>4599.49</b>
<b>D.</b>	<b>Liabilities and provisions</b>					
	Secured loans	122.12	246.23	785.81	1181.82	1277.2
	Unsecured loans	36.03	26.6	2	0	174.05
	Deferred Tax Liability	45.12	76.74	110.41	175.94	365.68
	Current liabilities	15.51	165.65	123.65	273	428.36
	Provisions	2.96	2.09	4.33	4.7	328.69
	<b>Total Liabilities (D)</b>	<b>221.74</b>	<b>517.31</b>	<b>1026.2</b>	<b>1635.46</b>	<b>2573.98</b>
<b>E.</b>	<b>Net worth (A+B+C-D)</b>	<b>257.65</b>	<b>329.54</b>	<b>657.25</b>	<b>1281.96</b>	<b>2025.51</b>
<b>F.</b>	<b>Represented by</b>					
	Share capital					
	-Equity Share Capital	230.00	300.00	537.65	700.00	1036.11
	-Preference Share Capital	0.00	0.00	0.00	0.00	0.00
	Less:- Call in Arrears	0.00	0.00	0.00	0.00	0.00
	<b>Total</b>	<b>230.00</b>	<b>300.00</b>	<b>537.65</b>	<b>700.00</b>	<b>1036.11</b>
	Share Application Money	0.00	0.00	30.23	214.06	0.00
	Reserves and surplus	56.68	70.93	136.72	883.64	1559.72
	Less: Revaluation Reserve	0.00	0.00	0.00	492.01	492.01
	<b>TOTAL</b>	<b>56.68</b>	<b>70.93</b>	<b>166.95</b>	<b>605.69</b>	<b>1067.71</b>
	Less: Miscellaneous Expenditure (To the extent not written off)	0.63	0.47	2.72	23.73	78.31
	Deferred tax Assets	28.40	40.92	44.63	0.00	0.00
	Total	29.03	41.39	47.35	23.73	78.31
	<b>Net Worth</b>	<b>257.65</b>	<b>329.54</b>	<b>657.25</b>	<b>1281.96</b>	<b>2025.51</b>

## ANNEXURE 2

## SUMMARY STATEMENT OF PROFIT AND LOSS, AS RESTATED

(Rs. in Lacs)

Sr. No.	Particulars	For the year ended March 31				
		2006	2007	2008	2009	2010
<b>A</b>	<b>Income</b>					
	Sales of Products Manufactured by the Company	949.20	714.64	1526.56	3290.62	6187.25
	Sales of Products Traded by the Company	0	0	0	0	0
	Less Excise Duty	0	0	0	0	0
	Net Sales	949.20	714.64	1526.56	3290.62	6187.25
	Other Income	0.33	0.95	54.53	4.58	1.55
	Increase/(Decrease) in Inventories	-84.91	117.17	118.33	113.93	31.87
	<b>Total (A)</b>	<b>864.62</b>	<b>832.76</b>	<b>1699.42</b>	<b>3409.13</b>	<b>6220.67</b>
<b>B</b>	<b>Expenditure</b>					
	Materials consumed	705.98	557.66	1299.74	2514.79	4435.77
	Cost of Goods Sold					
	Wages and Staff Costs	17.70	24.01	32.82	32.91	79.63
	Other manufacturing expenses	28.16	133.53	153.24	253.49	394.37
	Administrative, selling and distribution expenses	56.80	22.57	42.99	33.72	48.68
	Loss on sales of Fixed assets	0	0	0	0	0
	<b>Total (B)</b>	<b>808.64</b>	<b>737.77</b>	<b>1528.79</b>	<b>2834.91</b>	<b>4958.45</b>
	<b>Profit Before Interest, Depreciation and Tax</b>	<b>55.98</b>	<b>94.99</b>	<b>170.63</b>	<b>574.22</b>	<b>1262.22</b>
<b>C</b>	<b>Depreciation</b>	<b>28.78</b>	<b>26.01</b>	<b>33.57</b>	<b>57.04</b>	<b>165.84</b>
<b>D</b>	<b>Profit Before Interest and Tax</b>	<b>27.20</b>	<b>68.98</b>	<b>137.06</b>	<b>517.18</b>	<b>1096.38</b>
	Financial Charges	17.81	35.19	40.92	151.68	196.19
<b>E</b>	<b>Profit after Interest and Before Tax</b>	<b>9.39</b>	<b>33.79</b>	<b>96.14</b>	<b>365.50</b>	<b>900.19</b>
	Provision for Taxation	0.8	3.74	9.86	41.36	268.29
	Provision for Deferred Tax	16.72	15.35	20.10	68.80	189.74
	Provision for FBT	0.48	0.46	0.39	0.43	0
	Add/Less Tax adjustment	0	0	0	0	0
	<b>Total</b>	<b>18.00</b>	<b>19.55</b>	<b>30.35</b>	<b>110.59</b>	<b>458.03</b>
	<b>Profit After Tax but Before Extra ordinary Items</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>
<b>G</b>	<b>Extraordinary items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Impact of material adjustments for restatement in corresponding years (net of tax) (B)	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>I</b>	<b>Net Profit after adjustments</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>
	<b>Net Profit Transferred to Balance Sheet</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>
<b>J</b>	<b>Sheet</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>

## **Statement of significant accounting policies**

### **System of Accounting**

The financial statements have been prepared to comply in all material respects with the generally accepted accounting principles, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

The financial statements have been prepared under the historical cost convention on accrual basis of accounting. The accounting policies have been consistently applied by the Company and are in line with those used last year. The same are prepared on going concern basis.

The company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

### **Fixed Assets**

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses if any. Cost comprises of the purchase price and any cost attributable bringing the asset to its working condition for its intended use.

### **Depreciation/ Amortization/ Impairment**

Depreciation is provided on fixed assets on straight line basis in accordance with the rates prescribed in Schedule XIV of the Companies Act 1956.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal and external factors. An impairment loss is recognized wherever the carrying amount of assets exceeds its recoverable amount. The recoverable amount is the greater of the assets' net selling price and the value in use. In assessing value in use the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

### **Inventories**

The inventories are valued as under:

Raw material inventories are valued at cost and finished goods are valued at cost or market value whichever is less. This accounting policy is in compliance with Accounting Standard – 2, Valuation of Inventories. As per para 24 of the AS 2, Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost and the cost of the finished products are not expected to exceed net realisable value. Since the finished products of the Company are not expected to be sold below cost and the cost of the finished products is not expected to exceed net realisable value, the raw material inventory has been valued at cost.

The cost formula used for valuation of inventories is as follows:

- a) **Raw material inventories** are valued at landed cost.

- b) **Works in Process inventories** are valued at cost up to estimated stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
- c) **Finished Goods** are valued at Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

### **Employee Benefits**

Contributions to defined contribution schemes such as provident fund are charged to profit and loss account as incurred. Provision for Leave encashment payable to the employees is not made as the same is accounted on cash basis.

As per para 45 of AS 15, when an employee has rendered service to an enterprise during a period, the enterprise should recognise the contribution payable to a defined contribution plan in exchange for that service as an expense. Hence the treatment of the Company contributions to defined contribution schemes is in compliance with AS 15.

Gratuity is not applicable to the Company.

Leave encashment is paid at the end of the year as part of the salary

### **Revenue Recognition**

Revenue is recognized when no significant uncertainty as to determination or realisation exists. Revenue from the activity is recognized in accordance with the accepted practice upon passing of titles to the customers.

### **Accounting for taxes on income**

Provision for current tax is made based on the tax payable under the current provisions of the tax laws applicable in the jurisdiction where in the income is assessable.

Tax on fringe benefits is measured at the specified rates on the value of fringe benefits in accordance with the provisions of Section 115WC of the Income Tax Act, 1961.

Deferred tax expenses or benefit is recognised on timing differences being the difference between taxable income and accounting income that arises in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are accounted for, using the tax rates and tax laws applicable as on the Balance Sheet date.

### **Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimates can be made.

Provisions are not discounted to its present value and are determined based on best management estimates required to settle the obligations at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best management estimates.

### **Segment Reporting**

The company is engaged in only one segment of business which is Manufacturing of Sodium

Silicate.

### **Cash Flow Statement**

The Company has prepared the Cash Flow Statement using the Indirect Method in compliance with Accounting Standard issued by The Institute of Chartered Accountants of India (AS-3).

### **Use of Estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/ materialized.

### **Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of Notes to financial statements.

#### **Annexure 4**

#### **Notes on Accounts**

1. The financial statements have been prepared under Historical Cost Convention in accordance with the generally accepted accounting principles (Indian GAAP) and the provisions of the Companies Act, 1956 as adopted consistently by the Company. The same are prepared on a going concern basis. The Company follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.
2. Fixed Assets and Depreciation: Depreciation on Fixed Assets is provided under the SLM method at the rates and in the manner prescribed by Schedule XIV to the Companies Act, 1956.
3. The Miscellaneous Expenditure is incurred for the following purposes:

(Rs. Lacs)

Particulars	Year Ended		
	2007-08	2008-09	2009-10
Opening balance	0.47	2.72	23.73
Additions during the year:			0.00
Expenses for Share Capital Increase and Stamping	3.01		0.00
Loan Expenses, Processing fees & Stamping Fees		14.42	0.00
Loan Syndication Fees and Consultancy Charges		12.53	8.01
Consultancy Fees and Expenses related to Raising of Equity Capital			67.63
<b>Total</b>	<b>3.48</b>	<b>29.67</b>	<b>99.37</b>
Less: Written off in the Year	0.76	5.94	21.06
<b>Closing Balance</b>	<b>2.72</b>	<b>23.73</b>	<b>78.31</b>

As per the Para 5 of AS 26 Exclusions from the scope of an Accounting Standard may occur if certain activities or transactions are so specialised that they give rise to accounting issues that may need to be dealt with in a different way. Accounting issues of specialised nature also arise in respect of accounting for discount or premium relating to borrowings and ancillary costs incurred in connection with the arrangement of borrowings, share issue expenses and discount allowed on the issue of shares. Accordingly, this Statement does not apply to such items.

Since the above items of expenditure are not covered under AS 26 they have been treated as miscellaneous expenditure. These expenditure are amortised over a period of 5 years. The expenditure being in the nature of Miscellaneous Expenditure has been deducted from Reserves for arriving at the Net worth of the Company.

4. Share application money pending allotment for the year ended March 31, 2009 is Rs. 214.06 Lacs. The amount of Rs. 183.83 Lacs as reflected under cash flows is the increase in share application money from March 31, 2008 to March 31, 2009. The Equity Shares for the share application money of Rs. 214.06 Lacs pending on March 31, 2009 have been allotted on September 30, 2009 to the following persons:

Name of the Allottee	No. of Shares	Issue Price (Rs)	Amount (Rs.)
Mr. Mahesh A. Maheshwari	1530600	10	15306000
Mr. Jyotindra A. Choksi	610000	10	6100000
<b>Total</b>	<b>2140600</b>		<b>21406000</b>



5. Annual Licensed & Installed Capacity for the year:

(MT/DAY)

Particulars	Capacity	Days	Total
Kheda Unit	100	330	33000
Jhagadia Unit	050	330	16500
<b>Total Capacity</b>	<b>150</b>		<b>49500</b>

6. The accounting standards as prescribed by the Institute of Chartered Accountants of India are applied wherever applicable in preparing and presenting the financial statements.

7. Previous year figures have been regrouped and rearranged wherever necessary.

8. Balances of Debtors, Creditors and depositors, if any, are subject to confirmation and reconciliation.

9. Contingent Liabilities in respect of capital contracts remaining to be executed, Bank guarantees, bills discounted, claims against company not acknowledged as debts etc. are NIL.

10. Expenditure in foreign currency -Nil-

11. Earning in foreign currency -Nil-

12. Cash on Hand and Closing stock at the end of the year has not been physically verified by us.

13. Net Profit / Loss for the period, prior period item and changes in accounting policies:

All the extra ordinary and prior period items of Income and expenses are separately disclosed in the statement of Profit and Loss account in the manner such that it's impact on the current profit or loss can be perceived. Further there has not been any change in the Company's accounting policies or accounting estimate so as to have material impact on the current year profit/loss or that of later periods. All the items of Income and Expenses from ordinary activities with such size and nature such that they become relevant to explain the performance of the company have been disclosed separately.

14. Taxation :

i. Provision for current Income Tax is made in accordance with Income Tax Act, 1961.

ii. Deferred Tax Accounting:

Deferred tax expenses or benefit is recognised on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been subsequently enacted by the balance sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise these assets. All other deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Calculation of Deferred Tax Assets and/or Liability:

<b>Aster Silicates Limited</b>			
<b>Working For Deferred Tax Liability For The year ended March 31, 2010</b>	<b>March 31, 2010</b>	<b>Tax Rate</b>	<b>Amount (Rs.)</b>
<b>Deferred Tax Liability</b>			
Block As Per Books Of Accounts	13,26,99,899		
Block As Per IT Act	2,51,14,852		
	10,75,85,047	33.99%	<b>3,65,68,157</b>
Previous Year (Liability)			<b>1,75,94,170</b>
Difference			<b>1,89,73,987</b>

15. Other Information:

<b>Payment to Auditors</b>	<b>Rs.</b>
Audit Fees	25,000

16. Prior year's figures have been regrouped/re-arranged where necessary to confirm to current year's classification

17. As per information available with the company, there are no small scale industries/undertaking / enterprises to which the company owes.

## **Annexure 5**

### **NOTES TO ADJUSTMENTS IN THE RESTATED ACCOUNTS**

Net Block as well as Reserves & Surplus has been shown net of Revaluation Reserves of Rs. 492.01 lacs

The gross block of fixed assets as per books as on March 31, 2008 was Rs. 1,282.00 Lacs. The Company has carried out revaluation of the fixed assets, since the assets of the Company were not revalued since its inception and were being shown at a lower value in comparison to its market value. Hence the assets were revalued so as to bring them to market value so as to increase the value of securities to be offered to banks. The total value of assets due to revaluation was increased by Rs. 492.01 Lacs.

The details of the revaluation are as follows:

(Rs. in Lacs)			
<b>Particulars</b>	<b>Original Balance</b>	<b>Revaluation</b>	<b>Total</b>
<b>Unit I – Kheda</b>			
Land	24.32	119.41	143.73
Building	27.02	315.16	342.18
<b>Unit II - Jhagadia</b>			
Land	39.74	57.44	97.18
<b>Total</b>	<b>91.08</b>	<b>492.01</b>	<b>583.10</b>

The land and building at Kheda Unit were revalued by M/s Concrete Consultants, Registered Valuer – Engineer, Ahmedabad and the land at Jhagadia Unit was revalued by Pranav Parikh, Approved Valuers, Ahmedabad.

## **Annexure 6**

### **CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

There have been no changes in accounting policies of the Company during the above periods.

## **Annexure 7**

### **QUALIFICATIONS IN THE AUDITORS REPORT**

There have been no qualifications to the accounts of the Company during the above periods.

## Annexure 8

## CASH FLOW STATEMENT, AS RESTATED

(Rs. in Lacs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
<b>A Cash Flow from Operating Activities</b>					
Profit before tax, as restated	9.39	33.79	96.14	365.50	900.19
Adjustments for					
Depreciation	28.77	26.01	33.57	56.20	165.84
<b>Operating Income before working capital changes</b>	<b>38.16</b>	<b>59.80</b>	<b>129.71</b>	<b>421.70</b>	<b>1066.03</b>
<b>Adjustments for:</b>					
Decrease/(Increase) in Trade & Other Receivables	-23.62	-63.94	-41.23	-473.45	1040.35
Decrease/(Increase) in Inventories	84.91	-117.16	-118.34	-117.87	74.84
Decrease/(Increase) in Loans & Advances	0.48	-42.63	-35.74	-70.67	79.80
Decrease/(Increase) in Misc. Exp not w/off	-0.62	0.16	-2.25	0.00	-54.58
Increase/(decrease) in Current Liability & Provisions	-45.67	149.27	-39.76	149.72	479.35
<b>Cash Generated from Operations</b>	<b>53.64</b>	<b>-14.50</b>	<b>-107.61</b>	<b>-90.57</b>	<b>605.09</b>
Direct Taxes (Net)	1.28	0.44	0.38	21.45	34.37
<b>Net Cash Flow from Operating Activities</b>	<b>52.36</b>	<b>-14.94</b>	<b>-107.99</b>	<b>-112.02</b>	<b>570.72</b>
<b>B Cash Flow from Investing Activities</b>					
Purchase of Fixed Assets	-81.88	-156.62	-709.73	-624.45	4.79
Increase in Capital Work-in-progress	0.00	0.00	0.00	0.00	-929.4
<b>Net Cash used from Investing Activities</b>	<b>-81.88</b>	<b>-156.62</b>	<b>-709.73</b>	<b>-624.45</b>	<b>-924.61</b>
<b>C Cash Flow from Financing Activities</b>					
- Share Capital incl. premium	32.00	70.00	237.65	162.35	336.11
- Share Application Money	0.00	0.00	30.23	183.83	-214.06
	<b>32.00</b>	<b>70.00</b>	<b>267.88</b>	<b>346.18</b>	<b>122.05</b>
Change in the Borrowings					
- Loans Receipt	13.28	124.11	539.58	396.01	2270.39
Repayment of					
- Loans	0.00	9.43	24.61	2.00	2000.96
<b>Net Cash Flow from Financing Activities</b>	<b>45.28</b>	<b>184.68</b>	<b>782.86</b>	<b>740.19</b>	<b>391.48</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>15.76</b>	<b>13.12</b>	<b>-34.87</b>	<b>3.72</b>	<b>37.59</b>
<b>Cash &amp; Cash Equivalents at Beginning of the Year</b>	<b>10.28</b>	<b>26.04</b>	<b>39.16</b>	<b>4.29</b>	<b>8.01</b>
<b>Cash &amp; Cash Equivalents at End of the Year</b>	<b>26.04</b>	<b>39.16</b>	<b>4.29</b>	<b>8.01</b>	<b>45.60</b>

**Annexure 9****Statement of Accounting Ratios**

(Rs. in Lacs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Net Profit as restated (Rs. in Lacs)	-8.61	14.24	65.79	254.91	442.16
Net Worth	257.65	329.54	627.02	1067.90	2025.51
Return on Net worth (%)	-3.34	4.32	10.49	23.87	21.83
Share at the end of year (Face Value Rs. 10)	2300000	3000000	5376500	7000000	10361111
Weighted No of Equity Shares	1989644	2300000	3619207	5776815	8606697
Basic Earnings per Share (Rs.)	-0.43	0.62	1.82	4.41	5.14
Net Asset Value/Book Value per share (Rs.)	11.20	10.98	11.66	15.26	23.53

**Annexure 10****Statement of Unsecured Loans**

(Rs. in Lacs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
From Directors/Shareholders	20.04	26.60	2.00	0.00	5.45
From Others	15.99	0.00	0.00	0.00	168.6
<b>Total</b>	<b>36.03</b>	<b>26.60</b>	<b>2.00</b>	<b>0.00</b>	<b>174.05</b>
Above amount includes transactions with following related parties:					
Mr. Mahesh Maheshwari	19.53	26.60	2.00	0.00	2.03
Mrs. Namrata M. Maheshwari	0.51	0.00	0.00	0.00	3.42

**Notes:**

The related party information disclosed above is based on the audited financial statements and the information provided by the Company.

No interest is payable / paid on the Loans from Directors/Shareholders.

Unsecured loans from others carry interest at the rate of 12% P.A. These loans are repayable on demand & consequently there is no repayment schedule.

**Annexure 11****Capitalization Statement****(Rs. in Lacs)**

<b>Particulars</b>	<b>Pre Issue</b>		<b>Post Issue</b>
	<b>31.03.2009</b>	<b>31.03.2010</b>	
<b>Debt :</b>			
<b>Secured</b>			
Short term debt	512.50	0.00	
Long term debt	669.32	1277.20	
<b>Unsecured</b>			
Short term debt	0.00	174.05	
<b>Total Debt</b>	<b>1181.82</b>	<b>1451.25</b>	
<b>Shareholders Funds</b>			
Equity Share Capital	700.00	1036.11	
Reserves and Surplus	883.64	1559.72	
Less: Revaluation Reserves	492.01	492.01	
Less: Misc. Expenditure	23.74	78.31	
<b>Total Shareholders Funds</b>	<b>1067.89</b>	<b>2025.51</b>	
Long Term Debt/ Shareholders' Funds	0.63 : 1	0.63 : 1	[●]
Total Debt / Shareholders Fund	1.11 : 1	0.72 : 1	[●]

Notes:

1. Working Capital Limits are considered as short- term debts
2. The Post-issue debt–equity ratio will be computed on the conclusion of the book building process.
3. Reconciliation of Networth as on March 31, 2009 is as under:

<b>Particulars</b>	<b>Rs. In Lacs</b>
Net Worth as on March 31, 2009 as per restated Balance Sheet	1281.96
Net Worth / Shareholder's fund as above	1067.90
Difference	214.06

The above difference is on account of non-inclusion of share application money pending allotment as on March 31, 2009 while calculating Net Worth in above Annexure. Share application money is not included in the calculation of net worth for the purpose of calculation of various accounting ratios and is included post allotment only. Same is the reason for difference in the amount of net worth in restated Balance sheet and Statement of Accounting ratios.

**Annexure 12****Statement of Tax Shelters****(Rs. in Lacs)**

<b>Particulars</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>
<b>Profit Before Tax</b>	9.39	33.33	95.75	365.07	900.19
<b>Tax rate</b>					
-- Normal Tax rate	33.66%	33.66%	33.99%	33.99%	33.99%
-- Minimum Alternative Tax rate	8.42%	11.22%	11.33%	11.33%	11.33%
<b>Notional Tax at normal rates (A)</b>	3.16	11.22	32.55	124.09	305.97
<b>Permanent differences</b>					
Other adjustments	0.00	0.00	0.00	0.00	0.00
Disallowances	21.93	20.80	30.66	0.43	0.00
<b>Total (B)</b>	21.93	20.80	30.66	0.43	0.00
<b>Timing Differences</b>					
Depreciation as per Books	28.78	26.01	33.57	57.04	165.84
Depreciation as per Income Tax	75.56	106.63	142.56	227.32	276.71
Difference between tax depreciation and book depreciation	-46.78	-80.62	-108.99	-170.28	-110.87
Other adjustments	0.00	0.00	-1.10	-0.02	0.00
<b>Total (C)</b>	-46.78	-80.62	-110.09	-170.3	-110.87
<b>Net Adjustments (B+C)</b>	-24.85	-59.82	-79.43	-169.87	-110.87
Tax expense/(savings) thereon (D)	-8.36	-20.14	-27.00	-57.74	-37.68
<b>Total Taxation (E = A+D)</b>	-5.20	-8.92	5.55	66.35	268.29
Brought forward losses set off (Depreciation)	0.00	0.00	0.00	-121.37	0.00
Tax effect on the above (F)	0.00	0.00	0.00	-41.25	0.00
<b>Net tax for the year/period (E+F)</b>	-5.20	-8.92	5.55	25.09	268.29
Tax payable as per MAT	0.79	3.74	10.85	41.36	101.99
Tax expense recognized	0.80	3.74	9.86	41.36	268.29
Tax as per return of income	0.79	3.74	9.86	41.36	268.29
The statement of tax shelter has been prepared based on returns of Income filed by the company with the Income Tax authorities.					

**Annexure 13****Secured Loans****(Rs. In lacs)**

Particulars					
	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Term loan from Banks	42.00	77.62	506.12	669.32	1277.2
Working Capital / Cash Credit from Banks	80.11	121.91	122.95	512.50	0
Deposit Loans	0	0	0	0	0
Others	0	46.70	156.74	0	0
<b>Total</b>	<b>122.11</b>	<b>246.23</b>	<b>785.81</b>	<b>1181.82</b>	<b>1277.2</b>

**Principle Terms and Conditions of Outstanding Secured Loans:**

Name of the lender	Facility	Sanctioned Amount	Amount Outstanding as on 31.03.10	Rate of Interest	Repayment Schedule	Securities offered
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**TERM LOANS**

SICOM Limited, Nirmal, 1st Floor, Nariman Point, Mumbai - 400021.	Term Loan	1400.00	959.87	14.50%	13 qtrly installments commencing at the end of 12 months from the date of first disbursement of loan i.e. 4 x 90 lacs, 3x100 lacs, 5x120 lacs and last installment of 140 lacs	A First charge by way of Mortgage and Hypothecation of the entire fixed assets, movable assets including land, buildings, plant and machinery, machinery spares, tools and accessories, electrical installation, furniture and fixtures, both present and future, of the Company including specifically at plot no. 831, B/H. J M Huber Chemicals, GIDC, Jhagadia, Bharuch - 39110, Gujarat and at (plot 3) Block 214, Sarasa Village, Village Kanera, Dist. Kheda - 387540 and First charge on the current assets of the Company. Additional security by way of several and joint personal guarantee of Mr. Mahesh A Maheshwari and Mrs. Namrata Mahesh Maheshwari. (Charge is yet to be created)
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SIDBI, Navjevan Buildings, Off Ashram Road, Ahmedabad remarks: title deeds were deposited for TL 1 to 5 on 28/11/05, 08/10/07, 26/11/07,27/05/0 8,29/08/08 & 25/11/08 & 10/01/09 Remarks: Term Loan of Rs.775.00 lacs the company has created EML documentation, but not yet availed any limits under the sanction.		317.33	12.25%.	Repayment: TL (1) all Term Loans to start repayment from 10/01/2010	Memorandum of deposit of title deed was created on 10/01/09 only though original titles were deposited as per dates shown against each TL. The title deeds owned by Mrs. Namrata Maheshwari wherein the lease hold rights of the TITLE DEED No:I,II,III & IV of plot no: 2,4,5,6,& 7 @ Block No:214/p Village Kanera, Taluka Kheda were mortgaged to bank by her
	Term Loan (1)	42.00		Rs.42.00 lacs - 11 x 1.59 lacs, & 16 x 2.60 lacs	
	Term Loan (2)	175.00		Rs.175.00 lacs - 35 x Rs.3.47 lacs & 1 x 4.35 lacs )	
	Term Loan (3)	50.00		Rs.50.00 lacs - 16 x 2.60 & 1 x Rs.1.60 lacs	
	Term Loan (4)	50.00		Rs.50.00 lacs - 16 x 2.60 & 1 x Rs.1.60 lacs	
	Term Loan (5)	80.00		Rs.80.00 lacs - 28 x 1.59 and 1 x 1.27	
	T.L. (B.G.) (6)	47.00		--	
	Term Loan (7)	775.00		Rs.500 lacs - Repayment Schedule: (Rs.8.30 lacs x 59 Instll.& Rs.10.30 lacs x 1) Phase II to disburse Rs.275.00 lacs. Repayment schedule: Rs.4.00 lacs x 50 instll & Rs.7.50 lacs x 10 Instll. (Yet to avail this limit)	
	<b>Total</b>	<b>1219.00</b>			
<b>Total</b>		<b>2619.00</b>	<b>1277.20</b>		

**Annexure 14**

**Investments, as restated** - The Company has not made any investments in the last 5 years.

**Annexure 15****Sundry Debtors, as restated****(Rs. In lacs)**

Particulars					
	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Outstanding for the period exceeding Six months	0	0	0	0	0
Other Debts	99.51	163.45	174.22	678.13	1718.48
<b>Total</b>	<b>99.51</b>	<b>163.45</b>	<b>174.22</b>	<b>678.13</b>	<b>1718.48</b>

We confirm that the Sundry Debtors does not include any amount due from promoters, promoter group entities/persons or directors or any other person defined as related party under AS 18, Related Party Transactions.

**Annexure 16****Loans and Advances, as restated****(Rs. In lacs)**

Particulars					
	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Advances recoverable in Cash or in Kind	52.29	94.92	93.72	111.53	30.38
Deposits	0	0	36.94	89.8	91.15
<b>Total</b>	<b>52.29</b>	<b>94.92</b>	<b>130.66</b>	<b>201.33</b>	<b>121.53</b>

We confirm that the Loans & Advances does not include any amount due from promoters, promoter group entities/persons or directors or any other person defined as related party under AS 18, Related Party Transactions.

**Annexure 17****Other Income, as restated****(Rs. In lacs)**

Particulars					
	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Interest From Banks	0.29	0	1.81	0	1.55
Interest From Others	0	0	0	0	0
Dividend Income	0	0	0	0	0
Foreign Exchange Fluctuations	0	0	0	0	0
Others	0.04	0.95	52.73	4.58	0
<b>Total</b>	<b>0.33</b>	<b>0.95</b>	<b>54.54</b>	<b>4.58</b>	<b>1.55</b>

**Annexure 18****Details of Related Party Transactions**

The Company has entered into the following related party transactions:

Name of the key managerial personnel	Relationship
MAHESH A. MAHESWARI	Promoter Director
NAMRATA M. MAHESWARI	Promoter Director
MAHESH A. MAHESWARI (HUF)	Karta - Mahesh A Maheshwari

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
Name of the Party					
<b><u>MAHESH A. MAHESWARI</u></b>					
Salary	5.60	6.00	6.00	3.00	12.00
Loan to Company	19.53	26.60	2.00	0.00	2.03
Equity Share Capital	32.00	34.50	49.04	113.00	270.46
<b><u>NAMRATA MAHESWARI</u></b>					
Salary	4.00	4.80	4.80	3.00	12.00
Loan to Company	0.51	0.00	0.00	0.00	3.42
Rent Paid	0.00	0.00	2.22	2.22	0.00
Share Application Money	0.00	0.00	1.73	117.06	0.00
Equity share capital	0.00	5.00	14.36	32.35	329.65
<b><u>MAHESH A. MAHESWARI (HUF)</u></b>					
Equity share capital	0.00	0.00	1.75	0.00	0.00

**Annexure 19****Statement of Contingent Liabilities, as at March 31, 2010**

Particulars	Rs. in Lacs
Bank Guarantee	7.00
Disputed Excise Duty	1.74
Disputed Custom Duty	107.72

## **FINANCIAL INFORMATION OF GROUP COMPANIES**

Our Company does not have any public or private promoter group companies or private companies which are subsidiary of public limited company.

### **Details about Companies/Firms from which Promoters have disassociated during the last three years**

Our Promoters, Mr. Mahesh Maheshwari and Mrs. Namrata Maheshwari had promoted Arbuda Sil-chem Private Limited (ASPL) on January 8, 1990 under the Companies Act, 1956 and having its registered office at 1/B, Gitanjali Society, Gordhanwadi Tekra, Kankaria, Maninagar, Ahmedabad. The name of ASPL was changed to Gujarat Chromium Chemicals Private Limited (Gujarat Chromium) on September 23, 1999. Subsequently, Mr. Mahesh Maheshwari and Ms. Namrata Maheshwari have resigned as directors of Gujarat Chromium in the year 2005 and have completely dis-associated themselves from Gujarat Chromium since then. However, there is a litigation filed against Gujarat Chromium by Nirma Limited, details of which are mentioned under section 'Outstanding Litigations, Material Development and Other Disclosures' beginning on page on page 146 of the Red Herring Prospectus.

### **Common Pursuits**

Nil

### **Sales or Purchases between Companies in the Group**

Nil

### **Business Interests amongst our Company and Group Companies /Associate Companies**

Nil

### **Changes in Accounting Policies in the last three years**

There have been no changes in the significant accounting policies in the last five years.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS**

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also read the *Section titled 'Risk Factors' beginning on page 11 of the Red Herring Prospectus*, which enumerates number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI (ICDR) Regulations, 2009. Our Financial year ends on March 31 of each year.

### **Business Overview**

Our Company is engaged in the business of manufacturing of sodium silicate which includes food grade sodium silicate, special drilling grade silicate and detergent grade silicate. We produce sodium silicate both in glass and liquid form. Food grade sodium silicate is used in the manufacturing of Silica precipitate and Gel which finds its applications in toothpaste, salt, cosmetics, glucose powder, tyre & rubber and pesticides etc. Sodium silicate, (special drilling grade silicate) is also used in off-shore drilling and for reactivation of old oil and gas fields. The sodium silicate manufactured by us is also used in water-proofing, infoundries and for investment casting, paper, silica gel, textiles and detergents.

Sodium silicates serve a wide range of end use markets, including soaps and detergents, pulp and paper, paint and pigments, catalysts, and metal cleaning. Sodium silicate is the generic name for a series of compounds derived from soluble sodium silicate glasses. These materials are aqueous liquids containing sodium oxide (Na<sub>2</sub>O) and silicon dioxide (SiO<sub>2</sub>) in various ratios. Varying the amount of SiO<sub>2</sub> and Na<sub>2</sub>O gives solutions having differing properties and diverse industrial applications.

Currently, we operate from two units in Gujarat having aggregate installed capacity of 150 MT of glass/day. Unit I has three furnaces with an average combined capacity of 100 MT of glass/day. All the three furnaces are triple pass regenerative and recuperative end fired glass furnace with multiple fuel arrangement, capable of using bio gas, coal and also natural gas. Unit II has a single furnace with a capacity of 50 mts of glass/day, which is also triple pass regenerative and recuperative end fired glass furnace.

### **Significant developments subsequent to the last financial year:**

After the date of last financial year i.e. March 31, 2010, the Directors of our Company confirm that in their opinion, there have not been any significant material developments.

### **Key factors affecting the results of operation:**

Our Company's future results of operations could be affected potentially by the following factors:

- Non-receipt of pending approvals.
- Prevailing trends in the industry in which we operate.
- Increase in the prices of fuel and other intermediate services both in domestic and international markets.
- Company's ability to successfully implement their marketing, business and growth strategies.
- Changes, if any, in the regulations / regulatory framework / economic policies in India and / or in foreign countries, which affect international trade.

## Discussion on Results of Operation:

The following discussion on results of operations should be read in conjunction with the audited financial results of our Company for the years ended 31<sup>st</sup> March, 2007, 2008, 2009 & 2010.

## OUR SIGNIFICANT ACCOUNTING POLICIES

For Significant accounting policies please refer *Significant Accounting Policies*, “Annexure 3” beginning on page 121 under Chapter titled “Auditors’ Report and Financial Information of our Company” beginning on page 116 of the Red Herring Prospectus.

## RESULTS OF OUR OPERATIONS

(Rs. in Lacs)

Particulars	For the year ended				
	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
<b>Gross Sales</b>	<b>949.2</b>	<b>714.64</b>	<b>1526.56</b>	<b>3290.62</b>	<b>6187.25</b>
Increase/Decrease (%)	21.06%	-24.71%	113.61%	115.56%	88.03%
<b>Other Income</b>	<b>0.33</b>	<b>0.95</b>	<b>54.53</b>	<b>4.58</b>	<b>1.55</b>
<b>Increase/(Decrease) in Inventories</b>	<b>-84.91</b>	<b>117.17</b>	<b>118.33</b>	<b>113.93</b>	<b>31.87</b>
<b>Total Income</b>	<b>864.62</b>	<b>832.76</b>	<b>1699.42</b>	<b>3409.13</b>	<b>6220.67</b>
Increase/Decrease (%)	6.00%	-3.68%	104.07%	100.61%	82.47%
<b>Expenditure</b>					
<b>Materials consumed</b>	<b>705.98</b>	<b>557.66</b>	<b>1299.74</b>	<b>2514.79</b>	<b>4435.77</b>
Increase/Decrease (%)	20.78%	-21.01%	133.07%	93.48%	76.39%
% to Turnover	74.38%	78.03%	85.14%	76.42%	71.69%
<b>Wages &amp; Staff Costs</b>	<b>17.7</b>	<b>24.01</b>	<b>32.82</b>	<b>32.91</b>	<b>79.63</b>
Increase/Decrease (%)	-23.48%	35.65%	36.69%	0.27%	141.96%
% to Turnover	1.86%	3.36%	2.15%	1.00%	1.29%
<b>Other manufacturing expenses</b>	<b>28.16</b>	<b>133.53</b>	<b>153.24</b>	<b>253.49</b>	<b>394.37</b>
Increase/Decrease (%)	-72.55%	374.18%	14.76%	65.42%	55.58%
% to Turnover	2.97%	18.68%	10.04%	7.70%	6.37%
<b>Administrative, selling and distribution expenses</b>	<b>56.8</b>	<b>22.57</b>	<b>42.99</b>	<b>33.72</b>	<b>48.68</b>
Increase/Decrease (%)	39.63%	-60.26%	90.47%	-21.56%	44.37%
% to Turnover	5.98%	3.16%	2.82%	1.02%	0.79%
<b>Total Expenditure</b>	<b>808.64</b>	<b>737.77</b>	<b>1528.79</b>	<b>2834.91</b>	<b>4958.45</b>
Increase/Decrease (%)	7.69%	-8.76%	107.22%	85.43%	74.91%
% to Turnover	85.19%	103.24%	100.15%	86.15%	80.14%
<b>Profit Before Interest, Depreciation and Tax</b>	<b>55.98</b>	<b>94.99</b>	<b>170.63</b>	<b>574.22</b>	<b>1262.22</b>
Increase/Decrease (%)	-13.62%	69.69%	79.63%	236.53%	119.81%
% to Turnover	5.90%	13.29%	11.18%	17.45%	20.40%
<b>Depreciation</b>	<b>28.78</b>	<b>26.01</b>	<b>33.57</b>	<b>57.04</b>	<b>165.84</b>
Increase/Decrease (%)	70.20%	-9.62%	29.07%	69.91%	190.74%
% to Turnover	3.03%	3.64%	2.20%	1.73%	2.68%
<b>Profit Before Interest and Tax</b>	<b>27.20</b>	<b>68.98</b>	<b>137.06</b>	<b>517.18</b>	<b>1,096.38</b>
Increase/Decrease (%)	-43.22%	153.60%	98.70%	277.34%	111.99%
% to Turnover	2.87%	9.65%	8.98%	15.72%	17.72%
<b>Financial Charges</b>	<b>17.81</b>	<b>35.19</b>	<b>40.92</b>	<b>151.68</b>	<b>196.19</b>
Increase/Decrease (%)	111.77%	97.59%	16.28%	270.67%	29.34%
% to Turnover	1.88%	4.92%	2.68%	4.61%	3.17%

<b>Profit before Taxation</b>	<b>9.39</b>	<b>33.79</b>	<b>96.14</b>	<b>365.50</b>	<b>900.19</b>
Increase/Decrease (%)	-76.22%	259.85%	184.52%	280.17%	146.29%
% to Turnover	0.99%	4.73%	6.30%	11.11%	14.55%
<b>Tax Expense</b>	<b>18.00</b>	<b>19.55</b>	<b>30.35</b>	<b>110.59</b>	<b>458.03</b>
Increase/Decrease (%)	397.24%	8.61%	55.24%	264.38%	314.17%
% to Turnover	1.90%	2.74%	1.99%	3.36%	7.40%
<b>Profit After Tax</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>	<b>442.16</b>
	-				
Increase/Decrease (%)	124.00%	265.39%	362.01%	287.46%	73.46%
% to Turnover	-0.91%	1.99%	4.31%	7.75%	7.15%
<b>Effective Tax Rate</b>	<b>191.69%</b>	<b>57.86%</b>	<b>31.57%</b>	<b>30.26%</b>	<b>50.88%</b>

#### **Comparison of FY 2010 with FY 2009:**

##### **Income from operations**

The Income from operations for the FY 2010 is Rs. 6187.25 lacs as compared to Rs. 3290.62 lacs during the FY 2009 showing increase of 88.03%. This increase is mainly attributable to the capacity build-up by our company by setting up of third furnace at our Kheda Unit having an installed capacity of 40 MT glass/day. This furnace started production from April 2009. The increase is also attributable to better sales realisation. Total sales quantity for the year 2010 was 42,418 MT of sodium silicate in the glass form against sales of 29629 MT in the year 2009.

##### **Expenditure:**

##### **Material Consumed**

Cost of Material consumed increased to Rs. 4435.77 lacs for FY 2010 from Rs. 2514.79 lacs for FY 2009 showing an increase of 76.39%. The increase in material consumed is in line with the increase in production and sales. The raw materials consumption cost was 71.69% of total sales during FY 2010 as against that of 76.42% during FY 2009.

##### **Staff Cost**

Staff Cost increased from Rs. 32.91 lacs for the year ended March 31, 2009 to Rs. 79.63 lacs for FY 2010 showing an increase of 141.96%. Manufacturing wages increased from Rs. 22.55 lacs for FY 2009 to Rs. 46.23 lacs for FY 2010. Further administrative staff cost increased from Rs. 10.36 Lacs for FY 2009 to Rs. 33.40 Lacs for FY 2010. Staff cost stood at 1.00% and 1.29% of income from operations for FY 2009 and FY 2010 respectively.

##### **Other Manufacturing Expenses**

Cost of other manufacturing expenses increased to Rs. 394.37 lacs for FY 2010 from Rs. 253.49 lacs for FY 2009 showing an increase of 55.58%. The increase in other manufacturing expenses was due to setting up new furnace at Kheda unit and increase in production thereof. The increase is mainly due to increase in the cost of consumption of power, fuel and water. The Cost of other manufacturing expenses was 6.37% of total sales during FY 2010 as against that of 7.70% during FY 2009. This decrease is mainly due to operational efficiency and better sales realisation.

##### **Administrative, Selling and Distribution Expenses**

Administrative, Selling and Distribution Expenses decreased from Rs. 33.72 lacs for FY 2009 to Rs. 48.68 lacs for FY 2010 showing increase of 44.37%. This increase was mainly due to increase in selling expenses from 5.89 lacs for FY 2009 to Rs. 8.30 Lacs for FY 2010 and also

from the increase in travelling expenses and preliminary expenses written off. During FY 2010, the Administrative, Selling and Distribution Expenses was 0.79% of turnover as against 1.02% during FY 2009.

### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 574.22 lacs for FY 2009 to Rs. 1262.22 lacs for FY 2010 showing the increase of 119.81%, mainly on account of increase in turnover, better sales realisation and decrease in percentage of material consumed to sales and decrease in percentage of other manufacturing expenses to sales due to usage of biomass an alternative fuel for the furnace . We were able to achieve this increase due to better efficiency and economies of scale. During FY 2010, our Company recorded PBDIT of 20.40% of the sales as against 17.45% during FY 2009.

### **Depreciation**

Depreciation on fixed assets was 2.68% of turnover during FY 2010 as compared to 1.73% during FY 2009. The total depreciation during FY 2009 was Rs. 57.04 lacs and during FY 2010 it was Rs. 165.84. This increase was mainly due to depreciation charged on assets aggregating 612.07 Lacs put to use during the years on which no depreciation was charged in the previous year.

### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 151.68 lacs for FY 2009 to Rs. 186.19 lacs for the FY 2010 showing the increase of 29.34%. Interest and Financial expenses mainly includes interest, bank charges and processing charges, which accounted for 3.17% of income from operations during FY 2010 as against 4.61% in the year 2009. The absolute increase is attributed to increase in the utilisation of term loans due to ongoing capital expenditure. Term loans outstanding as on March 31, 2009 stood at Rs. 669.32 lacs and as on March 31, 2010 it stood at Rs. 1277.20 lacs.

### **Profit after Tax**

PAT increased from Rs. 254.91 lacs for the FY 2009 to Rs. 442.16 lacs in FY 2010 due to increase in income from operations. During FY 2010, our Company recorded PAT margin of 7.15% for FY 2010 as against 7.75% for FY 2009. Increase in PAT was due to better sales realisations and the other reasons as detailed above. Decrease in PAT Margin was due to increase in tax expense.

### **Reasons of major Increase / Decrease in other heads of financial statements**

#### **Fixed Assets**

Fixed Assets increased from Rs. 1676.58 lacs for the FY 2009 to Rs. 2435.35 lacs in FY 2010. This increase is mainly due to capital work in progress aggregating Rs. 929.40 Lacs mainly for the IPO Project.

#### **Debtors/Receivables**

Receivables increased from Rs. 678.13 lacs for the FY 2009 to Rs. 1718.48 in FY 2010 showing an increase of 153.41%. This increase is due to increase in turnover and better credit terms provided to our existing as well as new customers. Average collection period has increased from 75.22 days to 101.38 days.

#### **Unsecured Loans**



During the year the company has taken unsecured loans to meet the financing requirement of the ongoing IPO Project. Unsecured Loans for the FY 2009 were Nil.

### **Current Liabilities and Provisions**

Current Liabilities increased from Rs. 273 lacs for the FY 2009 to Rs. 428.36 Lacs in FY 2010 showing an increase of 56.91%. This increase is due to increase in sundry creditors for raw materials and expenses due to increase in turnover. Provisions increased from Rs. 4.70 lacs for the FY 2009 to Rs. 328.69 Lacs. This increase is mainly due to the income tax provision in the FY 2010.

### **Comparison of FY 2009 with FY 2008:**

#### **Income from operations**

The Income from operations for the FY 2009 is Rs. 3290.62 lacs as compared to Rs. 1526.56 lacs during the FY 2008 showing increase of 115.56%. This increase is mainly attributable to the capability build-up by our company and better sales realisation. The increase in revenue is mainly due to setting up of new unit at Bharuch with an installed capacity of 50 MT glass/day. This unit started commercial production in May 2008. Total sales quantity for the year 2009 was 29,629 MT of sodium silicate in the glass form against sales of 16262 MT in the year 2008.

#### **Expenditure:**

##### **Material Consumed**

Cost of Material consumed increased to Rs. 2514.79 lacs for FY 2009 from Rs. 1299.74 lacs for FY 2008 showing an increase of 93.48%. The increase in material consumed is in line with the increase in production due to setting up of Bharuch plant. The raw materials consumption cost was 76.42% of total sales during FY 2009 as against that of 85.14% during FY 2008.

##### **Staff Cost**

Staff Cost increased from Rs. 32.82 lacs for the year ended March 31, 2008 to Rs. 32.91 lacs for FY 2009 showing an increase of 0.27%. However, manufacturing wages increased from Rs. 15.82 lacs for FY 2008 to Rs. 22.55 lacs for FY 2009. However we were able to restrict the other staff cost due to rationalisation of the same on account of existing global uncertainty and downturn. Staff cost stood at 2.15% and 1.00% of income from operations for FY 2008 and FY 2009 respectively.

##### **Other Manufacturing Expenses**

Cost of other manufacturing expenses increased to Rs. 253.49 lacs for FY 2009 from Rs. 153.24 lacs for FY 2008 showing an increase of 65.42%. The increase in other manufacturing expenses was due to setting up of Bharuch plant. The increase is mainly due to increase in the cost of consumption of stores & spares and increase in the consumption of power, fuel and water. The Cost of other manufacturing expenses was 7.70% of total sales during FY 2009 as against that of 10.04% during FY 2008. This decrease is mainly due to operational efficiency and economies of scale.

##### **Administrative, Selling and Distribution Expenses**

Administrative, Selling and Distribution Expenses decreased from Rs. 42.99 lacs for FY 2008 to Rs. 33.72 lacs for FY 2009 showing decrease of 21.56%. This decrease was mainly due to

decrease in selling expenses from 5.69 lacs for FY 2009 to Rs. 10.89 Lacs for FY 2008 and also from the decrease in other miscellaneous expenditure. During FY 2009, the Administrative, Selling and Distribution Expenses was 1.02% of turnover as against 2.82% during FY 2008.

### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 170.63 lacs for FY 2008 to Rs. 574.22 lacs for FY 2009 showing the increase of 236.53%, mainly on account of increase in turnover and decrease in percentage of material consumed to sales and staff cost to sales and reduction in Administrative, Selling and Distribution Expenses. We were able to achieve this increase due to better efficiency and economies of scale. During FY 2009, our Company recorded PBDIT of 17.45% of the sales as against 11.18% during FY 2008.

### **Depreciation**

Depreciation on fixed assets was 1.73% of turnover during FY 2009 as compared to 2.20% during FY 2008. The total depreciation during FY 2008 was Rs. 33.57 lacs and during FY 2009 it was Rs. 57.04. This increase was mainly due to additions of new furnaces, land, plant and machinery, furniture and fixtures etc. The gross block of assets in FY 2008 was Rs. 1282.00 lacs, which increased to Rs. 2398.47 lacs in FY 2009.

### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 40.92 lacs for FY 2008 to Rs. 151.68 lacs for the FY 2009 showing the increase of 270.67%. Interest and Financial expenses mainly includes interest, bank charges and processing charges, which accounted for 4.61% of income from operations during FY 2009 as against 2.68% in the year 2008. The absolute increase is attributed to increase in the utilisation of working capital due to increase in operations. Working capital loans outstanding as on March 31, 2008 stood at Rs. 122.95 lacs and as on March 31, 2009 it stood at Rs. 512.50 lacs. There was also an increase in utilisation of term loan from banks, term loans outstanding as on March 31, 2008 stood at Rs. 506.12 lacs and as on March 31, 2009 it stood at Rs. 669.32 lacs.

### **Profit after Tax**

PAT increased from Rs. 65.79 lacs for the FY 2008 to Rs. 254.91 lacs in FY 2009 due to increase in income from operations. During FY 2009, our Company recorded PAT margin of 7.75% as against 4.31% for FY 2008. Increase in PAT and PAT Margin was due to increase in revenue, decrease in operating cost and the other reasons as detailed above.

### **Comparison of FY 2008 with FY 2007**

#### **Income from operations**

The Income from operations for the FY 2008 is Rs. 1526.56 lacs as compared to Rs. 714.64 lacs during the FY 2007 showing increase of 113.61%. There was an increase of 3367 MT in the total sales quantity for the year 2008 as our Company recorded sales of 16262 as against sales of 12895 MT in the year 2007. This increase is also attributable better sales realisation.

#### **Expenditure:**

##### **Material Consumed**

Cost of Material consumed increased to Rs. 1299.74 lacs for FY 2008 from Rs. 557.66 lacs for FY 2007 showing an increase of 133.07%. The increase in material consumed is due to increase

in turnover and increase in the prices of raw materials. The raw materials consumption cost was 85.14% of total sales during FY 2008 as against that of 78.03% during FY 2007.

### **Staff Cost**

Staff Cost increased from Rs. 24.01 lacs for the FY 2007 to Rs. 32.82 lacs for FY 2008 showing an increase of 36.69%. This increase was mainly due to increase in our operations. Staff cost stood at 3.36% and 2.15% of income from operations for FY 2007 and FY 2008 respectively.

### **Other Manufacturing Expenses**

Cost of other manufacturing expenses increased to Rs. 153.24 lacs for FY 2008 from Rs. 133.53 lacs for FY 2007 showing an increase of 14.76%. The increase in other manufacturing expenses was due to setting up of Bharuch plant. The increase is mainly due to increase in the cost of consumption of stores & spares and increase in the consumption of power and fuel. The Cost of other manufacturing expenses was 10.04% of total sales during FY 2008 as against that of 18.68% during FY 2007. This decrease is mainly due to operational efficiency.

### **Administrative, Selling and Distribution Expenses**

Administrative, Selling and Distribution Expenses increased from Rs. 22.57 lacs for FY 2007 to Rs. 42.99 lacs for FY 2008 showing increase of 90.47%. This increase was mainly due to decrease in rent, rates & taxes and increase in other miscellaneous expenditure. During FY 2008, the Administrative, Selling and Distribution Expenses was 2.82% of turnover as against 3.16% during FY 2007.

### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 94.99 lacs for FY 2007 to Rs. 170.63 lacs for FY 2008 showing the increase of 79.63%, mainly on account of increase in turnover due to increased operations of our Company. During FY 2008, our Company recorded PBDIT of 11.18% of the sales as against 13.29% during FY 2007. This decrease in operating margin is due to increase in the cost of material consumed.

### **Depreciation**

Depreciation on fixed assets was 2.20% of turnover during FY 2008 as compared to 3.64% during FY 2007. The total depreciation during FY 2007 was Rs. 33.57 lacs and during FY 2008 it was Rs. 26.01 showing an increase of 29.07%. This increase was mainly due to additions of new plant and machinery, vehicle etc. The gross block of assets for FY 2007 was Rs. 572.27 lacs, which increased to Rs. 1282.00 lacs for FY 2008.

### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 35.19 lacs for FY 2007 to Rs. 40.92 lacs for the FY 2008 showing the increase of 16.28%. Interest and Financial expenses accounted for 2.68% of income from operations during FY 2008 as against 4.92% in the year 2007. The absolute increase is attributed to increase in term loan during the end of FY 2008 and the utilisation of working capital due to increase in operations.

### **Profit after Tax**

PAT increased from Rs. 14.24 lacs for the FY 2007 to Rs. 65.79 lacs in FY 2008 due to increase in income from operations. During FY 2008, our Company recorded PAT margin of 4.31% as against 1.99% for FY 2007. Increase in PAT and PAT Margin was due to increase in revenue,

decrease in wages and staff cost, other manufacturing expenses, administrative, selling & distribution expenses and financial expenses in percentage to sales terms due to better efficiency and the other reasons as detailed above.

### **Related Party Transactions**

*For further information please refer “Annexure 18” beginning on page 135 under Chapter titled “Auditors’ Report and Financial Information of our Company” beginning on page 116 of the Red Herring Prospectus.*

### **Financial Market Risks**

We are exposed to financial market risks from changes in borrowing costs, interest rates and inflation.

#### **Interest Rate Risk**

Our interest rate risk results from changes in interest rates, which may affect our finance expenses. We bear interest rate risk with respect to the debts, which we have for the period ended September 30, 2009, since the interest rates could fluctuate in the near future. Any rise in interest rates would result in higher interest bearing debts.

#### **Effect of Inflation**

We are affected by inflation as it has an impact on the operating cost, staff costs, fuel cost etc. In line with changing inflation rates, we rework our margins so as to absorb the inflationary impact.

### **FACTORS THAT MAY AFFECT THE RESULTS OF THE OPERATIONS:**

- 1. Unusual or infrequent events or transactions including unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses etc.**

There have been no unusual or infrequent events or transactions that have taken place.

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

There are no significant economic changes that may materially affect or 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.**

Apart from the risks as disclosed under Section titled “Risk Factors” beginning on page 11 in the Red Herring Prospectus, in our opinion there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or 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 prices that will cause a material change are known.**

Our Company’s future costs and revenues will be determined by demand/supply situation, government policies and prices quoted by service providers.

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

Increases in revenues are by and large linked to increases in volume of business.

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

For details on the total turnover of the chemical industry *please refer to Chapter titled "Industry Overview" beginning on page 75 of the Red Herring Prospectus.*

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

Our Company has not announced any new product and segment, other than through the Red Herring Prospectus.

**8. The extent to which business is seasonal.**

Our Company's business is not seasonal in nature.

**9. Any significant dependence on a single or few suppliers or customers.**

The % of contribution of our Company's customers and suppliers' vis-à-vis the total income and operating cost respectively, for the FY 2010 is as follows:

Particulars	FY 2010	
	Customers	Suppliers
Top 3 (%)	60.95	96.74
Top 5 (%)	83.08	98.83

**10. Competitive conditions.**

Competitive conditions are as described under the *Chapters titled "Industry Overview" and "Business Overview" beginning on pages 75 and 84, respectively of the Red Herring Prospectus.*

## SECTION VIII - LEGAL AND OTHER REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

*Except as stated herein, there are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Promoters and there are no defaults, non-payment of statutory dues, over dues to banks and financial institutions, defaults against bank and financial institutions and there are no outstanding debentures, bonds, fixed deposits or preference shares issued by our Company; no default in creation of full security as per the terms of the issue, no proceedings initiated for economic or other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act, 1956), and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters, our Directors or Group Companies.*

*Further, as stated below, there are no show-cause notices / claims served on our Company, our Promoters, our Directors from any statutory authority / revenue authority that would have a material adverse affect on our business.*

#### **A. Litigation involving our Company**

##### **I) Cases filed against our Company**

###### *Criminal Proceedings*

1. Ab&Co Corporate Services Limited ("**ACSL**") has issued a notice dated August 21, 2009 under Section 138 (b) read with Section 141 and 142 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh A. Maheshwari and Ms. Namrata M. Maheshwari, Promoters and Directors of our Company for dishonour of cheques amounting to Rs.17 lakhs (Rs.17,00,000). Our Company has not yet been served with any summons or proceedings that may have been filed by ACSL.
2. GAIL (India) Limited ("**GAIL**") has filed a Criminal Compliant No. 4501 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
3. GAIL (India) Limited ("**GAIL**") has filed a Criminal Compliant No. 2489 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of two (2) cheques aggregating to Rs.1.34 lakhs (Rs.1,33,976). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
4. GAIL (India) Limited ("**GAIL**") has filed a Criminal Compliant No. 4499 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.

5. GAIL (India) Limited ("GAIL") has filed a Criminal Compliant No. 4500 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
6. GAIL (India) Limited ("GAIL") has filed a Criminal Compliant No. 4502 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
7. GAIL (India) Limited ("GAIL") has filed a Criminal Compliant No. 4397 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,991). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.

*Notices issued upon our Company*

8. Our Company and our Promoters have received notice dated April 22, 2010 issued by the Advocate representing Tri-Way Consultants Private Limited ("TCPL") in relation to dishonour of two (2) cheques aggregating to Rs.15.00 Lakhs (Rs.15,00,000) issued by our Company towards payment of consultancy fees of TCPL for availing financial consultancy services for obtaining loan facilities.

*Notices issued under Section 433 and 434 of the Companies Act, 1956*

9. Tulsi Dychem Private Limited ("TDPL"), through its Advocate, has issued a notice dated February 19, 2010 under Section 433 and 434 of the Companies Act, 1956 against our Company for recovery of Rs.55.41 Lakhs (Rs.55,40,548) together with interest at the rate of 18% p.a. towards supply of caustic flakes by TDPL to our Company. Our Company has replied to the above notice by a letter dated March 12, 2010 disputing the claim made by TDPL.
10. Metrochem Industries Limited ("MIL"), through its Advocate, has issued a notice dated February 19, 2010 under Section 433 and 434 of the Companies Act, 1956 against our Company for recovery of Rs.17.96 Lakhs (Rs.17,95,582) together with interest at the rate of 24% p.a. towards supply of caustic flakes by MIL to our Company. Our Company has replied to the above notice by a letter dated March 12, 2010 disputing the claim made by MIL.

*Notices issued against our Company under Section 138 of the Negotiable Instruments Act, 1881*

11. Tulsi Dychem Private Limited ("TDPL"), through its Advocate, has issued four (4) notices dated February 19, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (Manager of our Company) for dishonour of thirteen (13) cheques aggregating to Rs.36.10 Lakhs (Rs.36,09,606) towards supply of caustic flakes by TDPL to our Company.

12. Tulsi Dychem Private Limited ("TDPL"), through its Advocate, has issued a notice dated March 16, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (Manager of our Company) for dishonour of two (2) cheques aggregating to Rs.7.39 Lakhs (Rs.7,38,562) towards supply of caustic flakes by TDPL to our Company.
13. Tulsi Dychem Private Limited ("TDPL"), through its Advocate, has issued a notice dated April 26, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (Manager of our Company) for dishonour of one (1) cheque amounting to Rs.3.88 Lakhs (Rs.3,88,416) towards supply of caustic flakes by TDPL to our Company. Our Company has replied to the above notice by a letter dated May 14, 2010 disputing the claim made by TDPL.
14. Metrochem Industries Limited ("MIL"), through its Advocate, has issued three (3) notices dated February 19, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (Manager of our Company) for dishonour of six (6) cheques aggregating to Rs.24.00 Lakhs (Rs.24,00,000) towards supply of caustic flakes by MIL to our Company.
15. Metrochem Industries Limited ("MIL"), through its Advocate, has issued a notice dated April 26, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (Manager of our Company) for dishonour of a cheque amounting to Rs.1.96 Lakhs (Rs.1,95,582) towards supply of caustic flakes by MIL to our Company. Our Company has replied to the notice by a letter dated May 14, 2010 disputing the claim of MIL.
16. M/s Shaily Dyes & Intermediates ("SDI"), a proprietary concern, through its Advocate has issued a notice dated May 1, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (Manager of our Company) for dishonour of two (2) cheques aggregating to Rs.5.32 Lakhs (Rs.5,32,734) towards supply of caustic flakes by SDI to our Company. Our Company has replied to the notice by a letter dated May 14, 2010 disputing the claim of SDI.

Direct and Indirect tax proceedings against our Company

*Direct Tax Proceedings*

**1. Assessment Year 2007-2008**

Our Company has preferred an appeal before the Deputy Commissioner (Appeal) ("**DC**") against the order dated December 24, 2009 passed by the Assessing Officer ("**AO**"). Our Company has preferred an appeal for disallowance of depreciation amounting to Rs.30.03 Lakhs (Rs.30,03,203) on bio-gas plant since as per the AO the bio-gas plant acquired by our Company was put in use for a period less than 180 days in the previous year in which our Company has claimed deduction and hence it shall be eligible for deduction upto 50% as against 80% as claimed by our Company. The matter is currently pending before the DC.

**2. Assessment Year 2005-2006**

Our Company has preferred an appeal before the Income Tax Appellate Tribunal, Ahmedabad ("**ITAT**") against the order dated March 16, 2010 passed by the Commissioner of Income Tax, Ahmedabad-I ("**CIT**"). Our Company has preferred an appeal before the ITAT, Ahmedabad in relation to setting aside the order dated December 28, 2007 passed by the Assessing Officer ("**AO**") whereby:



- i. the manufacturing results of our Company were accepted inspite of a fall in the Gross Profits from 16.33% to 11.02% for the fiscal year 2005-2006 and that substantial sales have been made to Amolakh Overseas Private Limited, a sister concern of our Company;
- ii. depreciation amounting to Rs.86.42 lakhs (*Rs.82,42,304*) was allowed;
- iii. disallowed an amount of Rs.0.64 lakhs (*Rs.63,870*) in relation to contract payment made to parties pursuant to late payment of TDS; and
- iv. The subsidy of Rs.10.00 Lakhs (*Rs.10,00,000*) has been allowed being shown under the head "reserves" which as per the CIT should have been adjusted towards the cost of fixed assets.

The matter is currently pending before the ITAT, Ahmedabad.

### 3. Notice under Section 221 of the Income Tax Act, 1961

Our Company has received a notice under Section 221 of the Income Tax Act, 1961 dated January 20, 2010 from the office of the Income Tax Officer-Ward-1(4) in relation to recovery of demand raised amounting to Rs.44.03 Lakhs (*Rs.44,01,620*) by the Assessing Officer for the A.Y. 2009-2010 payable by our Company.

#### *Excise Proceedings*

4. Our Company has preferred an appeal before the Commissioner (Appeals), Central Excise and Customs, Surat ("**Commissioner**") against the order dated October 23, 2009 passed by the Deputy Commissioner, Central Excise & Customs, Division-II, Ankleshwar ("**DC**"). Our Company has preferred an appeal for disallowance of Cenvat Credit amounting to Rs.1.74 Lakhs (*Rs.1,73,544*) in respect of steel structural items. Our Company has further filed a stay application before the Commissioner, Surat for granting an exemption with pre-deposit of duty, fine and penalty amounting to Rs.1.74 Lakhs (*Rs.1,73,544*) each and for grant of stay against recovery of the above mentioned amounts till the disposal of the said appeal. The matter is currently pending before the Commissioner, Surat.

#### *Appeal filed against Director General of Foreign Trade (DGFT)*

1. The Jt. Director General of Foreign Trade, Ahmedabad ("**DGFT**") has passed an order dated January 25, 2010 ("**Order**") against our Company (*earlier known trade name as Sterling Chemical Industries*) in relation to non-submission of documents such as shipping bills, bank realization certificate etc. towards fulfilment of the export obligation to export 1,00,000 MT of sodium silicate for an Free on Board (FOB) value of Rs.90.20 Lakhs (*Rs.90,20,000*). The DGFT by the abovementioned Order has imposed a penalty of Rs.107.72 Lakhs (*Rs.1,07,71,650*) i.e. three (3) times of the Cost, Insurance and Freight (CIF) value. Further, the DGFT by the Order has directed our Company and its Directors to pay customs duty along with interest at the rate of 15% p.a. on excess of imports made by our Company. Our Company has preferred an appeal dated February 15, 2010 against the Order passed by the DGFT. The matter is currently pending before the DGFT, Ahmedabad.

## II) Cases filed by our Company

#### *Arbitration Proceedings*

1. Our Company (through its earlier known trade name, Sterling Chemical Industries) has initiated arbitration proceedings against Gas Authority of India Limited ("**GAIL**") on March 31, 2003, claiming an amount of Rs. 371.07 Lakhs (*Rs.3,71,07,132*) along with interest at the rate of 18% p.a. for shortage in supply of gas under a contract dated September 6, 1996 executed with GAIL. Our Company had entered into the contract with GAIL for the supply of 5,000 m3 gas per day for the period commencing on April 30, 1997 till December 3 2000,

which was subsequently extended upto December 13, 2003 and creation of the infrastructure for transportation of the gas to the Company's plant site. However, GAIL failed to supply the contracted quantity of gas which affected the operations and productivity of our Company's plant leading to loss of revenues and even over-charged our Company for the development of the infrastructure. The Company initiated arbitration proceedings in the year 2003 claiming the loss incurred. The proceedings are pending for final hearing and the award is expected to be passed in the near future by the Arbitral Tribunal.

## **B. Litigation involving our Promoters and Directors**

### *Excise Proceedings (Mr. Mahesh A. Maheshwari)*

1. Our Company has preferred an appeal before the Commissioner (Appeals), Central Excise and Customs, Surat ("Commissioner") against the order dated October 23, 2009 passed by the Deputy Commissioner, Central Excise & Customs, Division-II, Ankleshwar ("DC"). Our Company has preferred an appeal for disallowance of Cenvat Credit amounting to Rs.1.74 Lakhs in respect of steel structural items. Our Company has further filed a stay application before the Commissioner, Surat for granting an exemption with pre-deposit of duty, fine and penalty amounting to Rs.1.74 Lakhs (Rs.1,73,544) each and for grant of stay against recovery of the above mentioned amounts till the disposal of the said appeal. The matter is currently pending before the Commissioner, Surat.

### *Criminal Proceedings*

1. Ab&Co Corporate Services Limited ("ACSL") has issued a notice dated August 21, 2009 under Section 138 (b) read with Section 141 and 142 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh A. Maheshwari and Ms. Namrata M. Maheshwari, Promoters and Directors of our Company for dishonour of cheques amounting to Rs.17 lakhs (Rs.17,00,000). Our Company has not yet been served with any summons or proceedings that may have been filed by ACSL.
2. GAIL (India) Limited ("GAIL") has issued a notice dated April 2, 2009 against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of two (2) cheques aggregating to Rs.0.67 lakhs (Rs.66,988). Our Company is in the process of filing a reply to the said notice. Further, GAIL has filed a Criminal Complaint No. 4501 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
3. GAIL (India) Limited ("GAIL") has filed a Criminal Complaint No. 2489 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of two (2) cheques aggregating to Rs.1.34 lakhs (Rs.1,33,976). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
4. GAIL (India) Limited ("GAIL") has filed a Criminal Complaint No. 4499 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a

demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.

5. GAIL (India) Limited ("GAIL") has filed a Criminal Compliant No. 4500 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
6. GAIL (India) Limited ("GAIL") has filed a Criminal Compliant No. 4502 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,988). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.
7. GAIL (India) Limited ("GAIL") has filed a Criminal Compliant No. 4397 of 2009 under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 before the Court of Metropolitan Magistrate Court No. 7 at Ahmedabad against our Company and Mr. Mahesh A. Maheshwari, Promoter and Director of our Company for dishonour of cheque amounting to Rs.0.67 lakhs (Rs.66,991). In order to satisfy the above liability, our Company has issued a demand draft dated April 10, 2010 in favour of GAIL towards the above mentioned amount payable to GAIL.

*Notices issued against our Company under Section 138 of the Negotiable Instruments Act, 1881*

1. Tulsi Dyechem Private Limited ("**TDPL**"), through its Advocate, has issued four (4) notices dated February 19, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (*Manager of our Company*) for dishonour of thirteen (13) cheques aggregating to Rs.36.10 Lakhs (Rs.36,09,606) towards supply of caustic flakes by TDPL to our Company.
2. Tulsi Dyechem Private Limited ("**TDPL**"), through its Advocate, has issued a notice dated March 16, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (*Manager of our Company*) for dishonour of two (2) cheques aggregating to Rs.7.39 Lakhs (Rs.7,38,562) towards supply of caustic flakes by TDPL to our Company.
3. Tulsi Dyechem Private Limited ("**TDPL**"), through its Advocate, has issued a notice dated April 26, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (*Manager of our Company*) for dishonour of one (1) cheque amounting to Rs.3.88 Lakhs (Rs.3,88,416) towards supply of caustic flakes by TDPL to our Company.
4. Metrochem Industries Limited ("**MIL**"), through its Advocate, has issued three (3) notices dated February 19, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (*Manager of our Company*) for dishonour of six (6) cheques aggregating to Rs.24.00 Lakhs (Rs.24,00,000) towards supply of caustic flakes by MIL to our Company.
5. Metrochem Industries Limited ("**MIL**"), through its Advocate, has issued a notice dated April 26, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company,

Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (*Manager of our Company*) for dishonour of a cheque amounting to Rs.1.96 Lakhs (*Rs.1,95,582*) towards supply of caustic flakes by MIL to our Company. Our Company has submitted its reply dated May 14, 2010 to the aforementioned notice dated April 26, 2010.

6. M/s Shaily Dyes & Intermediates ("**SDI**"), a proprietary concern, through its Advocate has issued a notice dated May 1, 2010 under Section 138 of the Negotiable Instruments Act, 1881 against our Company, Mr. Mahesh Maheshwari, Ms. Namrata Maheshwari and Mr. Padhiyar (*Manager of our Company*) for dishonour of two (2) cheques aggregating to Rs.5.32 Lakhs (*Rs.5,32,734*) towards supply of caustic flakes by SDI to our Company. Our Company has replied to the notice by a letter dated May 14, 2010 disputing the claim of SDI.

## **Other litigations**

### *Civil Proceedings*

Nirma Limited ("Nirma") had filed a recovery suit before the City Civil Court, Ahmedabad bearing suit No.4415/2001 in the year 2001 against Gujarat Chromium Chemicals Private Limited (formerly known as Arbuda Sil-Chem Private Limited\*) ("Gujarat Chromium") in relation to its failure to pay an amount of Rs.18,52,379/- to Nirma. The City Civil Court, Ahmedabad passed a decree dated December 14, 2006 in favour of Nirma for an amount of Rs. 18,60,210.05 along with interest @ 9% p.a. from the date of filing the suit. Our Promoter, Mr. Mahesh Maheshwari, was a director when the default was made by Gujarat Chromium in discharging the liability of Nirma and was also a signatory to the cheques issued by Gujarat Chromium, which later were dishonored leading to the above suit. Our Promoters, Mr. Mahesh Maheshwari and Ms. Namrata Maheshwari have disassociated themselves from Gujarat Chromium in the year 2005.

## **C. Penalties imposed in past cases in the last five years**

There are no penalties levied on our Company, its Promoters, Directors or persons forming part of our Promoter Group.

## **D. Pending dues of Small Scale Undertakings:**

Our Company does not have any dues exceeding Rs.1 Lakh outstanding for more than 30 days to any small-scale industrial undertaking(s).

## **Material developments occurring after the last Balance Sheet Date**

Other than as mentioned above, there have been no material developments as regards litigation after the date of the last balance sheet.

## **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 Red Herring Prospectus with the Registrar of Companies.

## 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. Further, except as mentioned herein below, our Company has not yet applied for any licenses, consents, permissions and approvals for the proposed activities as contained in the *Section titled "Objects of the Issue" beginning on page 55 of the Red Herring Prospectus*. 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.

On the basis of the indicative list of approvals provided below, our Company can undertake this Issue and its current business activities and no further major approvals from any Government or regulatory authority are required to undertake the Issue or continue these business activities. Unless otherwise stated, these approvals are valid as of the date of the Red Herring Prospectus.

### I. Approvals for the Issue

The following approvals have been obtained in connection with the Issue:

1. The Board of Directors has, pursuant to a resolution adopted at its meeting held on November 16, 2009, authorized the Issue, subject to the approval of the shareholders of our Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.
2. The shareholders of our Company have, pursuant to a resolution under Section 81(1A) of the Companies Act, adopted at a general meeting held on December 07, 2009, authorized the further issue of Equity Shares.

### II. Approvals obtained by our Company

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
<b>General Corporate approvals</b>					
1.	The Registrar of Companies, Gujarat Dadra & Nagar Haveli	Certificate of Incorporation in the name of Arbuda Steel Private Limited	Co. No. 04-30581 of 1996-1997	August 27, 1996	--
2.	Registrar of Companies, Gujarat	Fresh Certificate of Incorporation pursuant to change of name from Arbuda Steel Private Limited to Aster Silicates Private Limited	Co. No. 04-30581 of 1996-1997	April 13, 2006	--
3.	Deputy Registrar of Companies, Gujarat, Dadra and Nagar	Fresh Certificate of Incorporation pursuant to change of name on	U27609GJ1996PLC 030581	December 4, 2009	--

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	Haveli	conversion to Public Limited Company from Aster Silicates Private Limited to Aster Silicates Limited			
4.	Income Tax Department	Permanent Account Number	AABCA647E	--	One Time Registration
5.	District Industries Centre Baruch	Entrepreneurs Memorandum Number (SSI)	24-021-12-00161	November 20, 2007	One Time Approval
6.	Director CC, Ministry of Environment and Forests	Host country approval to "Biomass based Thermal Energy Generation Project" by the Company in Kheda, Bhavnagar and Bharuch to voluntarily participate in the proposed CDM Project activity subject to compliance of terms and conditions specified.	4/5/2009-CCC	August 3 , 2009	--
7.	Income Tax Department	Tax Deduction Account Number (TAN)	AHMA06424F	July 27, 2006	One Time Registration
8.	Ahmedabad Municipal Corporation	Shops and Establishment Licence	172249	May 29, 2010	December 31, 2014
<b>Factory Units related Approvals (Unit I - Kheda))</b>					
9.	The Secretariat of Industrial Approvals, Ministry of Industry, Government of India	Acknowledgement to manufacture Sodium Silicate Glass/ Liquid	3867/SIA/IMO/2006	July 7, 2006	One Time Approval
10.	Central Excise Department	Central Excise Registration Certificate for Manufacturing Excisable goods.	AABCA6474EXM002	April 7, 2006	One Time Registration
11.	Environmental Engineer, Gujarat Pollution Control Board	CCA Renewal from the Gujarat State Pollution Control Board	CTE/CCA/802	August 24, 2009	August 23, 2014
12.	Commercial Tax	Certificate of	24160100501	April 7,	One Time

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	department , Government of Gujarat	registration under the Gujarat Value added Tax 2003		2006	Registration
<b>Unit II – Bharuch</b>					
13.	Central Excise Department	Central Excise Registration Certificate for manufacturing Excisable goods.	AABCA6474EXM003	December 12, 2007	One Time Registration
14.	Commercial Tax department , Government of Gujarat	Certificate of registration under the Gujarat Value added Tax 2003	24160100501	Date of effect April 7, 2006	One Time Registration
15.	Environmental Engineer, Gujarat Pollution Control Board	Consolidated consent order under Air Act, 1981, authorisation under Environment (Protection) Act, 1986 to operate industrial plant for manufacture of sodium silicate in glass liquid and sodium silicate in liquid form.	Consent Order No. 10636	May 31, 2008	March 6, 2013

### III. Applications pending renewal

- 1) The Company has made an application dated December 15, 2009 before the relevant regulatory authorities for renewal of the factory license for its Kheda Unit.
- 2) The Company has made an application dated December 10, 2009 before the relevant regulatory authorities for renewal of the factory license for its Bharuch Unit.

### IV. Application to be made for the proposed expansion

- 1) To the Secretariat of Industrial Approvals, Ministry of Industry, Government of India for additional capacity of 300 MT per day of sodium silicate in glass form.
- 2) Application for factory license and approvals from local authorities for civil construction for the expansion of the capacity at the existing plant.
- 3) Environmental clearances from the state pollution control board

The above will be applied in the due course of time.

### V. Material Licences/Approvals for which we are yet to apply

As on date, there are no licences/approvals, which our Company is to apply for, in order to run its business.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

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 Extra Ordinary General Meeting held on December 07, 2009.

### Prohibition by SEBI

Neither our Company nor our Promoters, persons forming part of our Promoter Group, Directors or persons in control of our Company are 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.

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.

None of the Directors of the Company are associated with any entities which are engaged in securities market related business and are registered with SEBI.

### Prohibition by RBI

Our Company, our Directors, our Promoters, relatives of Promoters (as defined under the Companies Act, 1956) and our group companies have not been declared as wilful defaulter by RBI or any other government authority and there have been no violation of securities laws committed by them in the past or no such proceeding are pending against the Company or 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 Rs. 3 crores in each of the preceding 3 full years, of which not more than 50% are held as monetary assets.

Particulars	(Rs. in Lacs)				
	Year ended March 31,				
	2005	2006	2007	2008	2009
Fixed Assets (Net)	248.44	301.55	432.16	1,108.32	1,676.58
Current Assets, Loans & Advances	223.85	177.84	414.69	575.13	1,240.84
Investments	0.00	0.00	0.00	0.00	0.00
Less: Current Liabilities & provisions	161.56	134.61	362.95	409.67	790.20
<b>Net Tangible Assets*</b>	<b>310.73</b>	<b>344.78</b>	<b>483.90</b>	<b>1,273.78</b>	<b>2,127.22</b>
Monetary Assets	10.28	26.04	39.16	4.29	8.01

\* 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.

(Rs. In Lacs)

Particulars	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009
<b>Net Profit after tax, as restated</b>	<b>35.87</b>	<b>-8.61</b>	<b>14.24</b>	<b>65.79</b>	<b>254.91</b>

- c) Our Company has a Net Worth of at least Rs. 1 Crore in each of the preceding 3 full years (of 12 months each).

(Rs. In Lacs)

Particulars	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009
Equity Share Capital	198.00	230.00	300.00	537.65	700.00
Reserves and surplus	65.29	56.68	70.93	136.72	883.64
Less: Revaluation Reserve					492.01
<b>Total</b>	<b>263.29</b>	<b>286.68</b>	<b>370.93</b>	<b>674.37</b>	<b>1091.63</b>
Less: Miscellaneous Expenditure	0.01	0.63	0.47	2.72	23.73
Less: Deferred tax Assets	0.00	28.40	40.92	44.63	0.00
<b>Net Worth</b>	<b>263.28</b>	<b>257.65</b>	<b>329.54</b>	<b>627.02</b>	<b>1067.90</b>

- 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) Our Company was converted into a Public Limited Company *vide* fresh Certificate of Incorporation dated November December 4, 2009 and consequently, its name was changed to Aster Silicates Limited. There has been no change in the activities of our company. Our Company has not changed its name within the last one year in a manner suggesting change in the activities of our company; and

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.

## Disclaimer Clauses

### SEBI DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SECURITIES AND EXCHANGE BOARD OF INDIA (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, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED HAS 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, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED DECEMBER 19, 2009 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

WE THE LEAD MERCHANT BANKER TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER 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 AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, 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.
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 NOT APPLICABLE TO THE ISSUER.
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.
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 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/ DRAFT PROSPECTUS/ DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 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.

#### **Disclaimer from the Issuer and the Book Running Lead Manager**

Investors may note that Aster Silicates Limited and Saffron Capital Advisors Private Limited 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 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.

#### **Caution**

The BRLM accepts no responsibility; save to the limited extent as provided in the Memorandum of Understanding dated December 08, 2009 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 uploading the Bids due to faults in any software/hardware system or otherwise.

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.

The BRLM and its respective associates and affiliates may engage in transactions with, and perform services for, the Company and their respective group companies, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in investment banking transactions and other investment transactions with the Company, 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, FIs 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 Ahmedabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus 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.

#### **Disclaimer Clause of the Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited ("the Exchange") has *vide* its letter dated January 29, 2010, 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 ref.: NSE/LIST/132148-H dated March 5, 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 NSE 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 the 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 SEBI Bhavan, Bandra Kurla Complex, Bandra East, Mumbai – 400 051. A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli situated at ROC Bhavan, Opp. Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad – 380013, Gujarat. The final Prospectus would be filed with the Corporation Finance Department of SEBI and the ROC at the respective aforesaid addresses upon closure of the issue and on finalization of the issue price.

#### **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.

We 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 the prescribed timeframe as mandated under the SEBI (ICDR) Regulations.

## Consents

Necessary Consents for the issue have been 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 and 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, Gujarat, Dadra and Nagar Haveli at 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, Gujarat, Dadra and Nagar Haveli at Ahmedabad.

## Expert Opinion

Except the report of Brickwork Ratings India Private Limited in respect of the IPO grading of this Issue, annexed herewith, and except as stated elsewhere in the Red Herring Prospectus, our Company has not obtained any expert opinions.

## Expenses of the Issue

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	(Rs. Lacs)		
	Expenses (Rs. in Lacs)	% of Issue Size	% of Issue expenses
BRLM	106.2	2.00%	21.24%
Registrar to the Issue	1.50	0.03%	0.30%
Syndicate Fees, Underwriting, Brokerage and Selling Commission	100.00	1.88%	20.00%
Advertisement and marketing expenses	75.00	1.41%	15.00%
Printing and stationery (including expenses on transportation of the material)	100.00	1.88%	20.00%
IPO Grading	4.00	0.08%	0.80%
Others (Filing Fees with SEBI, BSE and NSE, legal fees, listing fees, RoC Fees, travelling and other miscellaneous expenses etc.)	113.30	2.13%	22.66%
<b>Total</b>	<b>500.00</b>	<b>9.42%</b>	<b>100.00%</b>

**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 Equity 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" beginning on page 43 of the Red Herring Prospectus.*

**Commission or Brokerage on Previous Issues**

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

**Previous capital issue during the previous three years by listed Group Companies, Subsidiaries and associates of our Company**

None of the group companies, subsidiaries and associates of the Company has made any capital issue in 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.

**Performance vis-à-vis Objects - Public/ Rights Issue of the Company and/ or listed group companies, subsidiaries and associates of the Company**

There are no listed ventures of our Promoters.

**Outstanding debentures or bonds and redeemable preference shares and other instruments issued and outstanding as on the date of the Red Herring Prospectus and terms of Issue**

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**

Our Company has constituted a Shareholders Grievance Committee to look into the redressal of shareholder/ investor complaints such as Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures, complaints for non receipt of dividends etc. *For further details on this committee,*



*please refer paragraph titled “Shareholders/Investors Grievance Committee” beginning on page 108 under the Chapter titled “Our Management” beginning on page 101 of the Red Herring Prospectus. To expedite the process of share transfer, our Company has appointed Sharepro Services (India) Private Limited as the Registrar and Share Transfer Agents of our Company.*

We have appointed Sharepro Services (India) Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with our Compliance officer. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and bank and Branch. We will monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Memorandum of Understanding between the Registrar to the Issue and the Company will provide for retention of records with the Registrar to the Issue for a period of at least six months 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 center 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**

A fortnightly status report of the complaints received and redressed by the Registrar to the Issue would be forwarded to us. We would also coordinate with the Registrar to the Issue in attending to the investors’ grievances.

We assure that any complaints received, shall be disposed off as per the following schedule:

<b>Sr. No</b>	<b>Nature of the Complaint</b>	<b>Time Taken</b>
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address	Within 7 days of receipt of information.
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

We have appointed Mr. Janak B. Patel as the Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems at the following address:

**Mr. Janak B. Patel**  
**Company Secretary & Compliance Officer**  
**Aster Silicates Limited**  
A- 602, Fairdeal House,  
Swastik Char Rasta,  
Off C G Road, Navrangpura,  
Ahmedabad – 380 009

**Tel No. :** + 91 79 26422840  
**Fax No.:** + 91 79 26422840  
**E-mail:** [ipo@astersilicatesltd.com](mailto:ipo@astersilicatesltd.com)  
**Website:** [www.astersilicatesltd.com](http://www.astersilicatesltd.com)

Our Company has not received any investor complaints during the three years preceding the filing of the Red Herring Prospectus with SEBI. Further, no investor complaints are pending as on the date of filing the Red Herring Prospectus with SEBI.

**Mechanism for Redressal of Investor Grievances by Listed Companies under the same management within meaning of Section 370(1B) of the Companies Act, 1956**

There are no listed Companies under the same management within meaning of Section 370(1B) of the Companies Act, 1956.

**Changes in Auditors during the last three years and reasons thereof**

We have appointed M/s H.B. Patel & Associates, Chartered Accountant as our statutory auditors in place of Vijay Moondra & Co., Chartered Accountants with effect from June 23, 2008 as since the previous auditors expressed their inability to act as auditor of our Company due to their pre-occupations.

**Capitalization of Reserves or Profits during last five years**

Our Company has not capitalised its reserves or profits at any time since inception.

**Revaluation of Assets during the last five years**

The gross block of fixed assets as per books as on March 31, 2008 was Rs. 1,282.00 lacs. Our Company has carried out valuation of the fixed assets, since the assets of the Company were not revalued since its inception and were being shown at a lower value in comparison to its market value. The assets were revalued and the total value of assets due to revaluation was increased by Rs. 492.01 lacs. We have not issued any shares out of the revaluation reserves.

## 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 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 201 of the Red Herring Prospectus.*

#### Mode of Payment of Dividend

We shall pay dividend to our Shareholders as per the provisions of the Companies Act and our Articles of Association. The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

#### Face Value and Issue Price per Share

The face value of the Equity Shares is Rs. 10 each. The price band is Rs. 112 to Rs. 118 and the Floor Price is 11.2 times of the face value and the Cap Price is 11.8 times of the face value. The Issue Price of Rs. [•] is [•] times the face value. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

#### 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 and accounting norms as specified by SEBI from time to time.

#### 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 of 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 210 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 50 Equity Shares. *For details of Allocation and Allotment, please refer to the paragraph titled "Basis of Allotment" beginning on page 200 under Chapter titled "Issue Procedure" beginning on page 173 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: <b>June 24, 2010</b>	Bid/Issue closes on: <b>June 28, 2010</b>
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## **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**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, *please refer to the Chapter titled "Main Provisions of Articles of Association" on page 210 of the Red Herring Prospectus.*

## **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 Rs. 10 each aggregating Rs. 5,310.00 Lacs is being made through the 100% Book Building process.

Particulars	QIBs	Non Institutional Bidders	Retail Individual Bidders
<b>Number of Equity Shares<sup>#</sup></b>	Not more than [●] Equity Shares	Not less than [●] Equity Shares	Not less than [●] Equity Shares
<b>Percentage of Issue Size available for allocation</b>	Not more than 50% of the Net Issue to the public (of which 5% shall be reserved for Mutual Funds) or Net Issue to the public less allocation to Non-Institutional Bidders and Retail Individual Bidders.  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 Net issue to the public or Net Issue size less allocation to QIBs and retail individual bidders	Not less than 35% of the Net issue to the public or Net Issue size less allocation to QIBs and non institutional bidders
<b>Basis of Allocation if respective category is oversubscribed</b>	Proportionate	Proportionate	Proportionate
<b>Minimum Bid</b>	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares.	50 Equity Shares.
<b>Maximum Bid</b>	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder and in multiples of 50 Equity Shares	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder and in multiples of 50 Equity Shares	Such number of Equity Shares per retail individual investor so as to ensure that the Bid amount does not exceed Rs. 1,00,000 which has to be in multiples of 50 Equity Shares.
<b>Mode of Allotment</b>	Dematerialized mode	Dematerialized mode	Dematerialized mode
<b>Trading Lot/Market lot</b>	One (1) Equity Share	One (1) Equity Share	One (1) Equity Share

<b>Who can apply**</b>	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 Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs, National Investment Fund in accordance with applicable law, Insurance funds set up and managed by Army, Navy or Air Force of the Union of India	Companies, Corporate Bodies, Scientific Institutions, Societies, Trusts, Resident Indian individuals, HUF (in the name of Karta), and NRIs (applying for an amount exceeding Rs. 1,00,000)	Individuals (including NRIs and HUFs in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.
<b>Terms of payment</b>	100% of the Bid amount at the time of submission of Bid cum Application form to the members of the syndicate	100% of the Bid amount at the time of submission of Bid cum Application form to the members of the syndicate	100% of the Bid amount at the time of submission of Bid cum Application form to the members of the syndicate

**Note:** All categories of bidders can apply through ASBA in this issue. In case of Bidders submitting ASBA Bid cum Application Form, the SCSB shall be authorised to block such funds (being 100% of the Bid amount) 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, this Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue will be allocated on a proportionate basis to QIBs, out of the QIB Portion 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to

valid bids being received at or above the Issue Price. Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

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 inter-se from any other categories, at the discretion of our Company in consultation with the BRLM subject to applicable provisions of SEBI (ICDR) Regulations, 2009.

**\*\*In case the Bid Cum Application Form/ ASBA 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

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public 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 Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

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

Bidders are required to submit their Bids through the Syndicate or their affiliates. ASBA Bidders are required to submit their Bids to SCSBs.

In case of QIBs, our Company may, in consultation with BRLM, reject their Bids at the time of acceptance of the Bid cum Application Form, provided that the reasons for such rejection shall be disclosed to such QIB in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company will have a right to reject the Bids only on technical grounds.

*Any Bidder may participate in this Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedures applicable to Bidders other than ASBA Bidders. Hence, Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process.*

**Bidding through ASBA facility is available to all investors including QIBs in all public issues.**

**Investors should note that Allotment to all successful Bidders will only be in dematerialised form. Bidders will not have the option of receiving Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.**

### Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate, unless they are using the ASBA process. Bidders shall have the option to make a maximum of three Bids (in terms of number of Equity Shares and respective Bid Prices) in the Bid cum Application Form and such options shall not be considered as multiple Bids. The Bid cum Application Form shall be serially numbered and date and time stamped at the Bidding Centres and such form shall be issued in duplicate signed by the Bidder and countersigned by the relevant member of the Syndicate.

Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder. Upon determination of the Issue Price and filing

of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form.

Bidders can also submit their Bids through the ASBA by submitting ASBA Forms, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained. An ASBA Bidder shall use the ASBA Form obtained from the Designated Branches for the purpose of making a Bid. ASBA Bidders can submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Form at the relevant Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form. Upon completing and submitting the ASBA Form to the SCSB, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the ASBA Form, as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians including resident QIBs, Non-Institutional Bidders and Retail Individual Bidders or Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs applying on a repatriation basis, FIIs and their Sub-Accounts (other than a Sub-Account which is a foreign corporate or a foreign individual), FVCIs, multilateral and bilateral financial institutions and other Non-Residents	Blue
ASBA Bidders bidding through a physical form	White

#### Who can Bid?

1. Indian nationals resident in India who are not minors in single or joint names (not more than three);
2. Hindu Undivided Families 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;
3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue;
4. FIIs registered with SEBI and their sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or foreign individual, in the QIB Portion;
5. Sub-accounts of FIIs, which are foreign corporates or foreign individuals, in the Non-Institutional Portion;
6. State Industrial Development Corporations;
7. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
8. NIF;
9. FVCIs
10. Multilateral and bilateral development financial institutions;
11. Subject to the applicable laws, provident funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;

12. Subject to the applicable laws, pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
13. Companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in equity shares;
14. VCFs;
15. Mutual Funds;
16. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI Regulations and regulations, as applicable);
17. Trusts based in India who are authorised under their constitution to invest in equity shares or societies registered under the Societies Registration Act, 1860, as amended and are authorised to invest in equity shares;
18. Scientific and/or industrial research organisations in India authorised to invest in equity shares;
19. Insurance funds set up and managed by army, navy or air force of the Union of India in accordance with applicable law.
20. All other persons eligible to invest under all applicable laws, rules, regulations and guidelines.

As per existing regulations, OCBs cannot Bid in the Issue..

### **Procedure for Bids by Mutual Funds**

As per the SEBI Regulations 5% of the QIB Portion have been specifically reserved for mutual funds on a proportionate basis. An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds on a proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

A separate Bid can be made in respect of each scheme of the Mutual Fund and such Bids will not be treated as multiple Bids, provided that the Bids clearly indicate the individual scheme concerned for which the Bid has been made. Asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are being made.

*In accordance with current regulations, the following restrictions are applicable for investments by Mutual Funds:*

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry-specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

### **Bids by Eligible NRIs**

Bid cum Application Forms (Blue in colour) and the physical ASBA Forms will be made available for Eligible NRIs, at our Registered Office and with the members of the Syndicate. Eligible NRI Bidders should note that only such Bids as are accompanied by payment in free foreign exchange or by debit to their Non Resident External (NRE)/ Foreign Currency Non Resident (FCNR) accounts shall be considered for Allotment under the Eligible NRI category. The Eligible NRIs who intend to make payment through the NRO Account shall use the Bid cum Application form meant for Resident Indians (white in colour). In accordance with the SEBI Regulations, NRIs can subscribe to this Issue under the ASBA process.

## **Bids by FIIs**

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts (other than Sub-Accounts which are foreign corporates or foreign individuals bidding under the QIB Portion), the investment on behalf of each sub-account shall not exceed 10% of our total post issue issued capital or 5% of our total post issue issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the FII Regulations, an FII or its sub-account may issue, deal or hold, off shore derivative instruments such as "Participatory Notes", equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Associates and affiliates of the Underwriters, including the BRLM, that are FIIs or its sub-account may issue offshore derivative instruments against Equity Shares allocated to them in the Issue.

## **Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

The current VCF Regulations and the FVCI Regulations prescribe investment restrictions on VCFs and FVCIs. Accordingly, as per the current regulations, the following restrictions applicable for VCFs and FVCIs may be noted:

The holding by any individual VCF in one company should not exceed 25% of the corpus of the VCF. An FVCI can invest its entire funds committed for investments into India in one company. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an IPO.

## **Bids by Insurance Companies**

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bids without assigning reasons thereof.

## **Bids made by Provident Funds / Pension Funds**

In case of the Bids made by provident funds / pension funds, subject to applicable laws, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund / pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid without assigning any reason thereof.

## **Authority to Bid under a Power of Attorney**

*By limited companies, corporate bodies, 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 and articles of association and/or bye laws must be lodged along with the Bid cum Application Form as applicable. Failing this, our Company reserves the right to reject such Bids without assigning reasons thereof.

*By FIIs, FVCIs, VCFs, Mutual Funds*

In case of the Bids made pursuant to a power of attorney by FIIs, FVCIs, VCFs and Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bid without assigning reasons thereof.

*ASBA Bidders*

In case of an ASBA Bid pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Form. Failing this, our Company, in consultation with the BRLM, reserves the right to reject such Bids.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form or the ASBA Form, subject to such terms and conditions that our Company / the BRLM may deem fit without assigning reasons thereof.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

## **Participation by associates / affiliates of the BRLM and Syndicate Members**

The BRLM and Syndicate Members shall not be allowed to subscribe to this Issue in any manner, except towards fulfilling their underwriting obligations as stated in the Prospectus. However, associates or affiliates of the BRLM and Syndicate Members may Bid either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

All categories of investors, including associates or affiliates of BRLM and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis. Further, affiliates and associates of the Underwriters, including the BRLM, that are FIIs or their Sub-Accounts may issue off-shore derivative instruments against Equity Shares allocated to them in this Issue.

## Maximum and Minimum Bid Size

- a) **For Retail Individual Bidders:** The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. Where the Bid Amount is over Rs. 100,000, due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to Retail Individual Bidders where the Bid Amount does not exceed Rs. 100,000, indicating their agreement to the Bid and to purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.
- b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and is a multiple of 50 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them under applicable laws. **Under the SEBI Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the entire Bid Amount upon submission of the Bid.**

In case of any revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount in the revised Bids is above Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Non-Institutional Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at the Cut-Off Price.

The maximum and minimum bid size applicable to a QIB, Retail Individual Bidder or a Non-Institutional Bidder shall be applicable to an ASBA Bidder in accordance with the category that such ASBA Bidder falls under.

**The information in this section is provided only for the benefit of the Bidders. Our Company and the BRLMF do not accept any responsibility for the completeness and accuracy of the information stated herein. Further, our Company and the BRLM are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations which may occur after the date of the Red Herring Prospectus.**

**Bidders are advised to make independent enquiries about the limits applicable to them and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of Equity Shares that can be bid for by them under applicable laws or regulations or as specified in this Draft Red Herring Prospectus.**

Refund amounts following a permitted withdrawal or rejection of a Bid shall be paid in the manner described under paragraph "Issue Procedure-Payment of Refund" on page 203.

### Information for the Bidder:

1. Our Company will file the Red Herring Prospectus with the RoC at least three days prior to the Bid/Issue Opening Date.
2. Subject to Section 66 of the Companies Act, our Company shall, after receiving final observations, if any, on this Draft Red Herring Prospectus from the SEBI, publish a pre-Issue advertisement, in the form prescribed under the SEBI Regulations, in two national

daily newspapers (one each in English and Hindi) and one Gujarati language daily newspaper, each with wide circulation. Our Company and the BRLM shall declare the Bid Opening Date, the Bid Closing Date in the Red Herring Prospectus to be filed with the RoC and shall publish the same in two national newspapers (one each in English and Hindi) and one Gujarati language daily newspaper, each with wide circulation. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Part A of Schedule XIII of the SEBI Regulations.

3. The BRLM shall dispatch the Red Herring Prospectus and other issue material, to the Designated Stock Exchange, members of the Syndicate, Bankers to the Issue, SCSBs and investors' associations in advance. Any bidder/investor (who is eligible to invest in our Equity Shares) who would like to obtain this Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.
4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM, Syndicate Members or their authorised agent(s), as applicable to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than ASBA Form) should bear the stamp of the members of the Syndicate or Designated Branch. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form.
6. The Price Band has been fixed at Rs.112 to Rs.118 per Equity Share. The Bidders can Bid at any price within the Price Band, in multiples of 50 Equity Shares. In accordance with the SEBI Regulations, our Company in consultation with the BRLM, reserves the right to revise the Price Band during the Bid/Issue period. The cap on the Price Band will not be more than 120% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
7. In case the Price Band is revised, the Bid/Issue period shall be extended, by an additional three days, subject to the total Bid/Issue period not exceeding 10 Working Days. The revised Price Band and Bid/Issue period, if applicable, will be widely disseminated by notification to the Stock Exchanges, and by publishing in two national daily newspapers (one each in English and Hindi) and one Gujarati daily language newspaper, with wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.

#### **Information specific to ASBA Bidders**

1. ASBA Bidders who would like to obtain a copy of this Red Herring Prospectus and/or the ASBA Form can obtain the same from the Designated Branches in physical form or in electronic form on the websites of the SEBI, BSE, NSE, BRLM and SCSBs.
2. The Bids should be submitted to the SCSBs on the prescribed ASBA Form if applied in physical mode. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

3. The SCSBs shall accept Bids only during the Bidding Period and only from the ASBA Bidders.
4. The BRLM shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Form to the SCSBs. The SCSBs will then make available such copies to investors intending to apply in this Issue through the ASBA process. Additionally, the BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus as well as the ASBA Form and that the same are made available on the websites of the SCSBs.

### **Method and Process of Bidding**

1. Our Company and the BRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date in the Red Herring Prospectus to be filed with the RoC and also publish the same in two national daily newspapers (one each in English and Hindi) and one Gujarati language daily newspaper, each with wide circulation in the place where our Registered Office is situated. The advertisement, subject to the provisions of Section 66 of the Companies Act, shall contain the disclosure requirements as specified under Schedule XIII of the SEBI Regulations.
2. Our Company in consultation with the BRLM will decide the Price Band and the minimum Bid lot size for the Issue.
3. 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.
4. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Bid/Issue period in accordance with the terms of the Syndicate Agreement. The Price Band and the minimum Bid lot will be decided by our Company in consultation with the BRLM and advertised at least two working days prior to the Bid/Issue Opening Date.
5. During the Bidding Period, Bidders should approach members of the Syndicate or their authorised agents to register their Bids. The Members of the Syndicate shall accept Bids from the all the Bidders and shall have the right to vet the Bids, during the Bidding Period in accordance with the terms of the Syndicate Agreement and the Red Herring Prospectus. ASBA Bidders should approach the SCSBs to register their Bids.
6. Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices within the Price Band and the requirement to specify the corresponding demand (i.e., the number of Equity Shares). 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 and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
7. The Bidder cannot Bid on another Bid cum Application Form after Bid(s) on one Bid cum Application Form have been submitted to any member of the Syndicate or a SCSB, respectively. Submission of an additional Bid cum Application Form to either the same or to another member of the Syndicate or ASBA Form to any SCSB will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the 'Electronic Bidding System', or at any point in time prior to finalisation of the 'Basis of Allocation'. However, the



Bidder, can revise the Bid through the Revision Form, the procedure for which is detailed section titled “Issue Procedure -Build up of the Book and Revision of Bids” on page 189 of the Red Herring Prospectus.

8. The members of the Syndicate will enter each Bid option into the ‘Electronic Bidding System’ as a separate Bid and generate a Transaction Registration Slip (“TRS”) for each Bid price and demand option and give the same to the Bidder. Therefore, a Bidder can receive upto three TRSs for each Bid cum Application Form.
9. All Bidders will make payment of the entire amount along with the Bid cum Application Form, in the manner described in “– Terms of Payment and Payment into the Escrow Accounts” on page 193 of the Red Herring Prospectus.
10. For the Bidders who apply through the ASBA process, SCSBs shall block the Bid Amount in an ASBA Account. Upon submission of an ASBA Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block an amount equivalent to the Bid Amount and authorized the Designated Branch to block the Bid Amount in the ASBA Account.
11. The Bid Amount shall remain blocked in the ASBA Account until finalization of the ‘Basis of Allocation’ or withdrawal/failure of the Issue or withdrawal/rejection of the ASBA Bid, as the case may be. In the event the ASBA Account does not have a sufficient credit balance for the Bid Amount, the Bid shall be rejected by the SCSB and no funds shall be blocked in that ASBA Account.
12. The ASBA Form should not be accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the ASBA Account.
13. On the Designated Date, the SCSBs shall initiate transfer of the blocked Bid Amount from the ASBA Account for successful Bids into the Public Issue Account and the balance amount, if any, shall be unblocked. Not more than five ASBA Forms can be submitted when utilizing an ASBA Account.

#### **Bids at different price levels and revision of Price Band**

1. The Bidder can Bid at any price within the Price Band, in multiples of Re. 1 (Rupee One).
2. In accordance with the SEBI Regulations, our Company in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period. The Cap Price should not be more than 120% of the Floor Price. The Floor Price can move up or down to the extent of 20% of the Floor Price advertised at least two Working Days before the Bid Opening Date. The revised Price Band and Bidding Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in two national newspapers (one each in English and Hindi) and one Gujarati daily language newspaper, each with wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
3. Our Company shall finalise the Issue Price within the Price Band in consultation with the BRLM, without the prior approval of or intimation to the Bidders.
4. Retail Individual Bidders bidding at a Bid Price, for an amount not exceeding Rs. 100,000 may Bid at the Cut-Off Price. However, bidding at Cut-Off Price is prohibited for QIBs and Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

5. Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at the Cut-Off Price shall deposit the Bid Amount in the applicable Escrow Accounts based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-Off Price, the Retail Individual Bidders who Bid at Cut-Off Price shall receive the refund of the excess amounts from the respective Escrow Accounts in the manner described under “– *Payment of Refund*” on page 203 of the Red Herring Prospectus.
6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at the Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the revised Cap Price (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if such Retail Individual Bidders want to continue to bid at the Cut-Off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. In case the Retail Individual Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision in the Price Band, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required and such Retail Individual Bidder is deemed to have approved such revised Bid at the Cut-Off Price.
7. 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 Accounts. In case of downward revision in the Price Band, the number of Equity Shares bid for shall be adjusted upwards to the higher Bid lot for the purpose of Allotment.
8. In the event of any revision in the Price Band, whether upwards or downwards, our Company in consultation with the BRLM shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application is in the range of Rs. 5,000 to Rs. 7,000.
9. When a Bidder has revised his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the Bidder's responsibility to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

## **GENERAL INSTRUCTIONS**

### **Dos:**

- (a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Red Herring Prospectus;
- (b) Ensure that you Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Bid cum Application Form;
- (d) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in dematerialised form only;

- (e) Ensure that you have collected TRSs for all options in your Bid;
- (f) Ensure that you submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (g) Each of the Bidders, should mention their PAN allotted under the IT Act;
- (h) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. Where the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form;
- (i) Ensure that the demographic details (as defined in the section titled “Issue Procedure – Bidder’s Depository Account and Bank Account Details” on page 185 of the Red Herring Prospectus) are updated, true and correct in all respects;
- (j) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of a member of the syndicate and that the full Bid Amount is paid for the Bids submitted to the Syndicate; and

**Don’ts:**

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid or revise Bid to a price that is less than the Floor Price or higher than the Cap Price;
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid amount in cash, postal order, or by stock invest;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate;
- (f) QIBs and Non-Institutional Bidders should not Bid at Cut-Off Price;
- (g) Do not Bid such that the number of Equity Shares Bid for exceeds the Issue size and/or the investment limit or the maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Red Herring Prospectus;
- (h) Do not Bid at Bid Amount exceeding Rs. 100,000, for in case of a Bid by a Retail Individual Bidder;
- (i) Do not submit the Bid without the full bid amount;
- (j) Do not mention the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- (k) Do not Bid for Allotment of shares in physical form.

## **ADDITIONAL INSTRUCTIONS FOR ASBA BIDDERS ONLY**

### **DO's:**

1. Ensure that you use the ASBA Form specified for the purposes of ASBA.
2. Read all the instructions carefully and complete the ASBA Form.
3. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.
4. Ensure that your ASBA Form is submitted at a Designated Branch, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or the Registrar to the Issue or the BRLM.
5. Ensure that the ASBA Form is signed by the account holder in case the applicant is not the account holder.
6. Ensure that you have mentioned the correct ASBA Account number in the ASBA Form.
7. Ensure that you have funds equal to the number of Equity Shares Bid for at the Cap Price available in your ASBA Account before submitting the ASBA Form to the respective Designated Branch.
8. Ensure that you have correctly checked the authorisation box in the ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Form in your ASBA Account maintained with a branch of the concerned SCSB.
9. Ensure that you receive an acknowledgement from the Designated Branch for the submission of your ASBA Form.
10. Ensure that the name(s) given in the ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Form.

### **DON'Ts:**

1. Do not Bid on another ASBA Form or on a Bid cum Application Form after you have submitted a Bid to a Designated Branch.
2. Payment of Bid Amounts in any mode other than blocked amounts in the ASBA Accounts, shall not be accepted under the ASBA.
3. Do not send your physical ASBA Form by post; instead submit the same to a Designated Branch.

## **INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

### **Bidder's 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 our 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.**

These Demographic Details will be used for all correspondence with the Bidders including mailing of the refund orders/NECS credit for refunds/direct credit of refund/CANs/allocation advice/NEFT or RTGS for refunds and printing of Company particulars on the refund order. The Demographic Details given by Bidders in the Bid cum Application Form will not be used for any other purposes by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder will be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund orders/allocation advice/CAN would be mailed to the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure re-dispatch of refund orders. Please note that any such delay shall be at the Bidder's sole risk and neither our Company, its Directors and officers, its directors, affiliates, associates and their respective directors and officers, Escrow Collection Banks, the BRLM nor the Registrar to the Issue shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay. In case of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars or the MICR code obtained from the Depository Participant are incorrect or incomplete.**

Where no corresponding record is available with the Depositories that matches 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.

**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.**

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be allotted in dematerialised form only.

## **OTHER INSTRUCTIONS**

### **Joint Bids in case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund payments will be made 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.

Further, ASBA Bids may be made in single or joint names (not more than three). In case of joint Bids by ASBA Bidders, all communication will be addressed to the first Bidder and will be dispatched to his address.

### **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. The PAN of the first/sole Bidder as furnished in the Bid cum Application Form or as recorded with the Depositories shall be the criteria to identify multiple Bids.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Our Company in consultation with the BRLM, reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

Cases where there are more than 20 valid applicants having a common address shall be reported to the Stock Exchanges and other appropriate regulatory authorities such as the SEBI and such Equity Shares will be kept in abeyance post Allotment and will be released on receipt of appropriate confirmation from such authorities.

An ASBA Bidder should submit only one Bid. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is the same.

### **Permanent Account Number ("PAN")**

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR Number instead of the PAN, as the Bid is liable to be rejected on this ground.

## **IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:**

***“Any person who:***

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,***

***shall be punishable with imprisonment for a term which may extend to five years”.***

#### **Submission of Bid cum Application Form**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. 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.

#### **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, our 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 Price,
- 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;
- PAN (of First Bidder, in case of more than one Bidder);
- Investor Category and Sub-Category:

Retail (No sub category)

Non- Institutional – Individual, corporate, others

QIB - Mutual Funds, Financial Institutions, Insurance companies, Foreign Institutional, Investors other than corporate and individual, sub-accounts,

- DP ID and client identification number;
- Beneficiary account number of Equity Shares Bid for;
- Quantity;
- Bid Amount;
- Bank account number;
- Cheque amount; and
- Cheque number.

(g) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated/Allotted either by the Syndicate or our Company.

(h) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(i) In case of QIB Bidders, only the BRLM and their Affiliate Syndicate Members have the right to accept the Bid or reject it. However, such rejection shall 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 will be rejected on technical grounds listed on page 195. The Members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSBs shall have no right to reject Bids, except on technical grounds.



- (j) The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the Promoter, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- (k) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify the information uploaded in the online IPO system during the Bid/Issue Period. If the Syndicate Members finds any discrepancy in the DP name, DP Id and the Client Id, the Syndicate Members will correct the same and send the data to the Registrar for reconciliation and Allotment of Equity Shares. After which the data will be sent to the Registrar for reconciliation and Allotment of Equity Shares. In case of any discrepancy of data between the BSE or the 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, (which may be based on the physical records of Bid Cum Application Forms) shall be final and binding on all concerned.

#### **Build up of the Book and Revision of Bids**

1. 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 Rs. 5,000 to Rs. 7,000.
2. The Bidder can Bid at any price within the Price Band in multiples of Re. 1 (Rupee One). The Bidder has to Bid for the desired number of Equity Shares at a specific price.

**Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding up to Rs. 100,000, may Bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and such Bids from QIB Bidders and Non-Institutional Bidders shall be rejected.**

3. Bids registered by various Bidders, during the Bidding Period through the members of the Syndicate and SCSBs shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
4. 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 bidding period.
5. During the Bid/Issue period, any Bidder who has registered his or her Bid at a particular price level is free to revise his or her Bid within the Price Band using the Revision Form, which is a part of the Bid cum Application Form.
6. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still complete all the details of the other two options that are not

being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

7. The Bidder can make this revision any number of times during the Bid/Issue period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or SCSB through whom the original Bid was placed.
8. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only on such Revision Form or copies thereof.
9. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had Bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher cap of the revised Price Band (such that the total amount i.e., the original Bid Amount plus additional payment does not exceed Rs. 100,000, if the Bidder wants to continue to Bid at the Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. In case of Retail Individual Bidders who do not revise the Bid or make additional payment, where the Issue Price is higher than the cap of the Price Band before revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from such Bidder and the Bidder is deemed to have approved such revised Bid at the Cut-off Price.
10. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Accounts.
11. 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.
12. 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.
13. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size and the Bid lot shall remain 50 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

#### **Bids and Revisions of Bids for all Bidders**

Bids and revisions of Bids must be:

1. Made only on the prescribed Bid cum Application Form or Revision Form, as applicable.

2. Made in a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
3. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, on the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
4. 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.
5. Bids from the Retail Individual Bidders must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
6. 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 Rs. 100,000 and in multiples of 50 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 cannot withdraw their Bids after the Bid Closing Date.
7. In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion.
8. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **Bids by Non-Residents, including Eligible NRIs and FIIs on repatriation basis**

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. In the names of individuals, or in the names of FIIs or FVCIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees in case of Bids by Eligible NRIs, FIIs, eligible/permitted Sub-Accounts, FVCIs etc. on a repatriation basis.
4. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other eligible Non-Resident Bidders must Bid for a minimum of such number of Equity Shares and in multiples of 50 that the Bid Amount exceeds Rs. 100,000. For further details, see the section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 178 of the Red Herring Prospectus.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, at the rate of exchange prevailing at the time of remittance, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE Accounts, details of which are received from the Depositories as part of the demographic details of the First Bidder/ sole Bidder. Our Company, its Directors and officers, its directors, affiliates, associates and their respective directors and officers will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**It is to be distinctly understood that there is no reservation for Eligible NRIs, FVCIs and FIIs and they will be treated on the same basis with other categories for the purpose of allocation.**

**As per existing regulations promulgated under the FEMA, Non Residents such as NRIs (only Eligible NRIs on a repatriation basis or a non- repatriation basis subject to applicable laws are allowed to participate in the Issue. Further, as per existing regulations, OCBs cannot participate in the Issue.**

#### **PAYMENT INSTRUCTIONS**

Escrow Accounts shall be opened with the Escrow Collection Banks for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

##### **Escrow Mechanism for Bidders other than ASBA Bidders**

Escrow Accounts shall be opened with one or more Escrow Collection Banks for collection of application money. The Bidders shall draw the cheque or demand draft in respect of his or her Bid and/or revision of the Bid in favour of the payee detailed under the section titled "Issue Procedure – Terms of Payment and Payment into the Escrow Accounts" on page 193 of the Red Herring Prospectus. Cheques or demand drafts received for the full Bid Amount from Bidders in a particular category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Accounts to the Public Issue Account and the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

**Bidders should note that the escrow mechanism is neither provided under any law or regulation nor has been prescribed by SEBI. The escrow mechanism has been established as an arrangement amongst our Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders and shall be governed by the terms of the Red Herring Prospectus and the Escrow Agreement.**

##### **Payment mechanism for ASBA Bidders**

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in

the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

### **Terms of Payment and Payment into the Escrow Accounts for Bidders other than ASBA Bidders**

Each Bidder, shall pay the full bid amount along with the submission of the Bid cum Application Form, draw a cheque or demand draft in favour of the Escrow Accounts of the Escrow Collection Bank(s) and submit such cheque or demand draft to the member of the Syndicate to whom the Bid is being submitted. **Bid cum Application Forms accompanied by cash or stockinvest or money orders shall not be accepted.**

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Banks, which will hold the monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of this Issue from the Escrow Account into the Public Issue Account and the balance amount to the Refund Account(s), as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

The full amount is required to be paid at the time of submission of the Bid cum Application Form.

### **Payment into Escrow Accounts**

1. The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for applicable Bid Amount in favour of the Escrow Accounts and submit the same to the members of the Syndicate. The payment instruments for payment into the Escrow Accounts should be drawn in favour of:

i.	In case of Resident Bidders	:	<b>Escrow Account – Aster Public Issue – R</b>
ii.	In case of Non Resident Bidders	:	<b>Escrow Account – Aster Public Issue – NR</b>
iii.	In case of Resident QIB Bidders	:	<b>Escrow Account – Aster Public Issue – QIB – R</b>
iv.	In case of Non Resident QIB Bidders	:	<b>Escrow Account – Aster Public Issue – QIB – NR</b>

2. In the case of Bids by Eligible NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of NRO Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a NRE Account or a FCNR Account.
3. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the

amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an 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 a FCNR or an NRO Account.

4. 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 draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a 'special rupee account'.
5. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on Bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
6. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders until the Designated Date.
7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus into the Public Issue Account.
8. No later than 10 working days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
9. **Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.**
10. Bidders are advised to mention the number of application form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
11. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

#### **Payment by Stockinvest**

Under the terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through Stockinvest will not be accepted in this Issue.

#### **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our 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 an English national newspaper, a Hindi national newspaper and a Gujarati language newspaper each with wide circulation.

### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company 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 along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of this Red Herring Prospectus and the Prospectus shall be included in such statutory advertisement.

### **Right to reject Bids by our Company**

In case of QIB Bidders, our 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, our 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, our 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 on, *inter alia*, the following technical grounds:

1. Amount paid is less than the Bid amount payable;
2. Bid submitted in the name of the partnership firm instead of the names of the individual partners as no partnership firm shall be entitled to apply in its name;
3. Bids by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
4. PAN not mentioned in the Bid cum Application Form;
5. GIR number furnished instead of PAN;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the Floor Price;
8. Bids at a price more than the Cap Price;
9. Submission of more than five ASBA Bid cum Application Forms per bank account;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for a number of Equity Shares, which are not in multiples of 50;
12. Multiple Bids as described in the Red Herring Prospectus;

13. Relevant documents not submitted in case of Bids under power of attorney;
14. Bids accompanied by stockinvest / money order / postal order / cash;
15. Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
16. Bid cum Application Form does not have the Bidder's depository account details or the details are incomplete;
17. Bid is not registered within the time prescribed and as per the instructions in the Bid cum Application Form, the Issue advertisement or the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus;
18. In case no corresponding record is available with the Depositories that matches three parameters, namely, PAN, the Depository Participant's identity (DP ID) and the beneficiary account number;
19. Bids for amounts greater than the size of the Issue or the maximum permissible investment limits prescribed under the applicable laws and regulations;
20. Bids by QIBs not submitted through members of the Syndicate or in case of ASBA Bids for QIBs not intimated to the BRLM;
21. Bids by OCBs;
22. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
23. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
24. Bids by persons who are not eligible to acquire Equity Shares in terms of any applicable law, rule, regulation, guideline or approval;
25. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
26. Bids not uploaded in the Book;
27. Bids which do not comply with securities laws at their specific jurisdictions;
28. Bids for allotment of Equity Shares in physical form;
29. Authorisation for blocking funds in the ASBA Account not ticked or provided;
30. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Form at the time of blocking such Bid Amount in the ASBA Account; and

**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, THE BIDS ARE LIABLE TO BE REJECTED.**



## Price Discovery and Allocation

1. After the Bid Closing Date, the BRLM will analyse the demand generated including demand generated under the ASBA at various price levels and discuss the pricing strategy with our Company.
2. Our Company, in consultation with BRLM, shall finalise the Issue Price.
3. The allocation for QIBs will not be more than 50% of the Net 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'.
4. 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, in a manner specified in the SEBI Regulations and the Red Herring Prospectus, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price.
5. In case of over-subscription in all categories, not more than 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will be added to the QIB Portion and be allocated proportionately to the QIBs in proportion to their Bids.
6. 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 sole discretion of our Company, in consultation with the BRLM and Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and be allotted proportionately to the QIB Bidders.
7. Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue in accordance with SEBI Regulations. Provided, if our Company withdraws the Issue after the Bid/Issue Closing Date, we will give the reason thereof within two days of the Bid/Issue Closing Date by way of a public notice in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges shall also be informed promptly.
8. Any oversubscription to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allocation'.
9. Allocation to Eligible NRIs, FIIs, eligible/permitted Sub-Accounts, Mutual Funds or FVCIs will be subject to applicable law, rules, regulations, guidelines and the terms and conditions stipulated in approvals, if any, obtained from regulatory authorities such as the SEBI and the RBI.
10. The BRLM, in consultation with our Company, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

11. In terms of the SEBI Regulations, QIBs shall not be allowed to withdraw their Bid in the QIB Portion after the Bid/Issue Closing Date.
12. Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.
13. The Allotment details shall be put on the website of the Registrar to the Issue.
14. Bids received from ASBA Bidders will be considered at par with Bids received from other Bidders. No preference shall be given to ASBA Bidders vis a vis other QIBs, Retail Individual Bidders and Non-Institutional Bidders or vice versa. The 'Basis of Allocation' to such valid ASBA Bidders and other QIBs, Retail Individual Bidders and Non-Institutional Bidders will be that applicable to QIBs, Retail Individual Bidders and Non-Institutional Bidders.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) Our Company, the BRLM and the Syndicate Members shall enter into the Underwriting Agreement upon finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, our Company will update and file the Red Herring Prospectus with RoC, which then will be termed "Prospectus". The Prospectus will have details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects, subject to finalization of the 'Basis of Allocation'.

#### **Filing of the Red Herring Prospectus and the Prospectus with the RoC**

We will file a copy of the Red Herring Prospectus and the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

#### **Issuance of CAN**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or before the approval of the 'Basis of Allocation' for the Retail Individual Bidders and Non-Institutional Bidders. However, the investor should note that our Company shall ensure that demat credit of Equity Shares to all investors in this Issue is completed within two Working Days from the date of Allotment.
- (b) The BRLM, the members of the Syndicate or the Registrar to the Issue, as the case may be, will then send a CAN to Bidders who have been allocated Equity Shares in the Issue.
- (c) Bidders including QIB Bidders who have been allocated Equity Shares and who have already paid into the Escrow Accounts at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts.

#### **Issuance of CAN with respect to ASBA Bidders**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA;
- The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and
- The details of rejected ASBA Forms, if any, along with reasons for rejection and details of withdrawn (except in case of QIB bidding through an ASBA Form) or unsuccessful ASBA Forms, if any, to enable SCSBs to unblock the respective ASBA Accounts.

ASBA Bidders should note that our Company shall ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and

- (b) The ASBA Bidders shall directly receive the CANs from the Registrar. The dispatch of a CAN to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

#### **Designated Date and Allotment**

(a). Our Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder's depository account will be completed within 11 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 to them pursuant to this Issue.**

#### **Equity Shares in Dematerialised form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form (i.e., not in the form of physical certificates but fungible statements issued in electronic mode).

In this context, two tripartite agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- (a) an agreement dated March 08, 2010 among NSDL, our Company and the Registrar to the Issue; and
- (b) an agreement dated March 10, 2010 among CDSL, our Company and the Registrar to the Issue.

Bidders will be allotted Equity Shares only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing on the Bid cum Application Form and Revision Form.
3. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid cum Application Form, Bid Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details available with the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Bid Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form or vis-à-vis those recorded with his or her Depository Participant.
7. Trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges, where our Equity Shares are proposed to be listed, have electronic connectivity with CDSL and NSDL.

## **ALLOTMENT**

### **Basis of Allotment**

#### **A. For Retail Individual Bidders**

- Bids received from Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to 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 allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

#### **B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Net Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation 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 valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis of not less than 50 Equity Shares and in multiples of 50 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

### **C. For QIB Bidders**

- Bids received from QIB Bidders bidding in the QIB Portion at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) If Bids from Mutual Funds exceed 5% of the QIB Portion, allocation to Mutual Funds shall be made on a proportionate basis of not less than 50 Equity Shares and in multiples of 50 Equity Share thereafter up to 5% of the QIB Portion.
    - (ii) If the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to QIB Bidders as set out in (b) below.
  - (b) In the second instance allocation to all Bidders shall be determined as follows:
    - (i) In the event of an 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 of not less than 50 Equity Shares and in multiples of 50 Equity Share thereafter.
    - (ii) Mutual Funds who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis of not less than 50 Equity Shares and in multiples of 50 Equity Share thereafter along with other QIB Bidders.
    - (iii) Under-subscription below 5% of the Mutual Fund Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The BRLM, the Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of Allotment is finalised in a fair and proper manner in accordance with the SEBI Regulations. The drawing of lots (where required) to finalise the basis of Allotment shall be done in consultation with the Designated Stock Exchange.

### **Procedure and Time of Schedule for Allotment and demat Credit of Equity Shares**

The Issue will be conducted through a “100% Book Building Process” pursuant to which the members of the Syndicate will accept Bids for the Equity Shares during the Bid/Issue period. The Bid/Issue period will commence on June 24, 2010 and expire on June 28, 2010. Following the expiration of the Bid/Issue period, our Company, in consultation with the BRLM, will determine the Issue Price, ‘Basis of Allocation’ and entitlement to Allotment based on the Bids received and subject to confirmation by the Designated Stock Exchange. Successful bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid Bid amount for the Equity Shares within a prescribed time. The SEBI Regulations require our Company to complete the Allotment to successful bidders within 8 working days of the expiration of the Bid/Issue period. The Equity Shares will then be credited and Allotted to the investors’ demat accounts maintained with the relevant Depository Participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

### **Unblocking of ASBA Account**

Once the basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the SCSBs for unblocking the ASBA Accounts and for the transfer of requisite amount to the Public Issue Account. On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the relevant Controlling Branch regarding finalisation of the ‘Basis of Allocation’, in the event of withdrawal or failure of this Issue or withdrawal or rejection of the ASBA Bid, as the case may be.

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs along with the demand generated by other Bidders, to determine the total demand generated by such Bidders.

### **Method of proportionate Basis of Allotment**

In the event the Issue is oversubscribed, the Allotment shall be as per the basis of Allotment approved by the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

Allotment to Bidders shall be made in marketable lots on a proportionate basis as explained below:

- (a) Bidders will be categorised according to the number of Equity Shares applied for by them.
- (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) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) If the proportionate Allotment to a Bidder is a number that is more than 50 but is not a multiple of one (which is the market lot), the decimal will be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it will be rounded off to the lower whole number. Allotment to all Bidders in such categories shall be arrived at after such rounding off.
- (e) In all Bids where the proportionate Allotment is less than 50 Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of 50 Equity Shares; and
  - The successful Bidders out of the total Bidders for a portion shall be determined by the drawing 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 (c) above; and
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance of Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for the minimum number of Equity Shares.

## PAYMENT OF REFUND

Bidders should note that on the basis of the PAN, name of the Bidders, Depository Participant's name, Depository Participant identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidder's bank account details including a nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders, as the case may be, at the Bidder's sole risk and neither our Company, its Directors and officers, its directors, affiliates, associates and their respective directors and officers the Syndicate Members, the Escrow Collection Banks, the BRLM nor the Registrar to the Issue shall have any responsibility and undertake any liability for the same.

### Mode of making refunds for Bidders other than ASBA Bidders

The payment of refund, if any, would be done through various modes in the following manner:

1. **NECS** – Payment of refunds would be mandatorily done through NECS for applicants having an account at any of centers 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 from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the centers referred to above, except where the applicant, being eligible, opts to receive refund through Direct Credit of RTGS.
2. **NEFT** – (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the Bidders' bank branch is NEFT enabled and has been assigned the IFSC, which can be linked to an MICR code of that particular bank branch.

IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. Wherever the Bidders have registered their 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 Bidders 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 and the past experience of the Registrars to the Issue. In the event NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this section.

3. **Direct Credit** – Applicants having their bank account with the Refund Banker shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by our Company.
4. **RTGS** – Bidders having a bank account with a bank branch which is RTGS enabled as per the information available on the website of RBI and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible Bidders who indicate their preference to receive refund through RTGS are required to provide the Indian Financial System Code (“**IFSC**”) 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 Bidder’s bank receiving the credit shall be borne by such Bidder.
5. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched “Under Certificate of Posting” for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above. Refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Banker(s) which shall be payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Mode of making refunds for ASBA Bidders**

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 8 working days of the Bid/Issue Closing Date.

#### **DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY AND INTEREST IN CASE OF DELAY**

With respect to Bidders other than ASBA Bidders, our 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 after the Allotment of Equity Shares.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 10 working days from the Bid/Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 10 days of the 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.



Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 11 working days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 11 working days of the Bid/Issue Closing Date;
- 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 10 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 8 working days from the Bid/Issue Closing Date; and
- Our Company shall pay interest at 15% p.a. for any delay beyond the 10 working days time period, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day the Company becomes liable to repay (i.e. 10 working days after the Bid/Issue Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day the Company becomes liable to repay, the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

Our Company shall ensure that "at par" facility is provided for encashment of refund orders for applications received, other than those received through the ASBA process.

Other than refunds effected through electronic transfer of funds, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Banker(s) and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic mode/manner. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders. Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

#### **Letters of Allotment or Refund Orders or instructions to the SCSBs**

Bidders residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS.

Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered or speed post at the sole or first Bidder's sole risk within 10 working days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 10 working days of the Bid/Issue Closing Date.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid

cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 8 working days of the Bid/Issue Closing Date, which shall be completed within one day after the receipt of such instruction from the Registrar.

**Interest in case of delay in dispatch of Allotment Letters or Refund Orders / instruction to SCSB by the Registrar to the Offer**

Allotment of Equity Shares in the Issue, including the credit of allotted Equity Shares to the beneficiary accounts of the Depository Participants, shall be made not later than 11 working days of the Bid / Issue Closing Date. Our 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 dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within eight days from the day the Company becomes liable to repay (i.e. 10 days after the Bid/Issue Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day our Company becomes liable to repay, the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

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.

**Undertakings 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 7 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 15 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 Draft 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.

### **Withdrawal of the Issue**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two days of the Bid/Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

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

In the event our Company, in consultation with the BRLM, withdraws the Issue after the Bid/Issue Closing Date, a fresh offer document will be filed with SEBI in the event we subsequently decide to proceed with the initial public offering.

### **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;

**The BRLM undertakes that the complaints or comments received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.**

### **COMMUNICATIONS**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, PAN, Bid cum Application Form number, Bidders depository account details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate or the Designated Branch of the SCSB where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, the bank account number in which an amount equivalent to the Bid Amount was blocked.

**Bidders/Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.**

## **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 (Civil Construction) 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 (i) in the United States to 'qualified institutional buyers', as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

**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 the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

## **SECTION X- DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION**

The Authorized capital of our Company is Rs. 20 crores divided into 2,00,00,000 Equity Shares of Rs. 10 each.

### **MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY**

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

#### **CAPITAL**

3. The Share capital of the Company shall be as set out in clause V of the Memorandum of Association.

#### **SHARES**

4. a) 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 proportions and on such terms and conditions and either at a premium or at par or (subject to the 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 the general Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that opinion or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

b) Save as herein otherwise provided the Company shall be entitled to treat the registered holders any shares 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 recognize any equitable, contingent, future or partial interest, in the nature of a trust or otherwise in, or any other right in respect of such shares on the part of any other persons.

5. Debenture/ Debenture stock or loan / loan stock or other securities conferring the right to allotment or conversion into shares or the option of right to call for allotment of shares shall not be issued except with the sanction of the Company in General Meeting.

#### **6. SHARE CERTIFICATES**

a. Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in the 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 three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paidup thereon and shall be in such form as the directors may prescribe or approve. If any share stands in the names of two or more persons all the joint holder of the share shall be severally as well as jointly liable for the payment of all deposits, installments, and calls due in respect of such shares, and for all incidents thereof according to the Company's regulations but the person first named in the Register shall, as regards service of notice, and all other matters connected with the Company, except the transfer of the share and any other matter by the said Act or herein otherwise provided, be deemed the sole holder thereof.

b. If any certificate be worn out, defaced, mutilated, or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being

given, and a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate, every certificates under the Article shall be issued without payment of fees.

c. Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf. The provision of this Article shall mutatis mutandis apply to debentures of the Company.

## **DEMATERIALISATION OF SECURITIES**

### **7. b) Dematerialisation of securities:**

NOT WITHSTANDING ANY thing contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialisation form pursuant to the Depositories Act, 1996.

### **c) Options for Investors:**

Every person subscribing to securities offered by the Company shall have the option to receive Security certificates to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt 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 manner and within the time prescribed, issue to the beneficial owner the required certificate of Securities. If a person opts to hold his security with a depository, the Company shall intimate such depository the detail of allotment of the security.

### **d) Securities in depositories to be in fungible form:**

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372 of the Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner.

### **e) Rights of depositories and beneficial owners:**

(i) Notwithstanding anything to the contrary contained in the Act, or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership security 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 holding 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 records 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.

### **f) Services of documents:**

Notwithstanding anything in the Act; or these articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

### **g) Transfer of securities:**

Nothing contained in Section 108 of the Act, or these articles shall apply to a transfer of Securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

### **h) Allotment of securities dealt with in a depository:**

Notwithstanding anything in the Act, or these articles, where securities are dealt with by a depository, the Company shall intimate the details there of the depository immediately on allotment of such securities.

### **i) Distinctive numbers of Securities held in a depository:**

Nothing contained in the Act, or these articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

j) Register and index of beneficial owners:

The Register and Index of beneficial owners maintained by a depository under the depository act, 1996, shall be deemed to be the Register and Index of Members and Security holders for purposes of these Articles.

## **CAPITAL & FURTHER ISSUE**

8. a. The Company may, from time to time by passing an ordinary resolution increase the share capital by such sum to be divided into shares of such amount, as may be specified in the resolution. The Company may by ordinary resolution:

- i. Consolidate and divide all or any part of its share capital into shares of larger amount than the existing share;
- ii. Sub-divide its existing shares or any of them into shares of smaller amounts than is fixed by the memorandum subject nevertheless to the provisions of the Act;
- iii. Cancel any shares which at the date of passing of the resolution have not been taken or agreed to be taken by any person;

b. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, which ever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un issued capital or out of the increased share capital then:

i. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

ii. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

iii. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may, renounce the shares offered to him.

iv. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think in their sole discretion fit.

c. Notwithstanding anything contained in sub-clause (b) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (i) of sub-clause (b) 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 the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.

d. Nothing in sub-clause (iii) of (b) hereof shall be deemed:

i. To extend the time within which the offer should be accepted; or

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:

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

f. 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 condition as to redemption, surrender, drawing, allotment 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.

9. The Company may subject to section 100 to 103 of the Companies Act, 1956, by special resolution reduce by any manner authorized by law:

- (a) Its share capital;
- (b) Any capital redemption reserve account;
- (c) Any share premium account

## **CALLS**

10. The Board may from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment make such calls as it thinks fit upon the members in respect of all monies unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board.

11. The Board may from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time as to all or any of the members, whom by reason of their residing at a distance or other cause, the Board may deem fairly entitled to such extension but no member shall be entitled to such extension as a matter of right.

12. If a member fails to pay any call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof till the time of actual payment at such rate as shall from time to time be fixed by the Board, but nothing in this article shall render it compulsory for the Board to demand or recover any interest from any such member.

13. A call may be revoked at the discretion of the Board.

14. Any member willing to advance, may pay all or any part of the money due upon shares held by him beyond the sums actually called for, and upon the money so paid in advance or remitted thereto as from time to time exceeds the amount of calls may carry interest but shall not entitle the member thereof to dividend or to the participation in profits on the uncalled amount nor shall he/she be entitled to any voting rights in respect of the same until such amount would (but for such payment) become presently payable.

15. The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the Company may pay interest at such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in

advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

16. The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

17. The Provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

18. The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the Company may pay interest at such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

## **DIVIDENDS**

### **Division of profits:**

19. The profits of the Company, subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital paid upon the shares held by them respectively. Provided always that any capital paid up or credited as 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 shares to an apportioned amount of such Dividend proportionate to the capital from time to time paid up during such period on such share.

### **Capital paid up in advance at interest not to earn dividend**

20. Where capital is paid up in advance of calls up on 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**

21. The Company may pay dividends in proportion to the amount paid up or credited as paid up on each share.

### **The Company in general Meeting may declare a dividend**

22. The Company in General meeting may, subject to the provisions of Section 205 of the act, declare dividend to be paid to the members according to their respective rights and interests in the profit and subject to the provisions of the Act, may fix the time for payment. When a dividend has been so declared, subject to the provisions of Section 207 of the Act, either the dividend shall be paid or the warrant in respect thereof shall be posted within 30 days of the date of the declaration to the shareholders entitled to the payment of the same.

### **Powers of General Meeting to limit dividend**

23. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company, or other wise than in accordance with the provisions of Section 205, 205A, 206 and 207 of the Act and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

### **Interim dividend**

24. Subject to the provisions of the Act, the Directors may, from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

### **Right to dividend etc. pending registration of transfer**

25. Wherein an instrument of transfer of shares of the Company has been delivered to the Company for the registration and the transfer of such shares has not been registered by the Company, it shall comply with the

provisions of Section 206A of the Act in respect of the dividend right, shares and bonus share in relation to such shares. No member to receive dividend whilst indebted to the Company and Company's right of reimbursement there out.

26. Subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend in respect of his shares, whilst any money may be due or owing from him/her to the Company in respect of such shares or otherwise howsoever either alone or jointly with any other persons, and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

#### **Right to dividend pending registration of transfer**

27. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

#### **Dividends how paid**

28. Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the Registered address of the member or person entitled or in case of joint holders to that one of them first named in the Register in respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or other person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery, there of by any other means.

#### **Unpaid dividend remitted.**

29. The Company shall duly comply with the provisions of Section 205-A of the Act in respect of a dividend declared by it but which has not been paid or the warrant in respect thereof has not been posted with in forty-two days from the day of the declaration to any shareholder(s) entitled to the payment of the Dividend. Where the Company has declared a dividend but which has not been paid or the dividend warrant is in respect thereof has not been posted within 30 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 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend Account of ASTER SILICATES LIMITED" 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. Any money transferred to Unpaid Dividend account of the Company in pursuance of section 205A of the Act, which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to the fund established under sub-section (1) of section 205C. No uncalled or paid dividend shall be forfeited by the Board.

#### **Dividend and Call together**

30. Any General Meeting declaring a dividend may on the recommendation of the Directors makes a call on the members for such amounts as the meeting fixes, but so that the call to each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so warranted between the Company and the members be set off against the call.

#### **FORFEITURE, SURRENDER, LIEN**

##### **If call or installment not paid, notice may be given**

31. If any member fails to pay the whole or any part of any call installment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter, during such time as the call or installment or any part thereof or other money as aforesaid remain unpaid or a judgment or decree in respect there of remains unsatisfied in whole or in part, serve a notice on such member or on the person (if any) entitled to the shares 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 (Legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

## **TERMS OF NOTICE**

32. The Notice shall name a day (not being less than 14 days from the date of the notice) on or before which and the place or places at which such call, installment or such part thereof and such other moneys as aforesaid and such interest and expenses as aforesaid are to be paid, and if payable to any person other than the Company, the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the Company) at the place appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

## **SHARES TO BE FORFEITED IN DEFAULT OF PAYMENT**

33. If the requirements of any such notice as aforesaid shall not be complied with, any of the shares in respect of which notice has been given may, at any time thereafter but before payment of all calls or installments interest and expenses and other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

## **ENTRY OF FORFEITURE IN REGISTER OF MEMBERS**

34. When any shares shall have been so forfeited, an entry of the forfeiture, with the date thereof, shall be made in the Register of Members and notice of the forfeiture shall be given to the member in whose name they stood immediately prior to the forfeiture but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any entry as aforesaid.

## **FORFEITED SHARE TO BE PROPERTY OF THE COMPANY AND MAY BE SOLD ETC.**

35. Any share so forfeited shall be deemed to be the property of the Company and may be sold, reallocated or otherwise disposed of upon such terms and in such manner as the Board shall think fit.

## **Directors may annul forfeiture:**

36. The Directors may, at any time before any, shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.

## **SHAREHOLDER STILL LIABLE TO PAY MONEY OWING AT THE TIMES OF FORFEITURE AND INTEREST**

37. Any person whose shares 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 moneys owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rates the Directors may determine and the Directors may enforce tie payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture but shall not be under any obligation to do so.

## **EFFECT OF FORFEITURE**

38. The forfeiture of a share shall involve the extinction, at the time of the forfeiture of all interest in and all claims and demands against the Company in respect of the shares forfeited and all other rights incidental to the share, except only such of those rights as by these presents are expressly saved.

## **SURRENDER OF SHARES**

39. The Directors may, subject to the provisions of the Act, accept a surrender of any share from or by any member desirous of surrendering them on such terms as they think fit.

## **COMPANY'S LIEN ON SHARES**

40. The Company shall have a first and paramount lien upon all the shares/ debentures (Other than fully paid-up shares/debentures) registered in the name of each member (Whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys ( whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full lien. And such lien shall extend to all

dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

41. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made unless the sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, or other legal representatives as the case may be, and default shall have been made by him or them in the payment of the sum payable as aforesaid, the certificates in respect of the shares sold shall stand cancelled and become null and void and have no effect and the Directors shall be entitled to issue a new certificate(s) in lieu thereof to the purchaser or purchasers concerned.

#### **APPLICATION OF PROCEEDS OF SALE**

42. The net proceeds of any such sale, after payment of the costs of such sale, shall be applied towards the satisfaction of such debts, liabilities or engagements of such member 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 such member or the person (if any) entitled by transmission to the shares so sold.

43. A certificate in writing under the hands of two Directors that the call in respect of a share was made by a resolution of the Directors to that effect shall be conclusive evidence of the facts stated there in as against all persons entitled to such share

#### **TITLE OF PURCHASER AND ALLOTTEE OF FORFEITED SHARES OR SHARES SOLD IN EXERCISE OF LIEN.**

44. Upon any sale after forfeiture or for enforcing lien in the exercise of the power herein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the shares sold and the Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed off may be registered as the holder of the share and he shall not be bound to sell to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person.

#### **CANCELLATION OF SHARE CERTIFICATES IN RESPECT OF FORFEITED SHARES**

45. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relevant shares shall, on demand by the Company, have been previously surrendered to it by the defaulting member stand cancelled and become null and void and have no effect and the Directors shall be entitled to issue new certificates in respect of the said shares to the person or persons entitled there to.

#### **MODIFICATION OF RIGHTS RIGHTS ATTACHED TO ANY CLASS OF SHARES MAY BE VARIED**

46. If at any time the share capital is divided into different classes, the rights attached to any calls of shares (unless otherwise provided by the terms of issue of the shares of the class) may, subject to the provision of sections 106 and 107 of the Act, be modified, commuted, affected, abrogated or varied (whether or not the Company is being wound up) with the consent in writing of the holders of not less than three fourth of the issued shares of that class, or with meeting of the holders of that class of shares and all the provisions herein after contained as to General Meeting shall mutatis mutandis apply to every such meeting.

#### **UNDERWRITING AND BROKERAGE COMMISSION FOR PLACING SHARE, DEBENTURES ETC**

47. The Company may, subject to the provision of Section 76 and other applicable provisions (if any) of the Act, at any time pay a commission to any person in consideration of his subscribing, whether absolutely or conditionally, for any shares in or debentures of the Company as per the rate prescribed in the Act if any. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or

debentures or partly in the one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

#### **TRANSFER AND TRANSMISSION OF SHARES:**

##### **48. Form of Transfer**

The instrument of transfer of any shares shall be in writing and all the provisions of section 108 of the Act and of any statutory modifications thereof for the time being in force shall be duly complied with in respect of all transfers of shares and the registrations. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of depository.

#### **INSTRUMENTS OF TRANSFER TO BE EXECUTED BY THE TRANSFEROR AND TRANSFEE**

49. Every such instrument of transfer shall be signed by or on behalf of the transferor and by or on behalf of the 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.

50. No fees shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

#### **DIRECTORS MAY REFUSE TO REGISTER TRANSFER**

51. Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, 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, the 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 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.

#### **Transfer not to be registered except on production of instrument of transfer**

52. The Company shall not register a transfer of shares in the Company 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 within the prescribed period along with the certificate relating to the shares, or if no such share certificate relating to the shares is in existence along with the letter of allotment of the shares. Provided that, on an application in writing made to the Company by the applicant bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnify as the Board may think fit provided any power of the Company to register as shareholder any person to whom the right to any share in the Company has been transmitted by operation of law.

#### **NOTICE OF REFUSAL TO BE GIVEN TO TRANSFEROR AND TRANSFEE.**

53. If the Company refuses to register the transfer of any share or transmission of any right therein the Company shall, within one month from the date on which the instrument of transferor intimation of transmission was lodged with the Company, send notice of refusal to the transferee and transferor or the person giving intimation of transmission as the case may be, and thereupon the provision of section 111 of the Act, or any statutory modification thereof for the time being in force shall apply.

#### **TRANSFER BY LEGAL REPRESENTATIVE**

54. A transfer of a share in the Company of a deceased member thereof made by his legal representative shall although the legal representative is not himself a member be valid as if he had been a member at the time of the execution of the instrument of transfer.

#### **CUSTODY OF INSTRUMENT OF TRANSFER**

55. The instrument of transfer after registration shall be retained by the Company and shall remain in its custody. The Directors may cause to be destroyed all transfer deeds lying with the Company for period of ten years or more.

#### **CLOSURE OF TRANSFER BOOKS**

56. The Directors shall have power, on giving not less than seven days previous notice by advertisement as required by section 154 of the Act, to close the transfer books of the Company, the Register of Members or the Register of Debentures holders at such time or times and for such period(s) of time(s) not exceeding 30 days at a time, as to them may seem fit.

#### **TITLE OF SHARES OF DECEASED HOLDER**

57. The executor or administrators or a holder of a succession certificate in respect of the estate of deceased member, not being one or two or more joint holders shall be the only persons recognized by the Company as having any title to the shares registered in the name of such deceased member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained probate or letters of Administration as the case may be, from a duly constituted 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 letters of Administration or Succession Certificate and register the name of any person who claims to be absolutely entitled to the shares standing in the name of deceased member, as member.

#### **TRANSMISSION**

58. Subject to the provisions contained in Article 57 hereof, any person becoming entitled to a share in consequence of the death, lunacy or insolvency of any member, upon producing proper evidence of the grant of probate or Letter of Administration or Succession Certificate or such other evidence that he sustains the character in respect of which he purports to act under this Article or of his title to the shares as the Board thinks sufficient may, with the consent of Board (which it shall not be under any obligation to give), be registered as member in respect of such shares, or may, subject to the regulations as to transfer herein before contained, transfer such shares. This Article is herein referred to as transmission Article.

#### **REFUSAL TO REGISTER IN CASE OF TRANSMISSION**

59. Subject to the provision of the Act and these Articles the Directors shall have the same right to refuse to register any such transmission until the same be so verified or until or unless as indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient.

#### **PERSONS ENTITLED MAY RECEIVE DIVIDEND WITHOUT BEING REGISTERED AS MEMBER.**

60. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or moneys as hereinafter provided, be entitled to receive any dividends or other moneys payable in respect of the shares.

#### **NO FEE ON TRANSFER OR TRANSMISSION**

61. No fee shall be charged for transfer and transmission of shares or for the registration of any Power of attorney, probate, letter of administration or any other similar documents. No fee shall also be charged for issue of new share certificates in replacement of those which are old, decrepit, and wornout or where the cages on the reverse of the share certificates for recording transfers have been fully utilised.

## **COMPANY NOT LIABLE FOR DISREGARD OF A NOTICE PROHIBITING REGISTRATION OF TRANSFER**

62. The Company shall incur no liability or responsibility whatsoever in consequence of their 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 such shares notwithstanding that the Company may have received a notice prohibiting registration of such transfer and may have entered such notices referred thereto in any book of the Company, and save as provided by Section 187-C of the Act, the Company shall not be bound or required to be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some books of the Company but attend to any such notice and give effect thereto, if the Directors so think fit.

## **REGISTER OF TRANSFER**

63. The Company shall keep a book called the "Register of Transfer" and therein shall be fairly and distinctly entered the particulars of every transfer, transmission of any share in the Company.

## **NOMINATION FACILITY TO SHAREHOLDERS/DEBENTURE HOLDERS**

### **Option of the Nominee**

64. (a) Every shareholder or debenture holder of the Company, may at any time nominate a person when his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act.

(b) Where the shares debentures of the Company are held by more than one person jointly, joint holders may nominate a person to whom all the rights in the shares or debentures as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.

(c) Notwithstanding anything contained in any other law for the time being in force or in any disposition whether testamentary or otherwise, where a right to vest the shares or debentures, the nominee shall, on the death of the shareholders or debenture holder, joint holder becoming entitled to all the rights in such shares or debenture or as the case may be, all the joint holders in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner, as may be prescribed under the Act.

(d) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to the nomination to appoint any person to become entitled to shares in or debentures of the Company in manner prescribed under the Act, in the event of his death, during the minority.

65. A nominee upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either

a) To register himself as holder of the share or debenture, as the case may be; or

b) (i) To make such transfer of the shares and/or debentures, as the deceased shareholder or debenture holder as the case may be, could have made

(ii) If the nominee elects to be registered as holder of the shares or debentures, himself as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elected and such notice shall be accompanied with death certificate of the deceased shareholder or debenture holder, as the case may be.

(iii) A nominee shall be entitled to the share dividend/interest and other advantages to which he would be entitled if he were to be registered holder of the shares or debentures, provided that he shall not be registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures and if the notice is not complied with in ninety days, the board may there after withhold payment of all the dividends, bonuses or other dues in respect of the shares or debentures until the requirements of the notice have been complied with.

## **EMPLOYEE STOCK OPTION**



66. The Directors are hereby authorised to issue Equity shares or Debentures (whether or not convertible into equity shares) for offer and allotment to such of the officers, employees and workers of the Company as the Directors may select or the trustees of such trust as may be set up for the benefit of the Officers, Employees and workers in accordance with the terms and conditions of such scheme, plan or proposal as the Directors may formulate. Subject to the consent of the Stock Exchanges and of the Securities and Exchange Board of India, the Directors may impose the condition that the shares in or debentures of the Company so allotted shall not be transferable for a specified period.

#### **BUY BACK OF SHARES**

67. The Company shall have a power subject to and in accordance with all other applicable provisions of the Companies Act, 1956, to acquire/purchase any of its fully paid shares on such terms and conditions and upto such limits as may be prescribed by the law from time to time and may be determined by the Board from time to time and may make payment out of free Reserves and Surplus and/or Securities Premium Account and/or proceeds of any shares or other specified securities or such other funds as may be prescribed by the law in respect of such acquisition /purchase.

#### **BORROWING POWERS**

68. Subject to the provision of the Act and these Articles and without prejudice to the other powers conferred by these Articles the Directors shall have the power from time to time at their discretion, by a resolution passed at a meeting of the Board and not by circular Resolution, to accept deposits from members either in advance of calls or other wise and generally raise or borrow from members either in advance of calls or otherwise and generally raise or borrower secure the payment of any sum or sums of moneys for the purposes of the Company provided that the total amount borrowed at any time together with the moneys already borrowed by the Company from banks and/or financial institutions (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not, without the consent of the Company General Meeting, 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. Such consent shall be obtained by an ordinary resolution, which shall provide for the total amount upto which, moneys may be borrowed by the Board. The expression Temporary loans in this Articles means loan repayable on demand or within six months from the date of the loans such as short term loans, cash credit arrangements, discounting of bills and the issue of other short-term loans of seasonable character but does not include loans raised for the purpose of financing expenditure of a capital nature.

#### **Conditions on which moneys may be borrowed**

69. Subject to the provisions of the Act and these Articles, the Director may, by a resolution passed at a meeting of the Board and not by circular resolution raise or secure the payment of such sum in such manner and upon such issue of bonds, perpetual or redeemable debentures or debenturesstock, 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.

#### **DIRECTORS:**

##### **Number of Directors**

72. Subject to the provision of Section 252 of the Act, the number of Directors shall not be less than three, and unless otherwise determined by the Company in General Meeting not more than 12 (twelve).

##### **Qualification Share**

(d) A Director need not hold any shares in the capital of the Company to qualify him to be a Director of the Company.

##### **Appointment of Alternate Directors:**

76. The Board of Directors of the Company may appoint an alternate Director to act for a Director (hereinafter called "the Original Director") during his absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held and such appointment shall have effect and

such appointee, whilst he ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to receive notice of meetings of the Directors and to attend and vote thereat accordingly.

### **Casual Vacancy**

77. Subject to the provisions of Section 262(2), 284(6) and other applicable provision (if any) of the Act, any casual vacancy occurring in the office of a Director whose period of office is liable to determine by retirement by rotation may be filled up by the Directors at a meeting of the Board. Any person so appointed would have held office, if the vacancy had not occurred.

### **Appointment of Additional Directors**

78. Subject to the provisions of section 260, 284(6) and other applicable provisions (if any) of the Act, the Director shall have power at any time to appoint a person(s) as Additional Director. Such Additional Director shall hold office only up to the date of the next Annual General Meeting of the Company, but shall be eligible for reelection at that meeting as a Director, provided that the number of Directors and the Additional Director together shall not exceed the maximum strength fixed by the Articles hereof Directors may act notwithstanding vacancy.

79. The continuing Directors may act notwithstanding any vacancy in their body but subject to the provisions of the Act, if the number falls below the minimum number fixed and notwithstanding the absence of a quorum, the Directors may act for the purpose of filling up vacancies or for summoning General Meeting of the Company.

### **Directors may be Directors of companies promoted by the Company.**

83. Director of the Company may be or may become a Director of any Company promoted by the Company or in which it may be interested as a Vendor, member or otherwise and subject to the provisions of the Act and these Articles, no such Director shall be accountable for any benefits received as a Director or member of such Company.

### **MEETING OF DIRECTORS:**

#### **Meeting of Directors**

84. The Directors may meet together as a Board 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 as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that a meeting of the Board, which had been called in compliance with the terms herein, mentioned could not be held for want of quorum.

#### **When meetings to be convened and notice thereof**

85. A Director or the Managing Director may at any time and the Secretary upon the request of a Director shall convene a meeting of the Directors. Notice of every meeting of the Directors of the Company shall be given in writing to every Director for the time being in India and at his usual address in India and to every other

#### **Director as provided in Section 286 of the Act Quorum**

86. Subject to the provisions of Section 287 and other applicable provisions (if any) of the Act, the quorum for the meeting of the Board of Directors shall be one third of the total strength of the Board of Directors(excluding Directors, if any, whose places may be vacant at the time, and any fraction contained that one third being rounded off as one) or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not interested and are present at the meeting, not being less than two shall be the quorum during such meeting. 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 discretion by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.

### **Adjournment of meeting for want of quorum**

87. If a meeting of the Board of Directors cannot be held for want of quorum, then the meeting shall stand adjourned until such date and at such time and place as the Chairman may appoint and in default of such appointment to 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 or to such day, time and place as the Directors may determine.

### **Directors may appoint committees**

91. Subject to the provisions of Section 292 of the Act, the Directors may delegate any of their powers to committee 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 person or purposes, but every committee so formed shall, in the exercise of the powers so delegated to strictly 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 fulfilment of the purpose of their appointment 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 their body constituting a Committee appointed by board in terms of these Articles and may pay the same.

### **Meetings of committees how to be convened**

92. The meetings and proceedings of any such committee consisting of two or more Directors shall be governed by the provisions herein contained in respect of the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last proceeding Article.

### **Minutes of proceedings of Board of Directors and Committees to be kept**

93. The Company shall cause minutes of the meeting of the Board of Directors and of Committees of the board to be duly entered in a book(s) provided for the purpose in accordance with the relevant provisions of Section 193 of the Act.

### **General Powers of Directors**

94. (a) Subject to the provisions of Section 292, 293, 293A and another applicable provisions of the Act and these Articles the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise, and do. Provided, that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or by the Memorandum or these Articles or otherwise to be exercised or done by the Company in General Meeting.

(b) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board, which would have been valid if that regulation had not been made.

### **Meeting of Members**

96. Annual General meeting and any other general meeting of the Company may be convened subject to Section 166 and Section 210 of the act by giving not less than 21 days notice in writing. Subject to the provisions of section 171(2) a meeting may be convened after giving a shorter notice.

### **Quorum**

97. Five members entitled to vote and present in person shall be a quorum in the General Meeting. No business shall be transacted at any General Meeting unless the quorum of the members is present at the time when the meeting proceeds to business.

### **Chairman of the meeting**

98. The chairman of the Board of Directors or in his absence one of the Directors chosen by the Directors present shall preside as chairman at every General Meeting of the Company. If no Directors is present or if the Director present is not willing to act as Chairman, the members present shall choose one of the members to be a chairman.

### **Voting**

99. On a show of hands, every member present in person shall have one vote. On a poll every member shall have one vote in respect of one share held by him.

100. At any General Meeting a resolution put to vote at the meeting shall be decided on show of hands unless the poll is (before or on the declaration of result of the show of hands) demanded by a 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 1/10th of the total voting power in respect of the resolution or on which an aggregate sum of not less than Rs.50,000/- has been paid up. The demand for poll may be withdrawn at any time by the person who made the demand.

101. Notwithstanding any thing contained in the Articles of Association of the company, the company do adopt the mode of passing a resolution by the members of the Company by means of: postal ballot and/ or other ways that may be prescribed by the Central Government in this behalf in respect of any business that can be transacted by the Company in the General Meeting and particularly, resolution relating to such business as a Central Government may be notification, declare to be conducted only by postal ballot. The Company shall comply with the procedure for such postal ballot and/ or other ways prescribed by the Central Government in this regard.

102. In the case of an equality of votes whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.

103. Votes may be given either personally or by proxy. No member shall be entitled to be present or to vote either personally or otherwise at any General Meeting or upon a poll or to be reckoned in a quorum unless all calls or other sums presently payable by him in respect of the shares in the Company have been paid 21 days prior to the date of General Meeting.

104. The instrument appointing a proxy shall be in the form prescribed by the Act or a form as near thereto as circumstances admit and shall be signed by the appointer or his attorney duly authorised in writing or under its common seal if the appointer is a Corporation. The instrument shall be deposited at the Registered Office of the Company not less than 48 hours before the time for holding of the General Meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

## **RESERVES AND CAPITALISATION**

### **Reserves**

105. The Board may, before recommending any dividend set aside out of the profits of the Company such sums as it thinks proper as a reserve which shall at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or as may be permitted by the Act, applied for payment of dividend or be invested in such investments and in such manner or as may be permitted by the Act and as the Board may from time to time think fit.

### **Capitalisation**

106. (a) Any general Meeting may resolve that any amounts standing to the credit of the Share Premium Account, 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 realization and where permitted by law, from the appreciation in value of any General Reserve, or any Reserve Fund or any other Fund of the Company or in the hands of the Company and available for dividend) be capitalised.

(1) By the issue and distribution as fully paid up shares of the Company; or

(2) By crediting shares of the Company, which may have been issued to any shareholder are not fully paid up with the whole or any part of the remaining unpaid thereon. Provided that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares, of the Company to be issued to member (as herein provided) as fully paid bonus share

(b) For the purpose of giving effect to any such capitalisation 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 and may fix the value for distribution of any specific assets and may determine that cash payments be made to any member on the footing of the value so fixed and may vest any such case or shares in trustees pun such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangements for the acceptance allotment and sale of such shares and fractional certificates or otherwise as they may think fit.

(c) 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 affected 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 the fully paid shares, and the. partly paid shares, the sum so applied on the payment of such further shares and in the extinguishments 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 shares respectively.

(d) When deemed requisite, a proper contract shall be filed 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.

## **MANAGING DIRECTOR/ WHOLE-TIME DIRECTOR**

### **Power to appoint Managing Director and whole time Director**

107. Subject to the provisions of Section 197A, 198, 267, 268, 269, 309, 310, 311, 314, 316 and 317 and other applicable provisions of the Act or these Articles, the Directors may from time to time appoint a Executive Chairman, Managing Director or Whole-time Directors with any designation, of the Company on such terms and conditions as may be decided by the Board or the Shareholders or any statutory authorities. The Executive Chairman or the Managing Director or the Whole-time Director will be eligible to exercise such powers as may be delegated by the Board or Shareholders. Payment of remuneration to the Whole time Directors shall be subject to the provisions of Section 198, 309, 310, 311 .and Schedule XIII of the Companies Act 1956.

## **RECONSTRUCTION/WINDING UP**

### **Reconstruction**

108. On any sale of the under taking of the Company the Board or Liquidator on a winding up may, if authorized by a Special Resolution, accept fully paid or partly paid-up shares, debentures or securities of any other Company, whether incorporated in India or not, either then existing or to be formed for the purchase in whole or in part of the property of the Company, and the Board (if the profits of the Company permit) or the liquidator (in a winding up) may distribute such shares or securities or any other property of the Company amongst the members without realization, or vest the same in trustees for them, and any Special Resolution may provide for the distribution or appropriation of cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal rights of the members or contributors of the Company and for the valuation of such manner as the meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound up, such statutory rights, if any, under section 494 of the Act as are incapable of being waived or excluded by these Articles.

### **Distribution of Assets**

109. If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up or which

ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in a 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 among 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. But this Article is to be without prejudice to rights of the holders of shares issued upon special terms and conditions.

### **Winding up and Distribution of assets in specie or kind**

110. (a) If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution but subject to the rights attached to any preference share capital, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the Contributories or any of them, as the 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 preferential or special rights or may be excluded altogether or in part but in case any such division shall be determined, any contributory who would be prejudiced thereby shall have right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.

(c) In case any shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution, by notice in writing, intimate to the liquidator to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

### **Right of shareholders in case of the sale**

111. A Special resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may, subject to the provisions of the Act, in like manner as aforesaid determine that any shares or other consideration receivable by the liquidator be distributed 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 and consequential rights conferred by the said section.

## **INDEMNITY AND RESPONSIBILITY**

### **Directors and others right to indemnity**

112. (a) Subject to the provisions of Section 201 of the Act every Director of the Company or the Managing Director, Manager, Secretary and other officer or employee of the Company and the Trustee (if any) for the time being acting in relation to any of the affairs of the Company and every one of them 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 expenses) which any such Director, Managing Director, Manager, Secretary or other officer or employee and the trustees (if any) for the Company may incur or become liable to by reason of any contract entered into or any act, deed or thing done by him as such Director, officer, employee or trustees or in any way in the discharge of his duties.

(b) Subject as aforesaid every Director, Managing Director, Manager, Secretary or other Officer or Employee of the Company or the Trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings whether civil or criminal in which judgments given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is given to him by the Court.

### **Directors and others not responsible for acts of others**

113. Subject to the provisions of section 201 of the Act no Director, the Managing Director or other officer of the Company shall be liable for the acts, omissions, neglects or defaults of any Director or officer or for joining in any omission or other act for conformity or for any loss or expenses suffered by 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 the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous 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.

### **Managerial Personnel**

115. Subject to the provisions of law the Company may appoint Managing Directors or Manager or wholetime director and entrust the whole or in part management of the Company to him or them, but in doing so the Company shall duly observe provisions of Section 197-A of the Companies Act, 1956 regarding prohibition of simultaneous appointment of different categories of managerial personnel.

### **Appointment of Managing Director/s or whole time Director**

116. Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to be Managing Director/s or whole time Director/s (hereinafter referred to as Managing Director/s) of the Company, for fixed term not exceeding five years for which he is or they are to hold such office and may from time to time (subject to the provisions of any contract between him or them and company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

### **Managing Director/s not liable to retire by rotation**

117. A Managing Director shall not while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but he shall be subject to the same provisions as to resignation and removal as the other Directors of the Company and he shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director for any cause.

### **Remuneration of Managing Director/s**

118. The remuneration of a Managing Director, shall subject to the provisions of any contract between him and the Company from time to time, be fixed by the Directors in accordance with and within the limits prescribed by law and may be by way of fixed salary and/or commission on profit of the Company and he may be paid any gratuity, pension or allowance on retirement and may be given the benefit of any provident fund or bonus or allowance or any perquisites or benefits.

### **Powers of Managing Director/s**

119. The Directors may from time to time entrust to and confer upon a Managing Director or the Managing Directors for the time being such of the powers exercisable by them as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restriction as they think fit and they may confer such powers either collaterally with or to the exclusion of, and in substitution for, all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter, or vary all or any of such powers.

### **General powers of the Company vested in Directors**

122. 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 are not hereby or by the provisions of the Companies Act, 1956 or any other law or otherwise directed to be exercised or done by the Company in General Meeting.

### **124. Fees to Directors**

Every Director shall be paid out of the funds of the Company such sum not exceeding the limits specified under Section 310 of the Companies Act, 1956 and as the Directors may from time to time determine for attending every meeting of the Board or any Committee of the Board.

### **The Seal, its Custody and use**

126. 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 shall provide for the safe custody of the Seal for the time being. Unless otherwise determined, the Common Seal of the Company shall be affixed to any instrument or document in presence of at least one Director, or Secretary of the Company or such other person as may be authorised in that behalf by the Directors, who shall sign the instrument or document to which the seal is affixed, provided nevertheless that certificates of shares may be under the signatures of such persons as provided by the Companies (Issues of Share Certificates) Rules in force from time to time.

### **127. Resolution by Circular**

Save as expressly otherwise provided under the Companies Act, 1956, a resolution in writing approved by a majority of the Directors or members of any committee thereof who are then in India shall be valid and effectual as if it had been passed at a meeting of the Board or Committee duly convened and held.



## **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 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 A – 602, Fairdeal House, Swastik Char Rasta, Off C G Road, Navrangpura, Ahmedabad – 380 009, Gujarat, India, from date of filing the Red Herring Prospectus with RoC to Bid / Issue Closing Date on working days from the date of filing of the Red Herring Prospectus until the date of closure of the Issue.

#### **MATERIAL CONTRACTS**

1. Memorandum of Understanding dated December 8, 2009 between our Company and the BRLM, Saffron Capital Advisors Private Limited.
2. Memorandum of Understanding dated October 23, 2009 between our Company and Sharepro Services (India) Private Limited appointing.
3. Tripartite Agreement dated March 08, 2010 among our Company, NSDL and Sharepro Services (India) Private Limited.
4. Tripartite Agreement dated March 10, 2010 among our Company, CDSL and Sharepro Services (India) Private Limited.
5. Escrow Agreement dated June 10, 2010 between our Company, the BRLM, Syndicate Members, Escrow Collection Banks and the Registrar to the Issue.
6. Syndicate Agreement dated June 10, 2010 between our Company, BRLM, and the Syndicate Members.
7. Underwriting Agreement dated [●] between our Company, BRLM and the Syndicate Members.

#### **MATERIAL DOCUMENTS**

1. The Memorandum and Articles of Association of our Company, as amended.
2. Copy of Certificate of Incorporation dated August 27, 1996, issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
3. Copy of Fresh Certificate of Incorporation dated April 13, 2006, issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli pursuant to change of name from Arbuda Steel Private Limited to Aster Silicates Private Limited.
4. Copy of fresh Certificate of Incorporation dated December 4, 2009, issued by the Deputy Registrar of Companies, Gujarat, Dadra and Nagar Haveli, consequent change in constitution of our Company from private limited to public limited.
5. Extra Ordinary General Meeting resolution dated December 7, 2009 and the resolution of the Board dated November 16, 2009, authorising the Issue.

6. Resolutions dated December 01, 2009, for appointment and increase in remuneration of our current Executive Directors, namely Mr. Mahesh A. Maheshwari, Chairman and Executive Director and Mrs. Namrata M. Maheshwari, Whole Time Director.
7. Copy of Restated Audit report by the statutory auditor, M/s. H.B. Patel & Associates, Chartered Accountants dated May 28, 2010 included in the Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
8. Copy of Certificate dated May 28, 2010 from the statutory auditors, M/s. H.B. Patel & Associates, Chartered Accountants, detailing the tax benefits.
9. Copy of the Certificate from the statutory auditors, M/s. H.B. Patel & Associates, Chartered Accountants, dated May 28, 2010 regarding the sources and deployment of funds as on May 21, 2010.
10. IPO Grading Report issued by Brickwork Ratings India Private Limited dated April 29, 2010.
11. Consents in writing from our Directors, Company Secretary and Compliance Officer, Statutory Auditors, Bankers to our Company, Bankers to the Issue & Refund Banker, Book Running Lead Manager, Syndicate Member(s), Underwriter(s), IPO Grading Agency, Registrar of the Issue, Legal Advisor to the Issue to act in their respective capacities.
12. Initial listing applications dated December 21, 2010 filed with the BSE and the NSE.
13. In-principle listing approvals from BSE and NSE dated January 29, 2010 and March 05, 2010 respectively.
14. Due Diligence Certificate dated December 19, 2009 to SEBI from Saffron Capital Advisors Private Limited, the Book Running Lead Manager.
15. SEBI observation letter no. CFD/DIL/ISSUES/SK/PN/OW/6244/2010 dated May 24, 2010
16. Reply by BRLM dated June 07, 2010, for the above SEBI observation letter.

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**

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, SEBI (ICDR) Regulations, 2009 and the guidelines issued by the Government of India 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 guidelines issued thereunder, as the case may be. We further certify that all the disclosures and statements made in the Red Herring Prospectus are true and correct.

### **SIGNED BY ALL THE DIRECTORS OF ASTER SILICATES LIMITED**

Mr. Mahesh A. Maheshwari

Mrs. Namrata M. Maheshwari

Mr. Jaykishore S Rana

Mr. Venkatachalam Subramaniam

Mr. Manish G Asawa

### **SIGNED BY THE CHAIRMAN AND MANAGING DIRECTOR**

Mr. Mahesh A. Maheshwari

### **SIGNED BY HEAD - ACCOUNTS AND FINANCE**

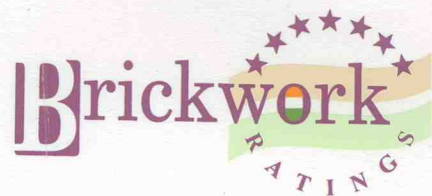
Mr. Hasmukh S Patel

### **SIGNED BY THE COMPANY SECRETARY AND COMPLIANCE OFFICER**

Mr. Janak B. Patel

**Place:** Ahmedabad

**Dated:** June 10, 2010



April 29<sup>th</sup>, 2010

To  
Mr. Mahesh A. Maheshwari,  
*Chairman and Managing Director*  
Aster Silicates Limited  
A-602, Fairdeal House, Off C.G Road,  
Navrangpura,  
Ahmedabad - 380009

Sub: Initial Public Offer for [...] equity shares of face value Rs 10 each at a price to be decided by book building process aggregating up to 53.10 Cr

Dear Sir,

Thank you for giving Brickwork Rating India Pvt Ltd (Brickwork) an opportunity to grade the proposed Initial Public Offer (IPO) of Aster Silicates Limited.

As a part of the grading process, the grading analysis was placed before the External Rating Committee of Brickwork. The Committee after due deliberations has assigned BWR IPO Grade 2 (Pronounced BWR IPO Grade Two) to the proposed public issue of equity shares by Aster Silicates Limited. IPO issues graded BWR IPO Grade 2 indicates, that the fundamentals of IPO are below average relative to other listed equity securities in India.

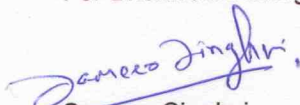
The grading is subject to terms and conditions as provided in the mandate dated 18<sup>th</sup> March, 2010 and other correspondence, if any.

The grading is valid for six months from date of mandate

Please communicate your acceptance to the grading.

Best Regards,

For Brickwork Ratings India Pvt Ltd.

  
Sameer Singhvi  
Ratings Analyst

**Brickwork Ratings India Pvt. Ltd.**

205, Samarpan Complex, 2nd Floor, Andheri -Ghatkopar Link Road, Andheri (E), Mumbai-400 099  
Tel.: +91-22-28311426 / 28311439 Fax: +91-22-28389144

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**Aster Silicates Limited**

**IPO Grading: BWR IPO Grade 2 (Below Average Fundamentals)**

Brickwork Ratings (BWR) has assigned BWR IPO Grade 2 to the proposed IPO of Aster Silicates Limited. Brickwork Ratings' BWR IPO Grade 2 indicates below average fundamentals for the issue in relation to the other listed equity securities in India. BWR assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 signifying strong fundamentals and Grade 1 signifying poor fundamentals of the issue in relation to the other listed equity securities in India.

The grading factors Aster Silicates Ltd management's experience in Chemical Industry, investment in latest technology for manufacturing sodium silicate such as triple pass regenerative and recuperative end fired glass furnace with multiple fuel arrangement and non availability of substitute product for sodium silicate. The grading is constrained by company's track record of negative cash flows from operating and investing activities, low profit margins, high customer concentration, absence of diversified product portfolio and below par corporate governance practices. In absence of funding or appraisal by a bank or term lending institution, the project cost is estimated by the company management and promoters are not participating in the issue.

**Company Profile:**

The Company was incorporated in 1996 as Arbuda Steel Private Limited to carry on the business of Iron and Steel. However, the company did not pursue the iron and steel business. The name of the Company was changed to Aster Silicates Private Limited in April 2006 and it was converted into a public limited company in December, 2009 as Aster Silicates Limited.

Aster Silicates Limited (ASL) commenced manufacture of Sodium Silicate in July 1997. The Company now operates two units in Gujarat at Kheda and Bharuch having a capacity of 100 metric tonnes per day (MTPD) and 50 MTPD respectively. Kheda unit has three furnaces and Bharuch has one furnace. These are triple pass regenerative and recuperative end fired glass furnace with multiple fuel arrangement capable of using bio gas, natural gas and coal.

ASL manufactures sodium silicate which includes food, special drilling and detergent grade silicate in glass and liquid form. Food grade sodium silicate is used in the manufacturing of Silica precipitate and gel which finds its applications in toothpaste, salt, cosmetics, glucose powder, tire & rubber and pesticides etc. Sodium silicate, (special drilling grade silicate) is also used in off-shore drilling and for reactivation of old oil and gas fields.

**Management:**

Aster Silicates is promoted by Mr. Mahesh A Maheshwari and Mrs. Namrata M Maheshwari.

Mr. Mahesh aged 45 years is the Chairman and Managing Director of the Company. He holds bachelors degree in mechanical engineering. Mr Mahesh has 22 years experience in chemical industry. Prior to promoting ASL, Mr Mahesh provided consulting services for energy conservation, furnace designs and combustion systems to various industries.

Mrs. Namrata Maheshwari aged 41 years is the director of the Company. She holds bachelor's in electrical engineering from Sardar Vallabhai Regional College of Engineering and Technology, Surat. She has experience of working as a lead auditor for ISO 9001 with SGS India. She currently manages the administrative and banking functions of the Company.

#### **Directors other than promoters of company:**

Mr. Jaykishore S Rana (75 Years) is a non executive and independent Director. Mr Rana has bachelor and master degree in electrical engineering. He worked in the R&D Centre of Jyoti Ltd, for 18 years. In the year 1983 he started consultancy services in the field of energy issues, energy conservation and energy audits. He retired from active consultancy in the year 2006.

Mr. S. Venkatachalam (60 years) is a non executive and independent director. Mr Venkatachalam is a graduate in commerce and post graduate in import and export management from Saint Xavier's Institute of Management, Mumbai. He has worked with Karur Vysya Bank and has 25 years experience in foreign exchange.

Mr. Manish G Asawa (36 year) is a non executive and independent director, Mr Asawa is B Com, ICWAI and CA (Inter). He has experience of 10 years in business of agriculture and farms and was the CEO of Pmanek Biofarms Pvt Ltd, Jamnagar. Mr Asawa promoted a proprietorship concern in the name of Alpha B&G in the year 2007 which deals in essential and organic oils, Aloe Vera and Natural Organic Fertilizers etc.

Currently Promoter and promoter group holds 71.43% equity in company and they are not participating in the IPO. Post issue their equity holding will be diluted to about 51%.

**Table 1: Pre and Post issue equity holding**

<b>Particulars</b>	<b>Pre-Issue (%)</b>	<b>Pre-Issue No. of Shares</b>	<b>Post Issue* No. of Shares</b>	<b>Post Issue (%)</b>	<b>Post issue holding cost/share (Rs.)</b>
Mr. Mahesh A Maheshwari	57.40	59,47,780	59,47,780	--	--
Mrs. Namrata Maheshwari	11.93	12,35,131	12,35,131	--	--
Promoter Group	2.10	2,18,200	2,18,200	--	--
Promoter and Promoter Group Total	71.43	74,01,111	74,01,111	~51%	--
Public	28.57	29,60,000	--	~49%	--
<b>GRAND TOTAL</b>	<b>100</b>	<b>1,03,61,111</b>	<b>--</b>	<b>100</b>	<b>--</b>

*\*The final Post Issue Shareholding pattern will be determined after the Book-Building Process*

## Objectives of the Issue:

The main objects of the issue are

- √ Expansion of existing manufacturing facilities at Bharuch from an existing capacity of 50 MTPD of Sodium Silicate to 350 MTPD.
- √ To fund additional working capital requirements; and
- √ To meet public issue expense.

**Table 2: Breakup of total project cost**

Sr. No	Particulars	Amount (Rs lakhs)	Amount (Rs lakhs)
<b>1</b>	<b>Expansion of manufacturing facilities</b>		
	Land Development	71.20	
	Civil Works	440.00	
	Plant & Machinery	3665.99	
	Contingencies	200.00	
	Deposit with Gujarat Gas	55.00	<b>4432.19</b>
<b>2</b>	<b>Additional Working capital requirement</b>		<b>750.00</b>
<b>3</b>	<b>Public Issue Expenses</b>		<b>500.00</b>
	<b>Total</b>		<b>5682.19</b>

Source: DRHP

The enhancement in capacity is being undertaken on the existing land and no further land is being purchased for expansion. The company has to still place orders for machinery worth Rs 744.99 Lakhs.

## Project Funding:

To meet the funding requirements, Aster Silicates plans to raise approximately Rs. 53.10 Crores by issue of equity shares having face value of Rs.10 per share at a premium to be decided later and internal accruals, if required. The promoters are not participating in the public issue.

The funds requirement for the project is neither appraised nor funded by any bank / financial institution. In absence of participation by bank/ financial institution the utilization of issue proceeds will be by the company. The project funding shortfall, if any, will be funded by internal accruals.

Currently the promoters and promoter group' holds 71.43% equity in company which will be diluted to 50% post issue.



## **Corporate Governance:**

Aster Silicates is compliant with provisions of Clause 49 of the Listing Agreement. Chairman of Board is Mr. Mahesh A Maheshwari who is also the promoter. The board has 5 directors of which 3 are independent. The board members have substantial expertise in chemical industry. All the independent directors and company secretary were appointed in Nov - Dec 2009. We believe the corporate governance practice of company has substantial room for improvement.

## **Industry Analysis:**

Aster Silicates is a part of Indian chemical Industry which is one of the oldest industries in India and in terms of volume it is the 12th largest producer of chemicals in World. The Chemical Industry contributes to 3% of India's GDP. Gujarat dominates with 51% of the total share of major chemicals produced in the Country. Indian chemical market accounts for 1.5% of global chemical market. Net value added of chemicals industry is the highest within the manufacturing sector with a share of over 22% of total value added.

The key sectors that make up the chemical industry are petrochemicals, chlor-alkali and inorganic chemicals, organic chemicals, paints and dyes, pesticides and agrochemicals. Sodium silicate forms part of inorganic chemicals which is around 8% of Indian chemical industry. Inorganic chemicals are mainly used in paper, soap, detergents, PVC, medical, chlorinated paraffin wax etc. The total size of Indian chlor alkali and inorganic chemical industry is about US \$ 2500 million. The chlor alkali and soda ash are the major inorganic chemicals accounting for 62% in this sector.

## **Industry Risks:**

**High Prices of basic feed stock:** Basic raw material constitute major portion of the production cost in the chemical industry. Indian chemical industry either uses natural gas or crude oil as feedstock for manufacturing process. The fluctuations in oil prices therefore affect the growth projections of the firms. At times the manufacturers are unable to pass on the cost escalation to end consumers. Cost optimization is thus critical for the chemical units, as their margins may go under pressure during oil price increases.

**FDI in chemical Industry:** 100% FDI is permitted in Indian Chemical Sector except few chemicals for which compulsory licensing is applicable due to their hazardous nature. Hence Indian Companies have to gear up for the competition likely to be faced from the multi national companies setting up their chemical manufacturing units in India.

## **Business Risk:**

The customer concentration of company is very high with approximately 80.90% of the revenue from top five customers. Largest customer contributed approximately 35% of the revenue in FY 09. After the expansion of Bharuch facility, the revenue contribution from the largest customer will increase to approximately 75% - 80% of the Company's revenues. The supply to its largest customer, who has the plant in the close proximity, is by way of underground pipeline from ASL to the facilities of the customer. The demand for sodium silicate depends upon customer requirements which further depend on market conditions and competition. The company does not have any long term arrangement with its customers and suppliers and the top five suppliers contribute nearly 94.60% to company's purchases.



The Company is in process of entering into CDM Emission reduction purchase agreement with a German public company, the success of this agreement can fetch additional revenue in future by sale of carbon credits. However, this is subject to satisfactory conclusion of due diligence.

### Financial Performance:

The company's revenues grew by 115% in FY 09; this is mainly attributed to increase in demand for sodium silicate for which company increased its capacity at Kheda unit.

The average OPM & NPM for last three years (FY 07 – FY 09) is at 11.45% & 4.66% respectively. The average return on capital employed (ROCE) for last 3 years is at 8.96%, while average return on net worth (RONW) for same period is at 9.12%. Company is moderately leveraged with total debt to total equity (D/E) ratio of 1.36 as on Dec 30, 2009.

The Company has negative Cash Flow from Operation (CFO) for last three years from Fy 070 - 09 due to large working capital requirements. The cash flow from investing activities (CFI) is also negative for last five years (FY 05 – FY 09) due to significant capacity expansions. Company also expects to utilize part of IPO proceeds (Rs 7.5 Crs) to fund their growing WC needs.

**Table 3: Profit and Loss (Consolidated) Amount in Rs Lakhs**

	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>Sept 09 (6 mths ended)</b>
<b>Net Sales</b>	<b>714.6</b>	<b>1526.6</b>	<b>3290.6</b>	<b>3009.18</b>
Other income / expenses	0.94	54.5	4.6	0.072
Cost of Sales	574.0	1350.5	2669.3	2477.50
Selling general and administrative expenses	46.58	60.0	52.5	25.63
<b>EBITDA</b>	<b>94.96</b>	<b>170.6</b>	<b>573.4</b>	<b>506.13</b>
Depreciation	26.01	33.6	57.0	30.9
<b>EBIT</b>	<b>68.95</b>	<b>137.06</b>	<b>516.4</b>	<b>475.23</b>
Interest	35.18	40.9	150.9	103.4
PBT	33.77	96.1	365.5	371.83
Provision for taxes	19.55	30.4	110.6	178.91
<b>Net profit /(loss)</b>	<b>14.24</b>	<b>65.8</b>	<b>254.9</b>	<b>192.92</b>
<i>Growth in Net sales</i>	--	113.63%	115.55%	--
<i>Growth in EBITDA</i>	--	79.65%	236.11%	--
<i>Growth in PAT</i>	--	362.08%	287.39%	

Source: Company data

**Table 4: Key Financial Indicators**

<b>(in Rs lakhs)</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>Sept 09 (6mths ended)</b>
Net Sales	<b>714.6</b>	1526.6	3290.6	<b>3009.18</b>
Networth	370.92	704.6	1797.7	2076.56
Borrowings	349.56	898.2	1357.8	1616.7
Net Fixed Assets	432.15	1108.3	2168.6	2142.37
Debt /Equity (x)	0.94	1.27	0.76	0.78
Fixed Asset Turnover (x)	1.94	1.38	1.96	1.39
Current Ratio (x)	1.90	3.47	3.74	5.62
OPM (EBIT/Core Sales)	9.64%	9.0%	15.7%	15.8%
NPM (PAT/Core Sales)	1.99%	4.3%	7.7%	6.41%
ROCE	1.97%	8.55%	16.36%	5.22%
RONW	3.83%	9.34%	14.18%	9.29%
Interest Cover (x)	1.95	3.35	3.42	4.59
Total no of shares	3000000	5376500	7000000	1,03,61,111
EPS	0.47	1.75	6.75	1.86
Book Value	12.36	18.74	47.62	20.04

**Other factors:**

**Changes in the accounting policy:**

There are no significant changes in accounting policy. The company has revalued the fixed assets and increased the value by 492.01 lacs in the FY 09.

**Compliance and Litigation:**

Litigations with government bodies:

- Criminal case to the tune of Rs. 4.69 lacs and excise case to the tune of Rs. 21.05 lacs has been filed against the company and arbitration proceedings to the tune of Rs. 371.07 lacs has been initiated by the Company against Gas Authority of India Ltd.

Litigations with business associates:

- Criminal case against the Company has been filed by AB & Co Corporate Services Ltd, GAIL and Neesa Agritech Pvt Ltd.

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