

#### M AND B SWITCHGEARS LIMITED

Our Company was originally incorporated as "M AND B Switchgears Private Limited" on June 09, 1999 under the provisions of Companies Act, 1956 as amended (the "Companies Act") with the Registrar of Companies, Gwalior, Madhya Pradesh and Chhattisgarh, bearing Corporate Identity Number U31200MP1999PLC013571. Companies Act ) with the Registrar of Companies, Gwaliof, Madnya Pradesh and Chnattisgarh, bearing Corporate Identity Number 051 200MP199PLC0155/1.
 Subsequently, our Company became a public limited company pursuant to shareholders' resolution dated October 15, 2010 and the name of our Company as changed to "M AND B Switchgears Limited". A fresh certificate of incorporation consequent to such change of name to "M AND B Switchgears Limited" was granted to our Company by the Registrar of Companies, Madhya Pradesh and Chhattisgarh, on November 19, 2010. For details of changes in our Registered Office and our name, refer chapter titled "History and Certain Corporate Matters" beginning on page 137 of this Red Herring Prospectus
 Registered and Corporate Office: Survey No. 211/1, Opposite Sector-C and Metalman, Sanwer Road, Industrial Area, Indore 452 015 Madhya Pradesh, India Tel: +91-731-2722388; Facsimile: +91-731-27221693; Website: www.mbswitch.com

Company Secretary and Compliance Officer: Ms. Toshiba Sugandhi, Tel:	: +91-731-2721672, Facsimile: +91-731-2721693; E-mail: toshiba.s@mbswitch.com		
	S OF OUR COMPANY		
Mr. Shyam Sunder Mundra Mr. Vik	salp Mundra Mr. Anurag Mundra		
	EACH ("EQUITY SHARES") OF M AND B SWITCHGEARS LIMITED (THE "COMPANY" NCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE) AGGREGATING TO T-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.		
THE ISSUE PRICE IS 18 TIMES OF THE FACE VALUE AT THE LOWER END OF T	O RS. 186 PER EQUITY SHARE. THE PRICE BAND AND 18.6 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE ICE BAND		
revision in the Price Band and the revised Bidding/Issue Period, if applicable, shall be widely dissen Limited ("NSE"), whose online IPO system will be available for bidding, by issuing a press relea terminals of the members of the Syndicate.	I working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any ninated by notification to the Bombay Stock Exchange Limited ( <b>BSE</b> ) and National Stock Exchange of India ase and by indicating the change on the websites of the Book Running Lead Manager ("BRLM"), and the		
Building Process in accordance with the Securities and Exchange Board of India (Issue of Capital and Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). If at leas 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to QIBs in money will be refunded forthwith. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids I ASBA process by providing the details of their respective bank accounts in which the correspondin, "Issue Procedure" beginning on page 245.	least 25% of the post issue share capital of our Company. The Issue is being made through the 100% Bool d Disclosure Requirements) Regulations, 2009 (the "SEBI ICDR Regulations"), wherein at least 50% of the st 50% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith y. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to QIBs, subject d from Mutual Funds is less than 1,25,000 Equity Shares, the balance Equity Shares available for allocation in proportion to their Bids. If at least 50% of the Issue cannot be Allotted to QIBs, then the entire application illocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be being received from them at or above the Issue Price. All Investors may participate in this Issue though the g Bid Amounts will be blocked by the SCSBs. Specific attention of investors is invited to the chapter titled		
	TION TO FIRST ISSUE		
Price is 18.6 times the face value. The Issue Price (as determined by our Company, in consultation w by way of the Book Building Process and as stated under paragraph on "Basis for Issue Price" begin	This being the first public issue 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 18 times the face value and the Cap Price is 18.6 times the face value. The Issue Price (as determined by our Company, in consultation with the Book Running Lead Manager, on the basis of the assessment of market demand for the Equity Shares by way of the Book Building Process and as stated under paragraph on " <i>Basis for Issue Price</i> " beginning on page 84) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.		
	ERAL RISKS		
Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and this Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the statement in the chapter titled " <i>Risk Factors</i> " beginning on page 16 of this Red Herring Prospectus.			
This Issue has been graded by ICRA Limited and has been assigned the "IPO Grade 2/5" indicating "below average fundamentals", through its letter dated April 21, 2011, which is valid for a period of size months. For more information on IPO grading, please refer to the chapters titled "General Information", "Other Regulatory and Statutory Disclosures" and "Material Contracts and Documents for Inspection beginning on pages 53, 229 and 327 respectively.			
	LUTE RESPONSIBILITY		
Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.			
	ARRANGEMENT		
The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the BSE the Equity Shares pursuant to letters dated March 11, 2011 and February 16, 2011, respectively. For t	and the NSE. Our Company has received in-principle approvals from the NSE and the BSE for the listing o the nurposes of the Issue, the BSE shall be the Designated Stock Exchange.		
BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE		
DA	B S S		
D &A Financial Services Private Limited, 71, 7th Floor, Mittal Chambers, Nariman Point, Mumbai – 400 021, Maharashta, India. Tel. No: +91-22-3267 7738 Facsimile.:+91-22-6747 8995 E-mail: mbswitch.ipo@dnafinserv.com Investor Grievance ID: investorgrievance@dnafinserv.com Website: www.dnafinserv.com	Bigshare Services Private Limited, E-2 and 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri(E), Mumbai - 400 072, Maharashtra, India. Tel. No.: +91-22-2847 0652 / 4043 0200/2847 0653 Facsimile: +91-22-2847 5207 E-mail: MandB.ipo@bigshareonline.com Investor Grievance ID: investor@bigshareonline.com Website: http://www.bigshareonline.com Website: http://www.bigshareonline.com		

website. www.unamiserv.com	Contact Ferson. Mr. Asnok Shetty
Contact Person: Mr. Lalit Mahajan / Mr. Balakrishnan Iyer	SEBI Registration number: INR000001385
SEBI Registration number: INM00011484	
BID / ISSUE PROGRAMME	
BID/ISSUE OPENS ON: SEPTEMBER 28, 2011	BID/ISSUE CLOSES ON: OCTOBER 05, 2011

### INDEX

SECTION I – GENERAL	
DEFINITIONS AND ABBREVIATIONS	
PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA	12
FORWARD LOOKING STATEMENTS	14
SECTION II	16
RISK FACTORS	
	10
SECTION III – INTRODUCTION	26
SUMMARY OF INDUSTRY	
SUMMARY OF INDUSTRY	
SUMMARY OF FINANCIAL INFORMATION	
THE ISSUE GENERAL INFORMATION	
GENERAL INFORMATION CAPITAL STRUCTURE	
OBJECTS OF THE ISSUE	
BASIS FOR ISSUE PRICE	
BASIS FOR ISSUE PRICE	
STATEMENT OF TAX BENEFITS	
SECTION IV – ABOUT OUR COMPANY	
INDUSTRY OVERVIEW	
OUR BUSINESS	
REGULATIONS AND POLICIES IN INDIA	
HISTORY AND CERTAIN CORPORATE MATTERS	
OUR MANAGEMENT	
OUR PROMOTERS AND THEIR BACKGROUND	
OUR GROUP ENTITIES	
DIVIDEND POLICY	
RELATED PARTY TRANSACTION	173
SECTION V - FINANCIAL INFORMATION	174
FINANCIAL STATEMENTS	
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL	
CONDITIONS AND RESULTS OF OPERATIONS	
FINANCIAL INDEBTEDNESS	
SECTION VI – LEGAL AND OTHER INFORMATION	214
OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS	
GOVERNMENT AND OTHER APPROVALS	
OTHER REGULATORY AND STATUTORY DISCLOSURES	
	•••••••••••••••••••••••••••••••••••••••
SECTION VII – ISSUE RELATED INFORMATION	120
TERMS OF THE ISSUE	
ISSUE STRUCTURE	
ISSUE PROCEDURE	
SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION	
SECTION IX - OTHER INFORMATION	
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	
DECLARATION	



### **SECTION I – GENERAL**

### **DEFINITIONS AND ABBREVIATIONS**

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

### **Company related Terms**

Term	Description
"M AND B", "our Company", "the	M AND B Switchgears Limited, a public limited company incorporated
Company", "Issuer", "Issuer	under the Companies Act, 1956.
Company", "we", "us" or "our"	
"Articles" or "Articles of	The Articles of Association of our Company, as amended from time to
Association" or "AoA"	time.
Auditors/Statutory Auditors	The statutory auditor of our Company, being M/s Ashok Khasgiwala and
	Co, Chartered Accountants.
Board, Board of Directors or our	The board of directors of our Company, as duly constituted from time to
Board	time.
Director(s)	The director(s) on our Board.
Individual Promoters	Either Mr. Shyam Sunder Mundra or Mr. Vikalp Mundra or Mr. Anurag
	Mundra.
"Memorandum", "our	The Memorandum of Association of our Company, as amended from time
Memorandum" or "Memorandum of	to time.
Association", "MoA"	
Promoters	Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra.
Group Companies	Companies, firms and ventures promoted by our Promoters, irrespective
	of whether such entities are covered under section 370(1)(B) of the
	Companies Act and disclosed in chapter titled "Our Group Entities"
	beginning on page 160 of this Red Herring Prospectus.
Promoter Group	Includes such persons and entities constituting our promoter group in
	terms of Regulation 2(zb) of the SEBI ICDR Regulations.
ACPL	Ambika Conductors Private Limited.
AEC	Alternate Engineering Company
GEIPL	Geeta Electricals Indore Private Limited.
CSSPL	C. S. Steels Private Limited.
ITPL	Indore Transformers Private Limited.
GJMHUF	G. J. Mundra HUF.
PECPL	Proximo Energy Concept Private Limited.
SGMHUF	S. G. Mundra HUF.
VMHUF	Vikalp Mundra HUF.
AMHUF	Anurag Mundra HUF.
Registered and Corporate Office	The registered and corporate office of our Company, situated at Survey
	No. 211/1, Opposite Sector-C and Metalman, Sanwer Road, Industrial
	Area, Indore 452 015 Madhya Pradesh, India.
RoC / Registrar of Companies,	The Registrar of Companies located at 3rd Floor, 'A' Block, Sanjay
Madhya Pradesh & Chhattisgarh	Complex, Jayendra Ganj, Gwalior, Madhya Pradesh, India.

### **Issue Related Terms**

Term	Description
Allot / Allotment / Allotment of	Unless the context otherwise requires, means the allotment of Equity
Equity Shares	Shares
	pursuant to this Issue to the successful Bidders.
Allocation / Allocation of Equity	Allocation of Equity Shares pursuant to this Issue.
Shares	
Allottee	A successful Bidder to whom Allotment is made.
Applications Supported by Blocked	Application (whether physical or electronic) used by a Bidder to make a
Amount / ASBA	Bid authorizing the SCSB to block the Bid Amount in the specified bank
	account maintained with the SCSBs.
ASBA Account	Account maintained by an ASBA Bidder with an SCSB which will be
	blocked by such SCSB to the extent of the Bid Amount of the ASBA
	Bidder.
ASBA Bidder	Prospective investors in this Issue who intend to Bid/ apply through
	ASBA.
ASBA Bid Cum Application Form	The form, whether physical or electronic, in terms of which an ASBA



Term	Description
	Bidder shall make a Bid pursuant to the terms of the Red Herring
	Prospectus and which contains an authorisation to block the Bid Amount in
	an ASBA Account and which will be considered as the application for
ASBA Revision Form	Allotment. The form used by ASBA Bidders to modify the number of Equity Shares
ASDA REVISION FORM	or the Bid Price in any of their ASBA Bid Cum Application Forms or any
	previous ASBA Revision Form(s).
Banker(s) to this Issue/Escrow	The banks which are clearing members and registered with the SEBI as
Collection banks	Bankers to the Issue with whom the Escrow Accounts will be opened,
	being HDFC Bank Limited, IndusInd Bank Limited, Axis Bank Limited,
Basis of Allotment	Dhanlakshmi Bank Limited. The basis on which the Equity Shares will be Allotted as described in the
Basis of Anothent	chapter titled "Issue Procedure – Basis of Allotment" beginning on page
	270 of this Red Herring Prospectus.
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder, to
	subscribe to the Equity Shares of our Company at a price within the Price
<b>P</b> /1.4	Band, including all revisions and modifications thereto.
Bid Amount	The highest Bid Price indicated in the Bid cum Application Form or ASBA Form, as the case may be.
Bid / Issue Closing Date	The date after which the members of the Book Running Lead Manager and
2.47 Issue Closing Dute	the SCSBs will not accept any Bids for this Issue, which shall be notified
	in a widely circulated English national daily newspaper and a Hindi
	national daily newspaper and a regional language newspaper each with
	wide circulation and in case of any revision, the extended Bid/Issue
	Closing Date also to be notified on the website and terminals of the Book Running Lead Manager and SCSBs, as required under the SEBI ICDR
	Regulations.
Bid Cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to
	the Equity Shares of our Company and which will be considered as the
	application for Allotment in terms of the Red Herring Prospectus and
	Prospectus. Unless the context otherwise states in this Red Herring
	Prospectus, Bid Cum Application Form includes ASBA Bid Cum Application Form as may be applicable.
Bid/ Issue Opening Date	The date on which the members of the Book Running Lead Manager and
	SCSBs shall start accepting Bids for this Issue, which shall be the date
	notified in a widely circulated English national daily newspaper, a Hindi
	national daily newspaper and a regional language newspaper, each with
	wide circulation and in case of any revision, the extended Bid/Issue Opening Date also to be notified on the website and terminals of the Book
	Running Lead Manager and SCSBs, as required under the SEBI ICDR
	Regulations.
Bid Lot	30 Equity Shares and in multiples of 30 Equity Shares thereafter.
Bid Price	The prices indicated against each optional Bid in the Bid cum Application
Bidder	Form and the ASBA Form, as the case may be. Any prospective investor who makes a Bid pursuant to the terms of the
Blader	Red Herring Prospectus <i>vide</i> the Bid Cum Application Form.
Bidding Centre	A centre for acceptance of the Bid cum Application Form.
Bidding Period	The period between the Bid / Issue Opening Date and the Bid / Issue
	Closing Date inclusive of both days and during which prospective Bidders
Rook Building Process / Rook	can submit their Bids, inclusive of any revision thereof.
Book Building Process / Book Building	Book building mechanism as provided in Part A of Schedule XI of the SEBI ICDR Regulations, in terms of which this Issue is made.
BRLM / Book Running Lead	The sole Book Running Lead Manager to this Issue, in this case being D
Manager	and A Financial Services Private Limited.
CAN/ Confirmation of Allocation	The note or advice or intimation including any revisions thereof, sent
Note	to each successful Bidder indicating the Equity Shares allocated after discovery of the Issue Price in accordance with the Rock Building
	discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be
	finalised and above which no Bids will be accepted.
Controlling Branches of SCSBs	Such branches of the SCSBs which co-ordinate Bids under this Issue by
	the ASBA Bidders with the Registrar to the Issue and the Stock Exchanges
	and a list of which is available at <i>http://www.sebi.gov.in/pmd/scsb.pdf</i> , or at such other website as may be prescribed by SEBI from time to time.
Cut off / Cut off Price	The Issue Price finalized by our Company in consultation with the BRLM
	which shall be any price within the Price Band. Only Retail Individual
	Bidders are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional



Term	Description
	Bidders are not entitled to Bid at the Cut-off Price.
	The demographic details of the Bidders, including address, Bidders'
Demographic Details	bank account details, MICR code and occupation derived by the Registrar
Demographic Details	to the Issue from the PAN, DP ID and Client ID mentioned in the
	Bid cum Application Form, or the ASBA Form, as the case may be.
Depository / Depositories	A depository registered with SEBI under the Securities and Exchange
	Board of India (Depositories and Participant) Regulations. 1996, as
	amended from time to time.
Depository Participant or DP	A depository participant as defined under the Depositories Act.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum
-	Application Form from the ASBA Bidders and a list of which is available
	on www.sebi.gov.in.
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the
0	Public Issue Account and the amount blocked by the SCSBs are transferred
	from the ASBA Accounts 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 the Allottees.
Designated Stock Exchange	BSE is the designated stock exchange for the purpose of this Issue.
Draft Red Herring Prospectus /	The Draft Red Herring Prospectus dated January 19, 2011 filed with SEBI
DRHP	and issued in accordance with the SEBI ICDR Regulations, which does not
2 Mill	contain, <i>inter alia</i> , complete particulars of the price at which the Equity
	Shares are issued.
Eligible NRIs	NRIs from such jurisdiction outside India where it is not unlawful for our
Eligible INKIS	
	Company to make this Issue or an invitation under this Issue and in relation
	to whom the Red Herring Prospectus constitutes an invitation to Bid for the
E : 01	Equity Shares, pursuant to the terms thereof.
Equity Shares	Equity Shares of our Company of face value of Rs. 10/- each.
Escrow Account	Account(s) opened with the Escrow Collection Bank(s) for the Issue and in
	whose favour the Bidders (excluding ASBA Bidders) will issue cheques or
	drafts in respect of the Bid Amount.
Escrow Agreement	The agreement dated September 14, 2011 among our Company, the
	Registrar, the Book Running Lead Manager, Syndicate Members and the
	Escrow Collection Bank(s) for collection of the Bid Amounts and remitting
	refunds, if any of the amounts to the Bidders (excluding ASBA Bidders) on
	the terms and conditions thereof.
Escrow Collection Bank(s)	HDFC Bank Limited, Axis Bank Limited, IndusInd Bank Limited and
	Dhanlakshmi Bank Limited being the bank(s) appointed under Escrow
	Agreement, which are clearing member/s and registered with SEBI as
	Banker(s) to the Issue with whom the Escrow Account for the Issue will be
	opened.
First Bidder	The Bidder whose name appears first in the Bid Cum Application Form or
	Revision Form or the ASBA Bid cum Application Form, as the case may
	be
Floor Price	The lower end of the Price Band, at or above which the Issue Price will be
	finalized and below which no Bids will be accepted including any revisions
	thereof
GIR Number	General Index Registry Number.
IPO Grading Agency	ICRA Limited, the credit rating agency appointed by our Company, in
	consultation with the Book Running Lead Manager for grading this Issue.
Issue	Public Issue of 50,00,000 Equity Shares with a face value of Rs. 10 each of
	M AND B Switchgears Limited for each at a price of Rs [a] per Equity
	M AND B Switchgears Limited for cash at a price of Rs. [•] per Equity Share (including a share premium of Rs. [•] per equity share) aggregating
	Share (including a share premium of Rs. [•] per equity share) aggregating
Isone Drice	Share (including a share premium of Rs. $[\bullet]$ per equity share) aggregating to Rs. $[\bullet]$ Lacs.
Issue Price	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the</li> </ul>
Issue Price	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the</li> </ul>
Issue Price	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in</li> </ul>
	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> </ul>
Issue Proceeds	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> </ul>
	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of</li> </ul>
Issue Proceeds Merchant Banker	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended.</li> </ul>
Issue Proceeds	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended.</li> <li>A mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds)</li> </ul>
Issue Proceeds Merchant Banker Mutual Funds	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended.</li> <li>A mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.</li> </ul>
Issue Proceeds Merchant Banker	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended.</li> <li>A mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.</li> <li>5% of the QIB Portion equal to a minimum of 1,25,000 Equity Shares</li> </ul>
Issue Proceeds Merchant Banker Mutual Funds	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended.</li> <li>A mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.</li> <li>5% of the QIB Portion equal to a minimum of 1,25,000 Equity Shares available for allocation to Mutual Funds only, on a proportionate basis.</li> </ul>
Issue Proceeds Merchant Banker Mutual Funds	<ul> <li>Share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.</li> <li>The final price at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.</li> <li>Proceeds to be raised by our Company through this Issue.</li> <li>Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended.</li> <li>A mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.</li> <li>5% of the QIB Portion equal to a minimum of 1,25,000 Equity Shares</li> </ul>



Term	Description
<u> </u>	dated November 23, 2005 of Government of India published in the Gazette
	of India.
Non Institutional Bidders	An investor other than a retail individual investor and qualified institutional buyer.
Non Institutional Portion/ Non	The portion of the Issue being not less than 15% of the Issue consisting of
Institutional Bidders Portion	not less than 7,50,000 Equity Shares available for Allocation to Non Institutional Bidders.
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident Ordinary Account.
OCB / Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or
	indirectly to the extent of at least 60% by NRIs, including overseas trust in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000.
Pay-in Date	With respect to QIB Bidders, the Bid Closing Date or last date as specified in the CAN sent to Bidders.
Pay-in-Period	Except with respect to ASBA Bidders, the period commencing on the Bid/
5	Issue Opening Date and extending until the Bid/ Issue Closing Date.
Payment through electronic transfer of funds	Payment through ECS, NEFT, Direct Credit or RTGS, as applicable.
Price Band	Price band of a minimum price (Floor Price) of Rs. 180 and a maximum
	price (Cap Price) of Rs. 186 including revisions thereof.
Pricing Date	The date on which our Company in consultation with the Book Running Lead Manager finalizes the Issue Price.
Prospectus	The Prospectus to be filed with the RoC for this Issue after the Pricing
F	Date in terms of Section 56, 60 and 60B of the Companies Act, containing,
	among other things, the Issue Price that is determined at the end of the
	Book Building Process, the size of the Issue and certain other information
	and including any addenda or corrigenda thereof.
Public Issue Account	The bank account opened with the Bankers to the Issue by our Company under Section 73 of the Companyies Act to receive monies from the Economy
	under Section 73 of the Companies Act to receive monies from the Escrow Account(s) and the ASBA Accounts, on the Designated Date.
QIBs/ Qualified Institutional Buyers	"qualified institutional buyer" means:
QID3/ Quantica institutional Dayers	(i) a mutual fund, venture capital fund and foreign venture
	capital investor registered with the Board;
	(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;
	(iii) a public financial institution as defined in section 4A of the
	Companies Act, 1956; (iv) a scheduled commercial bank;
	<ul> <li>(iv) a scheduled commercial bank;</li> <li>(v) a multilateral and bilateral development financial</li> </ul>
	institution;
	(vi) a state industrial development corporation;
	(vii) an insurance company registered with the Insurance
	Regulatory and Development Authority;
	<ul> <li>(viii) a provident fund with minimum corpus of twenty five crore rupees;</li> </ul>
	<ul> <li>(ix) a pension fund with minimum corpus of twenty five crore rupees;</li> </ul>
	(x) National Investment Fund set up by resolution no. F. No.
	2/3/2005-DDII dated November 23, 2005 of the
	Government of India published in the Gazette of India;
	(xi) insurance funds set up and managed by army, navy or air
	force of the Union of India; and (xii) insurance funds set up and managed by the Department of
	Posts, India.
	The portion of the Issue being a minimum 25,00,000 Equity Shares to be Allotted to QIBs.
QIB Portion	
Red Herring Prospectus/RHP	The Red Herring Prospectus to be issued in accordance with Sections 56,
-	60 and 60B of the Companies Act and the SEBI ICDR Regulations, which
-	60 and 60B of the Companies Act and the SEBI ICDR Regulations, which does not have complete particulars on the price at which the Equity Shares
-	60 and 60B of the Companies Act and the SEBI ICDR Regulations, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. The Red Herring Prospectus will be filed
-	The Red Herring Prospectus to be issued in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI ICDR Regulations, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of this Issue and will become a Preserve after filing with the RoC the computed includes the
-	60 and 60B of the Companies Act and the SEBI ICDR Regulations, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. The Red Herring Prospectus will be filed



Term	Description
	whole or part of the Bid Amount (excluding the ASBA Bidders), if any, shall be made.
Refund Banker(s)	The bank(s) which is/ are clearing members and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being HDFC Bank Limited.
Registrar/Registrar to this Issue	Registrars to the Issue in this instance being, Bigshare Services Private Limited, having Registered Office at E-2 and 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka. Andheri (E), Mumbai - 400 072.
Resident Retail Individual Bidders	Retail Individual Bidder who is a person resident in India as defined in the Foreign Exchange Management Act, 1999 and who has Bid for Equity Shares for an aggregate amount not more than Rs. 2,00,000 in all of the bidding options in the Issue.
Retail Portion	The portion of the Issue being not less than 35% of this Issue, consisting of 17,50,000 Equity Shares, available for allocation to Retail Bidders on a proportionate basis.
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, ASBA Forms (if submitted in physical form) or any previous Revision Form(s), as the case may be.
RTGS	Real Time Gross Settlement.
Self Certified Syndicate Banks (SCSBs)	Shall mean a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making Application/s Supported by Blocked Amount including blocking of bank account and a list of which is available on www.sebi.gov.in.
SCSB Agreement	The agreement to be entered into between the SCSBs, the Book Running Lead Manager, the Registrar to the Issue, our Company only in relation to the collection of Bids from the ASBA Bidders and payment of funds by the SCSBs to the Public Issue Account.
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
Sub-Account	Sub-accounts registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995, as amended.
Syndicate	The BRLM and Syndicate Member(s)
Syndicate Agreement	The agreement dated September 14, 2011 between our Company and the Book Running Lead Manager, in relation to the collection of Bids in this Issue.
Syndicate Member(s)	Intermediaries registered with the SEBI who are permitted to carry out activities as an underwriter, in this case being Sumpoorna Portfolio Limited and Inventure Growth and Securities Limited,
Transaction Registration Slip/ TRS	The slip or document issued by the members of the Syndicate or the SCSBs upon demand as the case may be; to the Bidders as proof of registration of the Bid.
Underwriters	The BRLM and Syndicate Member(s).
Underwriting Agreement	The agreement dated [•] between the Underwriters to the Issue and our Company to be entered into on or after the Pricing Date.

### **Technical and Industry Related Terms**

Term	Description
AAAC	All Aluminium Alloy Conductors
AAC	All Aluminium Conductor
AC	Alternate Current
ACSR	Aluminium Conductors Steel Reinforced
APDP	Accelerated Power Development Programme
APDRP	Accelerated Power Development and Reforms Programme
Amp	Ampere
AVR	Automatic Voltage Regulator
BG	Bank Guarantee
BTU	British Thermal Unit
CC	Cash Credit
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CESC	Calcutta Electric Supply Corporation
CKm	Circuit Kilometer
CMPDIL	Central Mine Planning and Design Institute Limited



Term	Description
Conversion Efficiency	The ability of SPV products to convert sunlight into electricity, and
	"conversion efficiency rates" are commonly used in the SPV industry
	to measure the percentage of light energy from the sun that is actually
"(C)	converted into electricity.
"Cost per Watt" or "Price per	The method by which the cost and price of SPV products
Watt"	respectively, are commonly measured in the SPV industry. An SPV
CIDDI	product is priced based on the number of watts of electricity it can generate
CPRI	Central Power Research Institute
CRGO	Cold-Rolled Grain Oriented
СТИ	Central Transmission Utility
DG	Diesel Generator
DMS	Distribution Management System
ECR	External Credit Rating
EHVAC	Extra High Voltage Alternating Current
EIA	US Energy Information Administration
Energy Loss	The difference of the electrical energy measured at the terminals o
	generator(s) and receiving end of the transmission lines
EOT	Electric Overhead Travelling
EOU	Export Oriented Unit
EPC	Engineering Procurement and Construction
ERDA	Electrical Research and Development Association
ETP	Effluent Treatment Plant
FAT	Final Acceptance Test
FIT	Feed-in-Tariff
FOB	Free On Board
GPH	Gallon Per Hour
GW	Gigawatt, representing 1,000,000,000 watts, a unit of power-generating
	capacity or consumption
GWh	Gigawatt Hour
Hz	Hertz
HZ	
	High Voltage
HVDC	High Voltage Direct Current
ICRA	Investment Credit Rating Agency
IEC	International Electro technical Commission
IEEMA	Indian Electrical and Electronics Manufacturers Association
iMaCS	ICRA Management Consulting Services Limited
IPP	Independent Power Producer
IREDA	Indian Renewable Development Agency
JNNSM	Jawaharlal Nehru National Solar Mission
Kg	Kilogram
kWh	Kilowatt-hour(s)
kW	Kilowatt(s)
KV	Kilo Volt
KVA	Kilo Volt Ampere
LC	Letter of Credit
LTCG	Long Term Capital Gain
LV	Low Voltage
MAT	Minimum Alternate Tax
MCB	Main Combiner Box
MECON	Metallurgical and Engineering Consultants (India) Limited
mm	Millimetre
MMT	Million Metric Tonne
MNRE	The Ministry of New and Renewable Energy, Government of India
MOP	
MPUVNL	Ministry of Power, Government of India
MPUVNL MT	Madhya Pradesh Urja Vikas Nigam Limited
	Metric Tonnes
MPMKVVCL	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited
MVA	Mega Volt Ampere
MVAR	Mega Volt-Amperes Reactive
MU	Million Units
MW	Megawatt(s) representing 1,000,000 watts, a unit of power-generating
	capacity or consumption.
MWp Manufacturing Yield	Megwatt Peak The number of usable and saleable SPV cells generated from a



total number of output SPV cells over the number of input wafers.NDPLNorth Delhi Power LimitedNLDCNational Load Dispatch CentreNTPCNational Thermal Power CorporationNVVNNTPC Vidyut Vyapar Nigam LimitedNSICLNational Small Industries Corporation LimitedOFWFOil Forced, Water Forced (transformers)OLTCOn Load Tap ChangerONANOil Natural Air Natural (cooling method)PCUPower Conditioning UnitsPLFPlant Load FactorPGCILPower Grid Corporation of India LimitedPWPer WattQSSQuality Service and SolutionsRECRenewable Energy CertificateREC RegulationCERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCState Electricity BoardSEBState Electricity BoardSEISolar Photo-VoltaicSSISolar Energy Society of IndiaSPV or PVSolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTTSecurities Transaction TaxT and DTransmission UtilityTTSecurities Transaction TaxT and DTransmission CompanyUMPPUltra-Mega Power Projects	Term	Description
NDPL         North Delhi Power Limited           NLDC         National Load Dispatch Centre           NTPC         National Thermal Power Corporation           NVVN         NTPC Vidyut Vyapar Nigam Limited           NSICL         National Small Industries Corporation Limited           OFWF         Oil Forced, Water Forced (transformers)           OLTC         On Load Tap Changer           ONAN         Oil Natural Air Natural (cooling method)           PCU         Power Conditioning Units           PLF         Plant Load Factor           PGCIL         Power Grid Corporation of India Limited           PW         Per Watt           QSS         Quality Service and Solutions           REC         Renewable Energy Certificate           REC Regulation         CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010           RGGVY         Raji Gadhi Gramin Vidyutikaran Yojana           RITES         Rail India Technical and Economic Services           RLDC(s)         Regional Load Despatch Centre           RMS         Root Means Square           RTCC         Remote Tap Change Center           SCADA         Supervisory control and data acquisition           SEB         State Electricity		usually expressed as a percentage term. It is arrived at by dividing the
NLDC         National Load Dispatch Centre           NTPC         National Thermal Power Corporation           NVVN         NTPC Vidyut Vyapar Nigam Limited           NSICL         National Small Industries Corporation Limited           OFWF         Oil Forced, Water Forced (transformers)           OLTC         On Load Tap Changer           ONAN         Oil Natural Air Natural (cooling method)           PCU         Power Conditioning Units           PLF         Plant Load Factor           PGCIL         Power Grid Corporation of India Limited           PW         Per Watt           QSS         Quality Service and Solutions           REC         Renewable Energy Certificate           REC Regulation         CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010           RGGVY         Rajiv Gandhi Gramin Vidyutikaran Yojana           RITES         Rail India Technical and Economic Services           RLDC(s)         Regional Load Despatch Centre           RMS         Root Means Square           RTCC         Remote Tap Change Center           SCADA         Supervisory control and data acquisition           SEB         State Electricity Regulatory Commission           SESI         S		
NTPC         National Thermal Power Corporation           NVVN         NTPC Vidyut Vyapar Nigam Limited           NSICL         National Small Industries Corporation Limited           OFWF         Oil Forced, Water Forced (transformers)           OLTC         On Load Tap Changer           ONAN         Oil Natural Air Natural (cooling method)           PCU         Power Conditioning Units           PLF         Plant Load Factor           PGCIL         Power Grid Corporation of India Limited           PW         Per Watt           QSS         Quality Service and Solutions           REC         Renewable Energy Certificate           REC Regulation         CERC (Terms and Conditions for recognition and issuance of Renewable           Energy Certificate for Renewable Energy Generation) Regulations, 2010           RGGVY         Rajiv Gandhi Gramin Vidyutikaran Yojana           RITES         Rail India Technical and Economic Services           RLDC(s)         Regional Load Despatch Centre           RMS         Root Means Square           RTCC         Remote Tap Change Center           SCADA         Supervisory control and data acquisition           SEB         State Electricity Regulatory Commission           SESI         Solar Energy Society of India		
NVVNNTPC Vidyut Vyapar Nigam LimitedNSUCLNational Small Industries Corporation LimitedOFWFOil Forced, Water Forced (transformers)OLTCOn Load Tap ChangerONANOil Natural Air Natural (cooling method)PCUPower Conditioning UnitsPLFPlant Load FactorPGCILPower Grid Corporation of India LimitedPWPer WattQSSQuality Service and SolutionsRECRenewable Energy CertificateREC RegulationCERC (Terms and Conditions for recognition and issuance of RenewableEnergy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission Aud DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	NLDC	National Load Dispatch Centre
NSICL       National Small Industries Corporation Limited         OFWF       Oil Forced, Water Forced (transformers)         OLTC       On Load Tap Changer         ONAN       Oil Natural Air Natural (cooling method)         PCU       Power Conditioning Units         PLF       Plant Load Factor         PGCIL       Power Grid Corporation of India Limited         PW       Per Watt         QSS       Quality Service and Solutions         REC       Renewable Energy Certificate         REC Regulation       CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010         RGGVY       Rajiv Gandhi Gramin Vidyutikaran Yojana         RITES       Rail India Technical and Economic Services         RLDC(s)       Regional Load Despatch Centre         RMS       Root Means Square         RTCC       Remote Tap Change Center         SCADA       Supervisory control and data acquisition         SEB       State Electricity Regulatory Commission         SESI       Solar Energy Society of India         SPV or PV       Solar Energy Society of India         SPV or PV       Solar Energy Society of India         STU       State Transmission Utility         STT <t< td=""><td>NTPC</td><td></td></t<>	NTPC	
OFWF       Oil Forced, Water Forced (transformers)         OLTC       On Load Tap Changer         ONAN       Oil Natural Air Natural (cooling method)         PCU       Power Conditioning Units         PLF       Plant Load Factor         PGCIL       Power Grid Corporation of India Limited         PW       Per Watt         QSS       Quality Service and Solutions         REC       Renewable Energy Certificate         REC Regulation       CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010         RGGVY       Rajiv Gandhi Gramin Vidyutikaran Yojana         RITES       Rail India Technical and Economic Services         RLDC(s)       Regional Load Despatch Centre         RMS       Root Means Square         RTCC       Remote Tap Change Center         SCADA       Supervisory control and data acquisition         SEB       State Electricity Regulatory Commission         SEI       Solar Energy Society of India         SPV or PV       Solar Energy Society of India         SPV or PV       Solar Energy Society of India         STC       Short Term Capital Gain         STU       State Transmission Utility         STT       Securities Transaction	NVVN	
OLTCOn Load Tap ChangerONANOil Natural Air Natural (cooling method)PCUPower Conditioning UnitsPLFPlant Load FactorPGCILPower Grid Corporation of India LimitedPWPer WattQSSQuality Service and SolutionsRECRenewable Energy CertificateREC RegulationCERC (Terms and Conditions for recognition and issuance of RenewableEnergy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity Regulatory CommissionSEISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurites Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	NSICL	
ONAN       Oil Natural Air Natural (cooling method)         PCU       Power Conditioning Units         PLF       Plant Load Factor         PGCIL       Power Grid Corporation of India Limited         PW       Per Watt         QSS       Quality Service and Solutions         REC       Renewable Energy Certificate         REC       Renewable Energy Certificate         REC Regulation       CERC (Terms and Conditions for recognition and issuance of Renewable Energy Generation) Regulations, 2010         RGGVY       Rajiv Gandhi Gramin Vidyutikaran Yojana         RITES       Rail India Technical and Economic Services         RLDC(s)       Regional Load Despatch Centre         RMS       Root Means Square         RTCC       Remote Tap Change Center         SCADA       Supervisory control and data acquisition         SEB       State Electricity Board         SERC       State Electricity Regulatory Commission         SESI       Solar Photo-Voltaic         SSI       Small Scale Industry         STCG       Short Term Capital Gain         STU       State Transmission Utility         STT       Securities Transaction Tax         T and D       Transmission ad Distribution         TRANSCO       Transm	OFWF	Oil Forced, Water Forced (transformers)
PCU       Power Conditioning Units         PLF       Plant Load Factor         PGCIL       Power Grid Corporation of India Limited         PW       Per Watt         QSS       Quality Service and Solutions         REC       Renewable Energy Certificate         REC Regulation       CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010         RGGVY       Rajiv Gandhi Gramin Vidyutikaran Yojana         RITES       Rail India Technical and Economic Services         RLDC(s)       Regional Load Despatch Centre         RMS       Root Means Square         RTCC       Remote Tap Change Center         SCADA       Supervisory control and data acquisition         SEB       State Electricity Regulatory Commission         SESI       Solar Energy Society of India         SPV or PV       Solar Photo-Voltaic         SSI       Small Scale Industry         STCG       Short Term Capital Gain         STU       State Transmission Utility         STT       Securities Transaction Tax         T and D       Transmission ad Distribution         TRANSCO       Transmission Company         UMPP       Ultra-Mega Power Projects	OLTC	
PLFPlant Load FactorPGCILPower Grid Corporation of India LimitedPWPer WattQSSQuality Service and SolutionsRECRenewable Energy CertificateREC RegulationCERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	ONAN	Oil Natural Air Natural (cooling method)
PGCIL       Power Grid Corporation of India Limited         PW       Per Watt         QSS       Quality Service and Solutions         REC       Renewable Energy Certificate         REC Regulation       CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010         RGGVY       Rajiv Gandhi Gramin Vidyutikaran Yojana         RITES       Rail India Technical and Economic Services         RLDC(s)       Regional Load Despatch Centre         RTCC       Remote Tap Change Center         SCADA       Supervisory control and data acquisition         SEB       State Electricity Board         SERC       State Electricity Regulatory Commission         SESI       Solar Energy Society of India         SPV or PV       Solar Photo-Voltaic         SSI       Small Scale Industry         STCG       Short Term Capital Gain         STU       State Transmission Utility         STT       Securities Transaction Tax         T and D       Transmission Company         UMPP       Ultra-Mega Power Projects	PCU	Power Conditioning Units
PW         Per Watt           QSS         Quality Service and Solutions           REC         Renewable Energy Certificate           REC Regulation         CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010           RGGVY         Rajiv Gandhi Gramin Vidyutikaran Yojana           RITES         Rail India Technical and Economic Services           RLDC(s)         Regional Load Despatch Centre           RMS         Root Means Square           RTCC         Remote Tap Change Center           SCADA         Supervisory control and data acquisition           SEB         State Electricity Board           SERC         State Electricity Regulatory Commission           SESI         Solar Energy Society of India           SPV or PV         Solar Photo-Voltaic           SSI         Small Scale Industry           STCG         Short Term Capital Gain           STU         State Transmission Utility           STT         Securities Transaction Tax           T and D         Transmission Company           UMPP         Ultra-Mega Power Projects	PLF	Plant Load Factor
QSSQuality Service and SolutionsRECRenewable Energy CertificateREC RegulationCERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission CompanyUMPPUltra-Mega Power Projects	PGCIL	Power Grid Corporation of India Limited
RECRenewable Energy CertificateREC RegulationCERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	PW	Per Watt
REC RegulationCERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	QSS	Quality Service and Solutions
Energy Certificate for Renewable Energy Generation) Regulations, 2010RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	REC	Renewable Energy Certificate
RGGVYRajiv Gandhi Gramin Vidyutikaran YojanaRITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	REC Regulation	CERC (Terms and Conditions for recognition and issuance of Renewable
RITESRail India Technical and Economic ServicesRLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	_	Energy Certificate for Renewable Energy Generation) Regulations, 2010
RLDC(s)Regional Load Despatch CentreRMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	RGGVY	Rajiv Gandhi Gramin Vidyutikaran Yojana
RMSRoot Means SquareRTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	RITES	Rail India Technical and Economic Services
RTCCRemote Tap Change CenterSCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	RLDC(s)	Regional Load Despatch Centre
SCADASupervisory control and data acquisitionSEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	RMS	Root Means Square
SEBState Electricity BoardSERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	RTCC	Remote Tap Change Center
SERCState Electricity Regulatory CommissionSESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	SCADA	Supervisory control and data acquisition
SESISolar Energy Society of IndiaSPV or PVSolar Photo-VoltaicSSISmall Scale IndustrySTCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	SEB	State Electricity Board
SPV or PV     Solar Photo-Voltaic       SSI     Small Scale Industry       STCG     Short Term Capital Gain       STU     State Transmission Utility       STT     Securities Transaction Tax       T and D     Transmission and Distribution       TRANSCO     Transmission Company       UMPP     Ultra-Mega Power Projects	SERC	State Electricity Regulatory Commission
SSI     Small Scale Industry       STCG     Short Term Capital Gain       STU     State Transmission Utility       STT     Securities Transaction Tax       T and D     Transmission and Distribution       TRANSCO     Transmission Company       UMPP     Ultra-Mega Power Projects	SESI	Solar Energy Society of India
STCGShort Term Capital GainSTUState Transmission UtilitySTTSecurities Transaction TaxT and DTransmission and DistributionTRANSCOTransmission CompanyUMPPUltra-Mega Power Projects	SPV or PV	Solar Photo-Voltaic
STU     State Transmission Utility       STT     Securities Transaction Tax       T and D     Transmission and Distribution       TRANSCO     Transmission Company       UMPP     Ultra-Mega Power Projects	SSI	Small Scale Industry
STT     Securities Transaction Tax       T and D     Transmission and Distribution       TRANSCO     Transmission Company       UMPP     Ultra-Mega Power Projects	STCG	Short Term Capital Gain
STT     Securities Transaction Tax       T and D     Transmission and Distribution       TRANSCO     Transmission Company       UMPP     Ultra-Mega Power Projects	STU	
TRANSCO     Transmission Company       UMPP     Ultra-Mega Power Projects	STT	
UMPP Ultra-Mega Power Projects	T and D	Transmission and Distribution
UMPP Ultra-Mega Power Projects	TRANSCO	Transmission Company
	UMPP	
W Watt	W	

### Conventional/General Terms/Abbreviations

Abbreviation	Full Form	
A/c	Account	
AGM	Annual General Meeting	
AS	Accounting Standards issued by the Institute of Chartered Accountants of	
AS	India.	
AY	Assessment Year; the period of twelve months commencing from the first	
	day of April every year	
BAN	Beneficiary Account Number	
Bn	Billion	
BPLR	Benchmark Prime Lending Rate	
BS	British Standard	
BSE	Bombay Stock Exchange Limited	
CAGR	Compounded Annual Growth Rate	
CCEA	Cabinet Committee on Economic Affairs	
CDSL	Central Depository Services (India) Limited	
CENVAT	Central Value Added Tax	
CIN	Corporate Identity Number	
CLRA	Contract Labour (Regulation and Abolition) Act, 1970 as amended from	
CLKA	time to time.	
CRR	Cash Reserve Ratio	
Companies Act	The Companies Act, 1956, as amended from time to time.	
CST	Central Sales Tax Act, 1956, as amended from time to time.	
Depositories Act	The Depositories Act, 1996, as amended from time to time.	
Depositories	NSDL and CDSL	
DIN	Director's Identification Number	



Abbreviation	Full Form					
DIPP	Department of Industrial Policy and Promotion, Ministry of Commerce and					
	Industry, Government of India					
DP ID	Depository Participant's Identity					
DRHP	Draft Red Herring Prospectus					
DTA	Domestic Tariff Area					
EDIDTA	Earnings before Interest, Depreciation, Tax, Amortisation and					
EBIDTA	extraordinary items					
ECS	Electronic Clearing System					
EGM	Extraordinary General Meeting					
EPF Act	Employees Provident Fund and Miscellaneous Provisions Act, 1952					
Electricity Acts	Electricity (Supply) Act, 1948, Indian Electricity Act, 1910, Electricity					
	Regulatory Commissions Act, 1998, Electricity Act, 2003					
EPS	Earnings Per Share					
ESI	Employee's State Insurance					
ESIC	Employee State Insurance Corporation					
FCNR Account	Foreign Currency Non Resident Account					
FDI	Foreign Direct Investment					
FEMA	The Foreign Exchange Management Act, 1999, together with rules and					
	regulations framed thereunder, as amended					
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person					
	Resident Outside India) Regulations, 2000, as amended.					
FII	Foreign Institutional Investor, as defined under the FII Regulations and					
	registered with the SEBI under applicable laws in India					
FIPB	Foreign Investment Promotion Board					
	A period of twelve months ended March 31 of that particular year,					
FY or Financial Year	unless					
	otherwise stated					
FVCI	Foreign Venture Capital Investor as defined in and registered under the					
	FVCI Regulations					
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital					
	Investors) Regulations, 2000, as amended					
GDP	Gross Domestic Product					
GoI/ Government	Government of India					
HUF	Hindu Undivided Family					
ICAI	The Institute of Chartered Accountants of India					
i.e.	That is					
IEC	International Electrotechnical Commission					
IFRS	International Financial Reporting Standards					
Indian GAAP	Generally Accepted Accounting Principles in India					
IPO	Initial Public Offer					
IREDA	Indian Renewable Energy Development Agency					
IS	International Standard					
IT	Information Technology					
I. T. Act	The Income Tax Act, 1961, as amended from time to time					
ITC (HS)	Indian Trade Classification (Harmonisation System)					
Lakhs/Lacs	0.10 million					
LOI	Letter of Intent					
LOP	Letter of Permission					
Limited/Ltd.	Limited.					
MICR	Magnetic Ink Character Recognition					
MoA	Memorandum of Association					
MOU	Memorandum of Understanding					
Mn	Million					
M.P	Madhya Pradesh					
N.A.	Not Applicable					
NAV	Net Asset Value being paid-up equity share capital plus free reserves					
11127	(excluding reserves created out of revaluation, preference share capital and					
	share application money) less deferred expenditure not written off					
	(including miscellaneous expenses not written off) and debit balance of					
	'profit and loss account', divided by number of issued equity shares					
	outstanding at the end of Fiscal.					
NEFT	National Electronic Fund Transfer					
NFE	Net Foreign Exchange Earnings					
NHPC	National Hydroelectric Power Corporation					
NPV	Net Present Value					



Abbreviation	Full Form					
NSDL	National Securities Depository Limited					
NSE	National Stock Exchange of India Limited					
NTPC	National Thermal Power Corporation					
O and M	Operations and Management					
p.a.	Per Annum					
PAN	Permanent Account Number					
PAT	Profit After Tax					
PBT	Profit Before Tax					
PLR	Prime Lending Rate					
P/E Ratio	Price/Earnings Ratio					
PSU	Public Sector Unit					
RBI	Reserve Bank of India					
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time					
RHP	Red Herring Prospectus					
RoC	Registrar of Companies, Madhya Pradesh and Chhattisgarh					
RoNW	Return on Net Worth					
Rs./ Rupees / INR	Indian Rupees, the legal currency of the Republic of India					
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.					
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to					
Solut	time.					
SEBI	Securities and Exchange Board of India					
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time					
	to time.					
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure					
	Requirements) Regulations, 2009, as amended from time to time.					
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from					
	time to time, including instructions and clarifications issued by SEBI from					
	time to time.					
Sec.	Section					
Securities Act	The U.S. Securities Act of 1933, as amended					
SEZ	Special Economic Zones					
SICA	Sick Industrial Companies (Special Provisions) Act, 1995, as amended					
SICA	from time to time					
sq.ft.	Square Feet					
sq.mtrs.	Square Meters					
sq.yrds	Square Yards					
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares					
	and Takeover Regulations), 1997, as amended from time to time.					
TDS	Tax Deducted at Source					
Tehl and Distt.	Tehsil and District					
U.S. GAAP	Generally Accepted Accounting Principles in the United States of					
	America.					
U.S. or US or U.S.A	The United States of America					
VCFs	Venture Capital Funds as defined in and registered with SEBI under the					
	VCF Regulations					
VCF Regulations	Securities and Exchange Board of India (Venture Capital Funds)					
	Regulations, 1996, as amended					

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

Notwithstanding the foregoing: -

- (i) In the chapter titled "*Main Provisions of the Articles of Association of our Company*" beginning on page 278 of this Red Herring Prospectus, defined terms shall have the meaning given to such terms in that chapter;
- (ii) In the chapter titled *"Financial Statements"* beginning on page 174 of this Red Herring Prospectus, defined terms shall have the meaning given to such terms in that chapter;
- (iii) In the paragraphs titled "Disclaimer Clause of Bombay Stock Exchange Limited" and "Disclaimer clause of National Stock Exchange of India Limited" beginning on pages 233 and



234 respectively of this Red Herring Prospectus, defined terms shall have the meaning given to such terms in those paragraphs;

(iv) In the chapter titled "*Statement of Tax Benefits*" beginning on page 88 of this Red Herring Prospectus, defined terms shall have the meaning given to such terms in that chapter.



### PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

### Financial data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with the Indian GAAP, the Companies Act and SEBI ICDR Regulations which are included in this Red Herring Prospectus, and set out in the chapter titled "*Financial Statements*" beginning on page 174 of this Red Herring Prospectus.

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

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

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

#### Currency and Units of presentation

All references to "India" are to the Republic of India and all references to the "Government" are to the Government of India.

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

All references to 'million' / 'Million' / 'Mn' refer to one million, which is equivalent to 'ten lakhs' or 'ten Lacs', the word 'Lacs / Lakhs/ Lac' means 'one hundred thousand' and 'Crore' means 'ten millions' and 'billion / bn. / Billions' means 'one hundred crores'. Through out this Red Herring Prospectus, all figures have been expressed in Lacs, unless otherwise stated.

### Market and Industry Data

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from the report "*Indian Transformer and Solar Power Industries*" dated December 2010 by ICRA Management Consulting Services and from other industry sources.

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been verified by any independent source.

Further, the extent to which the market data is presented in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further,



there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.



### FORWARD LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as "will", "aim", "is likely to result in", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements". Similarly, statements that describe our objectives, strategies, plans or goals are also forward looking statements.

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

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

For further discussion of factors that could cause our actual results to differ, see the chapters titled "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 16 and 196 respectively of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what



actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither our Company, its Directors and officers, the Underwriters, nor any of their respective affiliates or associates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the Book Running Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of the final listing and trading permissions by the Stock Exchanges for the Allotment.



### SECTION II

### **RISK FACTORS**

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. To obtain a complete understanding of our Company, you should read this chapter in conjunction with the chapters titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 111 and 196 respectively of this Red Herring Prospectus as well as the other financial and statistical information contained in this Red Herring Prospectus. If any of the following risks occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

This Red Herring Prospectus also contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forwardlooking statements as a result of certain factors, including the considerations described below, and elsewhere in this Red Herring Prospectus.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider being not material to our operations. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

### Materiality:

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

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

### I. INTERNAL RISK FACTORS

### A. RISK RELATING TO OUR COMPANY

1. Our Company and one of our Group Company namely Indore Transformers Private Limited, are parties to certain legal proceedings. Any unfavourable outcomes in such proceedings may have an adverse impact on our business, reputation, financial condition and results of operations.

Our Company and one of our Group Entities, namely Indore Transformers Private Limited, are involved in certain legal proceedings, which are pending at different stages of adjudication before the Judicial / Statutory authorities. Any rulings by such authorities against our Company may have an adverse material impact on their operations. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Further, we may also not be able to quantify all the claims in which we or any of our Group Entities are involved. Any adverse decision may have a significant effect on our business, reputation, financial condition and results of operations. A summary of the pending proceedings is set forth below:

Sr.	Particulars	No. of cases/disputes	Amount involved in Rs.
No.			
1.	Gratuity claim	1	31,020
2.	Income Tax Proceedings	1	1,09,80,010 *
3.	Notices received by our	1	Not quantifiable
	Company- Collector of Stamps		
	Total	2	1,10,11,030

#### Litigation against our Company



\*The total claim amount was Rs. 1,09,80,010 and our Company has already deposited a sum of Rs. 60,32, 438 with the tax authorities.

#### Litigation filed by our Company

Sr. No	Particulars	No. of	Amount involved in Rs.
		cases/disputes	
1.	Civil	2	Principal amount of 1,15,21,935/- and interest @ 18% per
	Proceedings		annum until date of payment
			Principal amount of 3,71,922/- and interest @ 18% per
			annum until date of repayment
	Total	2	1,18,93,857 and interest @ 18% per annum until date of
			repayment

#### Litigation by our Group Companies / Entities

Indore Transformers Private Limited

Sr. No	Particulars	No. of cases/disputes	Amount involved in (Rs.)
1.	Writ Petition	1	8,78,314
	Total	1	8,78,314

For details relating to the past penalties and notices of demand received by our Company which has already been paid and other litigation details involving our Company, Directors/Promoters and Group Companies, please refer to chapter titled "*Outstanding Litigation and Material Developments*" beginning on page 214 of this Red Herring Prospectus.

## 2. We have experienced negative cash flows in prior periods. Any negative cash flows in the future would adversely affect our results of operations and financial condition.

We have in the past, experienced negative cash flows, the details of which are set out below:

we have in the past, experienced negative easi nows, the details of which are set out below.					
					(Rs. in Lacs
Particulars	March 31, 2007	March 31,	March 31,	March 31,	March 31,
		2008	2009	2010	2011
Net Cash from Operating Activities	82.84	134.57	(161.95)	(444.29)	424.19
Net Cash from Investing Activities	26.91	3.31	(623.36)	(126.12)	(298.62)
Net Cash from Financing Activities	(85.13)	(138.86)	791.59	580.24	(114.48)
Net increase/(decrease) in Cash and Cash Equivalents	24.63	(0.99)	6.28	9.83	11.09

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. As a result, our business, financial condition and results of operations could be materially and adversely affected. For further details please refer to chapters titled "*Financial Statements- Annexure - III*" and "*Management's Discussion And Analysis Of Financial Condition And Results Of Operations*" beginning on pages 174 and 196 of this Red Herring Prospectus.

## 3. One of our Group Company, Geeta Electricals Indore Private Limited has incurred losses during the fiscal 2010.

Our Group Company, Geeta Electricals Indore Private Limited has incurred loss in the fiscal 2010.

	(Rs. in Lacs)
Name of Group Companies	Fiscal 2010
Geeta Electricals Indore Private Limited	(2.75)

For further details regarding our Group Companies/entities, please refer to the chapters titled "Our Group Entities" beginning on page 160 of this Red Herring Prospectus.



### 4. Our contingent liabilities could adversely affect our financial condition.

Our Company has the following contingent liabilities for the period ended March 31, 2011 which may adversely affect its financial conditions.

	(Rs. in Lacs)
Particulars	Period Ended March 31, 2011
Outstanding Bank Guarantee	249.91
Corporate Guarantee on behalf of others	100.00
Income Tax Demand (Net of tax Deposited)	49.48
Total	399.39

For details, please refer to chapter titled "Financial Statements- Annexure - V" beginning on page 174 of this Red Herring Prospectus.

## 5. For the fiscal 2007 and 2008 our Company's turnover from non core business (other than manufacturing of transformers) constituted more than 25% of the revenue and was more than ten percent for fiscal 2010.

For the fiscals 2007 and 2008, our revenue from non core business such as trading in iron and steel and scrap trading etc. constituted 27.86% and 34.53%. Further, for fiscal 2010 and 2011 our revenue from non-core business constituted 11.90% and 9.95% respectively. We cannot assure you that this trend in variation in revenues from non-core business may not occur in the future.

## 6. There has been a substantial fluctuation in the percentage of sundry debtors to the total income in the last few fiscals.

Our Company has witnessed a fluctuation in the percentage of sundry debtors to the total income in the last few fiscals due to delay in making payment by our customers. The percentage of sundry debtors to total income for the last five fiscals is as stated below:

									(Rs. in La	ics)
Particulars	March	31,	March	31,	March	31,	March	31,	March	31,
	2007		2008		2009		2010		2011	
Total income	1,61	8.51	1,98	37.68	2,65	58.12	3,75	50.42	352	28.26
Total sundry debtors	62	4.72	49	93.59	85	58.60	1,68	34.69	81	4.21
Percentage of sundry debtors to	38.	60%	24	.83%	32.	.30%	44.	.92%	23.	.00%
total income										

7. Neither our Company nor our Promoters have sufficient experience in building and operating solar power generation projects which may affect our ability to effectively complete construction of and manage and operate our solar projects and which in turn shall adversely affect our results of operation and financial condition.

As on date of this Red Herring Prospectus, all our Promoters have been involved in the business of manufacture and sale of transformer and have over 62 years of experience jointly. Taking into consideration the growing demand of power, they are proposing to enter into a new line of power generation business. Our Company is now in the process of implementing 2MWp solar power project for which we have appointed TATA BP Solar India Limited as a turnkey solution provider who has the responsibility of providing equipment, setting up of the plant, commercial production, evacuation of electricity and as EPC contractor. Further, we intend to use the proceeds of the Issue to set up additional 4MWp solar power generation plant. However, our Promoters have no prior experience in business of power generation by use of solar energy. We and our Promoters lack the adequate background and experience in the solar power generation industry and may not have sufficient experience to address the risks frequently encountered by early stage companies, including our ability to acquire and retain customers or maintain adequate control of our costs and expenses.

Our prospects therefore must be considered in light of the risks and uncertainties encountered in evolving markets and changing trends where demand and supply for solar power may vary. This may hinder us to execute the project within preset timelines and budgeted costs. As a result we cannot give any assurance about our business strategy being successful. Further, if we are unsuccessful in addressing such risks, our business may be materially and adversely affected. Accordingly, investors



should consider our business and prospects in light of the risks, losses and challenges that we face as an early-stage company with Promoters who lack experience in the solar power project industry and should not rely on our results of operations for any prior periods as an indication of our future performance.

## 8. Our Company may face risks relating to issuance of REC to the Company and sale and trading of REC. We cannot assure you that we will be able to obtain all the necessary approvals on time and fulfil all of the prerequisite conditions for issuance and trading of REC.

Our Company proposes to generate income from sale of REC which, would be one of the major sources of revenue. Issue of REC is governed by REC Regulations issued by CERC. Any renewable power generating company which intends to receive and trade in REC needs the approval of the governing body set up under the REC Regulations. To obtain REC, we need to make an application to NLDC, a designated agency set up to issue and monitor RECs by CERC and REC shall be issued only after complying with the prerequisite conditions and after obtaining permissions from local state electricity authorities. Our Company as on date has not received any such approval and there can be no assurance that we will be able to obtain such approval in the future.

RECs can be traded only on government recognised exchanges. As on date, trading in REC is restricted to only two government recognised power exchanges namely Power Exchange India Limited (PXIL) and Indian Energy Exchange (IEX). The selling and trading of REC in India is currently at a nascent stage and there is no secondary market for trading of REC.

CERC has prescribed a band of Rs.12,000 to Rs. 17,000/- per REC. This wide price band may give volatility in Company's revenue stream. However, the validity of the REC is only for a period of 365 days from the date of issue, hence we may be obligated to sell the RECs at the lowest price of the price band or we may not be able to sell the same at all during its validity period.

Further, for the period April 2012 to March 2017 the band is revised to Rs. 9,300 to Rs. 13,400. This reduction in the REC prices which, comes into effect from April 2012 would effect our profit and there is no assurance that the price band would not be revised further to Company's disadvantage.

# 9. Our Promoter Directors have interest in certain companies, which are engaged in similar businesses, which may create a conflict of interest. Further we do not enjoy contractual protection by way of a non – compete or other agreement or arrangement with our Group Entities.

Mr. Shyam Sunder Mundra is one of the promoter director of Indore Transformers Limited and director of C. S. Steels Private Limited, Mr. Anurag Mundra is one of the promoter director of Geeta Electricals Indore Private Limited and director of Proximo Energy Concept Private Limited (wholly owned subsidiary of our Company) and Mr. Vikalp Mundra is director of C. S. Steels Private Limited and Proximo Energy Concept Private Limited (wholly owned subsidiary of our Company) and Mr. Vikalp Mundra is director of C. S. Steels Private Limited and Proximo Energy Concept Private Limited (wholly owned subsidiary of our Company) and partner in M/s Agartala Electricals LLP which are engaged in the business of manufacture, repair and sale of transformers which is the similar to the business of our Company. This may create a conflict of interest with regards to their decisions and interest in our Company. We have not entered into any non – compete or other agreement or arrangement with any of the companies. For further details please refer to chapter titled "*Our Management*"- "*Interest of Directors*" beginning on page 147 of this Red Herring Prospectus. For details of interest of our Promoter Group in other companies, please refer to chapter titled "*Our Group Entities*" beginning on page 160 of this Red Herring Prospectus.

### 10. We have issued Equity Shares during the last one year at a price that may be below the Issue Price.

We have in the last twelve months prior to filing this Red Herring Prospectus, issued equity shares at a price that could be lower than the Issue Price. The price at which the equity shares have been issued in the last one year is not indicative of the price at which they will be issued or traded. For further details regarding such issuances of equity shares, see "*Capital Structure*" on page 62 of this Red Herring Prospectus.

## 11. Post this Issue, our Promoters and Promoter Group will continue to hold majority shares in our Company.



As on the date of this Red Herring Prospectus our Promoters and Promoter Group collectively hold 94.26% Equity Shares in our Company. Further, post this Issue, our Promoters and Promoter Group will collectively own 70.69% of our Equity Share capital of which 36.30% shall be controlled by the Promoters. Accordingly, our Promoters and Promoter Group will continue to have control over our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election, termination or appointment of our officers and directors. This control could delay, defer, or prevent a change in control in our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage potential acquirers from making an offer or otherwise attempting to obtain control over our Company even if it is in its best interest. Our Promoters and Promoter Group may also influence our material policies in a manner that could conflict with the interests of our other shareholders.

## 12. Our logo @ appearing on the cover page of this Red Herring Prospectus is not registered with the trademark registry.

Our Company has not registered our logo appearing on this Red Herring Prospectus nor have we made any application for registration of the same before the trademark registry. The logo used on our products is an important asset of our business. We cannot assure you that we will continue to have uninterrupted use and derived benefit of the logo.

There can be no assurance that we have taken adequate action to prevent third parties from using our logo or from naming their products using the same logo that we use. In addition, there can be no assurance that third parties will not assert rights in, or ownership of, our name or the trademarks we use or other intellectual property rights. As a result of any infringement of our unregistered logo, we may not have any immediate recourse, which, may adversely affect our ability to conduct our business as well as affect our reputation and consequently, our results of operations.

## 13. We have in the past entered into related party transactions and may continue to do so in the future.

We have, in the course of our business entered into transactions with related parties that include entities forming part of Promoter Group/Group Companies.

For further details please refer to chapter titled "Financial Statements- Annexure XV" beginning on page of this Red Herring Prospectus.

## 14. Our success largely depends on the experience of our Promoters and our ability to attract and retain our skilled key managerial personnel.

We depend significantly on the expertise, experience of our Promoters who jointly have over 62 years of experience in the field of manufacture of transformers and continued efforts of our key managerial personnel. If either of our Promoters is unable or unwilling to continue in his present position our business could thereby be adversely affected. Further, if one or more members of our key managerial personnel are unable or unwilling to continue in his/her present position, it could be difficult to find a replacement and our business could thereby be adversely affected. Opportunities for key managerial personnel in our industry are immense and it is possible that we may not be able to retain our existing key managerial personnel or may fail to attract/ retain new employees at equivalent positions in the future. As such, any loss of any of our Promoters or key managerial personnel could adversely affect our business, operations and financial condition. For further details on our Promoters and the key managerial personnel of our Company please refer to the chapters titled "*Our Promoters' and Their Background*" and "*Our Management*" beginning on pages 156 and 142 respectively of this Red Herring Prospectus.

## 15. Our lenders have charge over our movable and immovable properties in respect of finance availed by us. We are subject to restrictive covenants under our credit facilities that could limit our flexibility in managing our business.

Our Company has availed secured loans from State Bank of India and Axis Bank. As on August 30, 2011 the total outstanding amount in the name of our Company is Rs. 1,877.65 Lacs. We have secured our loans by creating a charge over our movable and immovable properties. In the event we default in repayment of the loans availed by us and any interest thereof, our properties may be forfeited by lenders. Further, there are certain restrictive covenants in the agreements we have entered into with our



lenders. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks for various activities, including, amongst others, selling, leasing, transferring or otherwise disposing of any part of our business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion or taking up an allied line of business and change in capital structure and management. Such restrictive covenants in our loan documents may restrict our operations or ability to expand and may adversely affect our business. Though we have received necessary approval from our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends.

For further information on the financing and loan agreements along with the total amounts outstanding and the details of the repayment schedule please refer to chapter titled *"Financial Indebtedness"* beginning on page 205 of this Red Herring Prospectus.

## 16. Our Company has borrowed money in the form of unsecured inter corporate deposits. This amount can be recalled by the lenders at any time.

Our Company has availed unsecured inter corporate deposits of Rs. 4,490 Lacs as on August 30, 2011 from certain third parties/entities. Of which a sum of Rs. 3,648.90 Lacs has already been deployed for the purposes stated in objects of the issue. These unsecured inter corporate deposits can be recalled by the lenders at any point of time. If the amount recalled with short notice, or there is a default in repayment of unsecured inter corporate deposits or payment of interest on unsecured loans may impact our project as stated in the chapter titled "*Objects of the Issue*," our operations and financial results. For details of unsecured inter corporate deposits and our objects of the issue please refer to chapters titled "*Financial Indebtedness-Details of unsecured borrowing of our Company*" and "*Objects of the Issue*" on pages 209 and 73 respectively of this Red Herring Prospectus.

## 17. In the past, our projects have been partly financed by our existing banks. There can be no assurance that we will continue to receive support from the banks for working capital and/ or term loans required for our regular operations or future expansions.

Our Company has availed loans in the past to fund its operations and projects. As on date we are enjoying good credibility with these banks and banks have been supporting us by renewal of loans, fresh sanctions, enhancement of various facilities for existing operation and for other expansion projects. However we cannot assure you that in the future all our loans shall be granted on terms favourable to us or at all, further we cannot assure that the bank will continue to support us in all our future endeavours.

## 18. Our inability to effectively implement our growth strategies or manage our growth could have an adverse effect on our business, results of operations and financial condition.

A principal component of our strategy is to effectively manage our current transformer manufacturing business, increase our client base in various geographical areas, as well as the development of new line businesses by setting up solar power generation unit. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous growth increases the challenges involved in financial management, training and recruitment and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. Any inability on our part to manage such growth could disrupt our business prospects and adversely affect our results of operations and financial condition.

## 19. Our Promoters, Directors and key managerial personnel may have interest in our Company, other than reimbursement of expenses incurred or remuneration.

In addition to the Equity Shares held by our Promoters and remuneration paid to our Directors and key managerial personnel, our Promoters are interested in the transactions entered into between our Company and our Promoter Group/Group Entities. For further details, please refer to chapter titled "*Financial Statements - Related Party Transaction*" beginning on page 174 of this Red Herring Prospectus. Further, one of our key managerial personnel Mr. Amit Neema holds 62,040 Equity Shares constituting 0.41% of the pre Issue capital of our Company. For details relating to shareholding of our directors and key managerial personnel, please refer to chapter titled "*Our Management*" beginning on page 142 of this Red Herring Prospectus.



### 20. Our manufacturing operations are significantly concentrated in the Indore, Madhya Pradesh and failure to expand our operations may restrict our growth and adversely affect our business.

As on the date of this Red Herring Prospectus, our manufacturing operations are mainly focused in Indore, Madhya Pradesh. We do not have any back up site or facility in the event of stoppage of operations. As such, substantial portion of our revenues are generated from manufacturing operations in Indore, Madhya Pradesh. We believe that future growth in business and revenues will be achieved through a pan-India footprint. Failure to expand our operations either through branches, business associates or otherwise may restrict our growth potential and adversely affect our results of operations. Further, there is no guarantee that the capital, which is deployed by our Company towards setting up these branches, will deliver profitable results.

## 21. Non-renewal and failure to obtain statutory and regulatory permissions and approvals required to operate our business may have a material adverse effect on our business.

We require several statutory and regulatory permits, licenses and approvals to operate in the manufacturing business, some of which our Company has either received, applied for or is in the process of application. Many of these approvals are granted for fixed periods of time and need renewal from time to time. Non renewal or renewal of the said permits and licenses would adversely affect our Company's operations, thereby having a material adverse effect on our business, results of operations and financial condition. We are also required to apply for certain approvals at a later juncture with respect to our solar power projects. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all.

Further, some of our permits, licenses and approvals are subject to several conditions and we cannot provide any assurance that we will be able to continuously meet such conditions or be able to prove compliance with such conditions to the statutory authorities, which may lead to the cancellation, revocation or suspension of relevant permits, licenses or approvals. Any failure by us to apply in time, to renew, maintain or obtain the required permits, licenses or approvals, or the cancellation, suspension or revocation of any of the permits, licenses or approvals may result in the interruption of our operations and may have a material adverse effect on the business. If we fail to comply with all applicable regulations or if the regulations governing our business or their implementation change, we may incur increased costs, be subject to penalties or suffer a disruption in our business activities, any of which could adversely affect our results of operations.

We are yet to apply to the following authorities for licenses/approvals which are required to set up the proposed 4MWp solar power project which is proposed to be setup out of the proceeds of this issue:

Sr. No.	Authority
1.	Intimation to District Collector, Rajgarh for the proposed Solar Power Project
2.	Madhya Pradesh Urja Vikas Nigam Limited (MPUVNL)
3.	Ministry of New and Renewable Energy (MNRE)
4.	National Load Despatch Centre (NLDC)
5.	Madhya Pradesh Power Transmission Company Limited
6.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited
	(MPMKVVCL)
7.	Sales Tax Department, Indore for the new site
8.	Excise Department for the new site

For further details, please see chapters titled "*Regulations and Policies in India*" and "*Government and Other Approvals*" at pages 128 and 222 respectively of this Red Herring Prospectus.

## 22. Our future funds requirements, in the form of fresh issue of capital or securities and or loans taken by us, may be prejudicial to the interest of the shareholders depending upon the terms on which they are eventually raised.

We may require additional capital from time to time depending on our business needs. Any fresh issue of shares or convertible securities would dilute the shareholding of the existing shareholders and such issuance may be done on terms and conditions, which may not be favourable to the then existing



shareholders. If such funds are raised in the form of loans or debt, then it may substantially increase our interest burden and reduce our cash surplus, thus prejudicially affecting our profitability and ability to pay dividends to our shareholders.

## 23. We face risks associated with potential acquisitions, investments, strategic partnerships or other ventures that could adversely affect our results of operations.

We may acquire or make investments in complementary businesses, technology, services or products or enter into strategic partnerships with parties who can provide access to those assets, if appropriate opportunities arise in the future. We may not identify suitable acquisition, investment or strategic partnership, candidates, or if we do identify suitable candidates, we may not complete those transactions on commercially acceptable terms or at all. If we acquire another company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. If we make other types of acquisitions, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

#### 24. Our insurance coverage may not adequately protect us against possible risk of loss.

Our Company has obtained insurance cover from Tata AIG General Insurance Company Limited for its building, plant machinery, plinth and stock situated at its manufacturing units at 2/ D-2 Sector D, Sanwer Road, Industrial Area, Indore, 452001, Madhya Pradesh and at Survey No. 211/1, Sector C, Opposite Metalman, Sanwer Road, Indore- 452015, Madhya Pradesh. The details of the insurance cover obtained is as set out below:

Location	Nature of Policy	Sum Insured	Validity
2 D 2, Sector D	A. Fire/Building		March 19, 2011
Sanwer Road	Building	1, 000, 000/-	to March 18,
Industrial Area	Furniture, fixtures & Fittings	100, 000/-	2012
Indore, 452001	Plant & Machinery	1, 000, 000/-	
Madhya Pradesh	Plinth & Foundation	400, 000/-	
	Stock	1, 500, 000/-	
	B. Burglary	1, 500, 000/-	
	Stock		
	C. Money Intransit	1, 000, 000/-	
	Wages/Salaries/Business Cash		
C			Marsh 10, 2011
Survey No. 211/1,	A. Fire/Building	17 500 000/	March 19, 2011
Sector C,	Building	17,500,000/-	to March 18,
Opp Metalman	Furniture, fixtures & Fittings	1, 500, 000/-	2012
Sanwer Road,	Plant & Machinery	20,000,000/-	
Indore 452015,	Plinth & Foundation	2, 500, 000/-	
Madhya Pradesh	Stocks	68, 500, 000/-	
	B. Burglary	68, 500, 000/-	
	Stock		
	C. Money In Transit	1,000,000/-	
	······································	1, 000, 000/-	
	Wages/Salaries/Business Cash		
L		l	

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks. If any or all of our facilities are damaged in whole or in part and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

### B. RISK RELATING TO OUR BUSINESS

#### Risks related to our existing business of manufacture of transformers



## 25. "Our current primary line of business activity is manufacture and sale of transformers. Any down turn in demand of transformer and any disruption or failure in the operations will significantly impact our financial position".

As on date of this Red Herring Prospectus, manufacture and sale of transformers is our main business activity. Our major sales revenue is derived from sale of transformers. Our transformer business have contributed 72.14%, 65.47%, 94.91%, 88.10% and 90.05% of our total sales revenue for the last five fiscals 2007, 2008, 2009, 2010 and 2011 respectively. Although our strategy is to actively develop other line of business, such as solar power generation business, our main line of business i.e. manufacture of transformers will continue to constitute a significant portion of our revenues and operating profit. Until the solar power project is executed and the operations are stabilised, manufacture and sale of transformers shall continue to be the main constituent of sales and profitability of our Company. Further, if we are unable to maintain and upgrade our technical know-how with the new technological developments in our industry, it may adversely affect our sales revenue and impact our business.

## 26. Significant portion of our revenues are derived from Government and government-controlled entities. Further any default/ delay in payment by our customers impacts our cash flows.

Most entities in the power distribution sector are either government or government-controlled entities and other government entities engaged in business of coal mining. The details of sales to government entities in the last five fiscals is set out below:

				0	ngures in %)
Particulars	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
SEBs/Government controlled utility company	80.47	78.81	82.73	64.99	34.37
Public Sector Undertakings	0.00	0.00	0.00	0.00	11.02
Others	19.53	21.29	17.27	35.01	54.61

Contracts awarded by Government and government controlled entities are on basis of the tender-based process. We compete with various other transformer companies while submitting bids to Government/Government-controlled entities. In case we do not qualify or are not amongst the lowest bidders, we stand to lose the business. We cannot assure that any of the bids we submit would be accepted/awarded to us; therefore, our ability to procure the business by bidding at the lowest rates is crucial for our revenues. Any failure to procure bids by our Company will impact our financial operations. For details related to our reliance on government sectors, please refer chapter titled "Our Business" beginning on page 111 of this Red Herring Prospectus.

As our Company supplies transformers to a large customers base including government sectors; a significant portion of our sale to them is on credit. There is no assurance that we will be able to recover payment as per the schedule of payment. There has been delay in payment by our customers and government entities in the past. Any such delay or default of payment by our key customers and government entities in the future would impact our cash flow position.

## 27. We face intense competition in our businesses both from organised and unorganised players, which may limit our growth and prospects.

The industry involving the manufacture and sale of transformers is a fragmented industry, consisting of large number of unorganized players. Presently there are over 500 transformer manufacturers in India comprising of both the organised and unorganized players. We may face threat of loss of revenues as a result of intense competition from these players which may affect our financial performance. Due to the increase in demand of supply of power in the future a large number of small players may enter this sector increasing the competition in this field.

We compete on the basis of a number of factors, including quality, price of product, service offerings, innovation, and reputation. Our competitors may have advantages over us, including, but not limited to:

- Substantially greater financial resources;
- Longer operating history than in certain of our businesses;
- Greater brand recognition among consumers;



- Larger customer bases in India and overseas; and
- More diversified operations, which allow profits from certain operations to support others with lower profitability.

For further details, please refer to the paragraph titled "*Competition*", as contained in the chapter titled "*Our Business*", beginning on page 111 of this Red Herring Prospectus.

#### 28. "The manufacture of transformers require high standard of quality assurance by the end users. Any failure in maintaining the requisite standards may result in rejections, non performance of the products at the point of installation and use".

With the view to attain higher reliability in power system operation, the quality assurance in the field of distribution and power transformers has become significant. Our Company has its own skilled in house quality control and testing capabilities to meet the customer requirements. If our Company fails to meet the quality test requirements in future, it may have a significant impact on our revenues.

The transformers being a capital investment for the buyers, it is generally supported by a warranty for 1-4 years. In the past there has been instances when the products manufactured by us has not performed as required due to various external factors beyond our control. However in terms of our warranty clause we are required to repair the equipment at the site or at our works for which we have to incur additional cost for repair and maintenance and to and fro transportation charges etc.

### 29. Increasing raw material costs could have an adverse effect on our profitability.

Our major raw materials for manufacture of transformers include cold rolled grain oriented silicon steel (CRGO), copper and aluminium wires/strips, iron and steel, transformer oil etc. These raw materials are subject to price volatility caused by factors including commodity market fluctuations, quality and availability of supply, currency fluctuations, consumer demand etc. Raw material price increases result in corresponding increases in our raw material costs. Though most of our purchase orders have price variation clause, but these price variation clauses does not guarantee 100% risk coverage. Any high volatility in raw material prices may impact our profitability.

## 30. As a manufacturing business, our success depends on the continuous supply and transportation of raw materials from our suppliers to our facilities and of our products from our manufacturing facilities to our customers, which are subject to various uncertainties and risks.

We depend on road transportation to deliver raw materials from our suppliers to our manufacturing facilities as well as our products from our manufacturing facilities to our customers. We rely on third parties to provide such services. Disruptions of road transportation services because of weather-related problems, strikes and inadequacies in the road infrastructure, or other events could impair our ability to receive raw materials and to supply our products to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

## 31. Our business is largely dependent upon the demand for power generation, transmission and distribution.

The demand for transformers in India is largely dependent on the power industry. The demand for power in India is closely linked to economic growth in the country, and to Government policies in the power sector. As the economy grows, economic activities, such as industrial production and personal consumption, also tend to expand, which increases the demand for power. If the Indian economy does not continue to grow at the current rate, it would adversely impact the power sector and hence the demand for transformers, would have a material adverse effect on our business, financial condition and results of operations.

### 32. Our Company is exposed to accidents at the manufacturing facilities

Occurrence of accidents at any of our manufacturing facilities may expose our Company to pay compensation and penalty to our workmen and third parties for any losses or damage to human life/health or the environment. However, there have been no such incidents previously.

### Risks related to our proposed solar power project business



## 33. We have not entered into any power purchase agreement for sale of our power generated from solar power project.

We are at liberty to sell power generated by us to SEBs/ utility and distribution companies, large industrial users, power trading houses, banking of power etc. As on the date of this Red Herring Prospectus we have not entered into any power purchase agreement for sale of power generated from our 2MWp solar power project which is under execution or the 4MWp solar power project which is proposed to be set up out of the proceeds of the Issue with any end user. We are also allowed to evacuate the power generated by us to any end users/actual users by paying applicable wheeling charges; however as on date we have not entered into any such wheeling agreement. Any failure by our Company to enter into such agreements prior to the commencement of operation of our solar power plant may impact our revenues and future prospects.

## 34. The forecasted demand for solar power is mainly due to renewable purchase obligations notified/ordered by CERC/SERCs, any change in such renewable purchase obligations may impact our revenues.

The National Tariff Policy 2006 mandates the SERCs to fix a minimum percentage of energy purchase from renewable sources of energy. The solar power purchase obligation for States starts with 0.25% minimum in the current year and is expected to increase gradually over the years and will go up to 3%. CERC has already issued required notification, but in India, electricity being the subject matter of state, every SERC has to issue separate notification for the regulation. Some of the SERCs have already issued the notification for the renewable purchase obligation and some SERCs have not yet issued the final notification. Any delay or absence of notification may impact demand of solar power which subsequently impacts our revenues.

For further details in this regard, see chapters titled "Industry Overview" and "Regulations and Policies in India" on pages 95 and 128 respectively of this Red Herring Prospectus.

## 35. We have not entered into definitive agreement to utilise all the proceeds of the Issue. We may face time and cost overruns in the project.

Our proposed 4MWp solar power project, which, is intended to be financed from the proceeds of the Issue is currently in the initial stages of implementation. Our Company has placed orders for plant and machinery aggregating to Rs. 6,220 Lacs for the proposed project. However, for the remaining assignments related to installations, civil work, commissioning and power evacuation etc., we have not entered into any definitive agreements, the costs of which may be subject to change in light of various factors beyond our control, including delays on increase in quoted prices by identified vendors. Our inability to control the project as per the stated schedule of implementation may lead to time and cost over run and may impact our future profitability.

For details of orders placed and orders for other assignments which are yet to be placed, please refer to chapter titled "*Objects of the Issue*" beginning on page 73 of this Red Herring Prospectus.

### 36. Solar power generation tends to decrease during monsoons or fluctuation in solar radiation.

The power generation through solar energy is dependent on the intensity/radiation of sunlight. During monsoons the availability of sunlight decreases. Further, any extension of monsoon/untimely/unseasonal rains/weather conditions may impact our power generation, which consequently may affect our revenues.

Solar radiations can be scattered by aerosols, dust particles and other molecules suspended in the air. Major fluctuations in the local environmental conditions including humidity and temperature impacts the incidence of solar radiation, which may have an adverse impact on anticipated power generation.

## 37. Our proposed solar power project for which we intend raising money through the Issue has not contributed to any revenues of our Company in the previous years.

Our Company is currently in the business of manufacture of transformers and is proposing to enter into the business of solar power generation. As on date we are in the process of setting up 2MWp solar



power project, and in addition we intend to use the proceeds of the Issue for setting up an addition 4MWp solar power project. As this is a new line of business proposed by our Company, the industry segment for which the proceeds of Issue are to be utilised has not contributed to our revenues previously.

### RISK RELATING TO THIS ISSUE

### 38. There has been no public market for our Equity Shares of prior to this Issue so the Issue Price may not be indicative of the value of the Equity Shares.

Prior to this Issue, there has been no public market for our Equity Shares in India or elsewhere. The Issue Price as determined by our Company in consultation with the BRLM could differ significantly from the price at which the Equity Shares will trade subsequent to completion of this Issue. We cannot assure you that even after the Equity Shares have been approved for listing on the Stock Exchanges, any active trading market for the Equity Shares will develop or be sustained after this Issue, or that the offering price will correspond to the price at which the Equity Shares will trade in the Indian public market subsequent to this Issue.

### 39. The fund requirement and deployment have not been appraised by any bank or financial institution.

The deployment of funds as described in the chapter titled "*Objects of this Issue*" beginning on page 73 of this Red Herring Prospectus is at the discretion of our Company's Board of Directors. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. Accordingly, within the parameters as mentioned in the chapter titled "*Objects of this Issue*" beginning on page 73 of this Red Herring Prospectus, management will have significant flexibility in applying the proceeds received by our Company from this Issue.

### 40. We have not entered into any definitive agreements to monitor the utilization of the Issue proceeds.

The deployment of funds as stated in the chapter titled "*Objects of the Issue*" beginning on page 73 of this Red Herring Prospectus is entirely at our discretion and is not subject to monitoring by any independent agency. We have not entered into any definitive agreements to utilise a portion of the Issue proceeds. All the figures included under the chapter titled "*Objects of the Issue*" beginning on page 73 of this Red Herring Prospectus are based on our own estimates. In the event, for whatsoever reason, we are unable to execute our plans as detailed in the "*Objects of the Issue*" beginning on page 73 of this Red Herring Prospectus, we could have unallocated net proceeds. In the event we are unable to utilize the net proceeds of the issue for the objects specified herein, we shall, with the approval of our shareholders, deploy the funds for other business purposes in accordance with section 61 of the Companies Act.

## 41. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

Subsequent to listing, we will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares.

### 42. Any sale of the Equity Shares by any of the significant shareholders of our Company may adversely affect the trading price of the Equity Shares.



Any sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

#### 43. We cannot warrant that our securities will continue to be listed on the Stock Exchanges.

Pursuant to the listing of our securities on the Stock Exchanges, we shall be required to comply with certain regulations and/or guidelines as prescribed by SEBI and the Stock Exchanges. Our Company shall endeavour to comply with all regulations to continue listing, however, in the event of any default to comply with any of the relevant regulations and/or guidelines in a timely manner we may be subject to certain penalty or other regulatory or punitive actions.

## 44. There may not be an active or liquid market for our Equity Shares, which may cause the price of our Equity Shares to fall and may limit an investor's ability to sell our Equity Shares.

The price at which our Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

- our financial results and the financial results of the companies in the businesses we operate in;
- the history of, and the prospects for, our business and the sectors and industries in which we compete;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- significant developments in India's economic liberalisation and deregulation policies.

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in our Equity Shares may experience a decrease in the value of our Equity Shares regardless of our operating performance or prospects.

## 45. The ability to sell our Equity Shares by a non resident Indian to a resident Indian may be subject to certain pricing restrictions.

A person resident outside India (including a Non-Resident Indian) is generally permitted to transfer by way of sale the shares held by him to any other person resident in India without the prior approval of the RBI or the FIPB. However, it should be noted that the price at which the aforesaid transfer takes place must comply with the pricing guidelines prescribed by SEBI and the RBI. The RBI has published a Circular, dated October 4, 2004, prescribing the pricing guidelines in the case of a sale of shares by a non-resident to a resident. The guidelines stipulate that where the shares of an Indian company are traded on a stock exchange:

- the sale may be at the prevailing market price on the stock exchange if the sale is effected through a merchant banker registered with SEBI or through a stock broker registered with the stock exchange; or
- if the transfer is other than that referred to above, the price shall be arrived at by taking the average quotations (average of daily high and low) for one week preceding the date of application.

### 46. Investors will not be able to sell immediately on an Indian stock exchange any of our Equity Shares they purchase in the Issue until the Issue receives the appropriate trading approvals.

Our Equity Shares will be listed on the BSE and NSE. Pursuant to Indian regulations, certain actions must be completed before our Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by BSE and NSE. Thereafter, upon receipt of final approval from BSE and NSE, trading in our Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. We cannot assure investors that our Equity Shares will be credited to investors' demat accounts, or that trading in our Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict the investor's ability to sell our Equity Shares.

## 47. Any trading closures at the BSE and NSE may adversely affect the trading price of our Equity Shares.

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



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

#### EXTERNAL RISK FACTORS

## 48. The recent worldwide economic recession has adversely affected, and may continue to adversely affect, the solar power industry, our business and our results of operations.

Economic developments outside India have adversely affected the economy, our industry and our business. Since the second half of 2007, the global credit markets have experienced, and may continue to experience, significant volatility which have originated from the adverse developments in the United States and the European Union credit and sub-prime residential mortgage markets. These and other related events, such as the recent collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the availability of credit and the confidence of the financial markets, globally as well as in India.

Our business is affected by domestic and international economic conditions, including rates of economic growth and the impact that such economic conditions have on consumer spending as the demand for solar power products is influenced by macroeconomic factors, such as the supply and price of other energy products, as well as government regulations and policies concerning the solar power industry. For example, recent economic recession in several key solar power markets resulted in slower investments in new installation projects that make use of solar power products. The recent downturn in global economies has led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The cost of solar power systems and modules is high and requires easy availability of low-cost credit for the end-consumers. The resulting economic pressure and dampened consumer sentiment has adversely affected the solar power industry and consequently, our business and our results of operations. The risks associated with availability of credit for the end consumers are more acute during periods of economic slowdown or recession because such periods are accompanied by decreased appetite for credit risk and low levels of liquidity.

In addition, market volatility has been unprecedented in recent months, and the resulting economic turmoil may continue to exacerbate industry conditions or have other unforeseen consequences, leading to uncertainty about future conditions in our industry. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit. Furthermore, a decrease in the price of other energy products, such as oil, coal and natural gas, may reduce the urgency of the market to invest in alternative energy. Continuation or worsening of this downturn or general economic conditions may have an adverse effect on our business, liquidity and results of operations

# 49. If the solar power market is not suitable for widespread adoption, or if sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may not continue to increase or may even decline, and we may be unable to achieve or sustain our profitability.

The grid connected solar power market is at a relatively early stage of development. Historical and current market data on the solar power industry are not as readily available as those for other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. Many factors may affect the viability of widespread adoption of solar power generation technology including:

- cost-effectiveness, performance and reliability of solar power generation compared to conventional and other renewable energy sources;
- success of other alternative and cheaper energy generation technologies, such as wind power, geo thermal, hydroelectric power and biomass;



- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels or decreases in capital expenditures by end users of solar power; and
- deregulation of the electric power industry and the broader energy industry.

## 50. The occurrence of natural or man-made disasters could adversely affect our results of operations and financial condition.

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of military actions, could adversely affect our results of operations or financial condition, including in the following respects:

•Catastrophic loss of life due to natural or man-made disasters could cause us to pay benefits at higher levels and/or materially earlier than anticipated and could lead to unexpected changes in persistency rates.

•A natural or man-made disaster could result in losses in our projects, or the failure of our counterparties to perform, or cause significant volatility in global financial markets.

•Pandemic disease, caused by a virus such as H5N1, the "avian flu" virus, or H1N1, the "swine flu" virus, could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

## 51. We cannot guarantee the accuracy or completeness of facts and other statistics with respect to India, the Indian economy and the solar power industry contained in this Red Herring Prospectus.

Facts and other statistics in this Red Herring Prospectus relating to India, the Indian economy and the solar power industry have been derived from various industry publications that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. These facts and other statistics include the facts and statistics included in the chapter titled *"Industry Overview"*" on page 95 of this Red Herring Prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further, there is no assurance that they are sated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

# 52. Significant differences exist between Indian GAAP and other accounting principles such as US GAAP and IFRS, which may be material to investors' assessment of our financial condition. Our failure to successfully adopt IFRS effective April 2011 could have a material adverse effect on our business and results of operations.

Our financial statements are prepared in accordance with Indian GAAP, which differs in certain respects from IFRS. As a result, our financial statements and reported earnings could be different from those which would be reported under IFRS. Such differences may be material. We have not attempted to quantify the impact of IFRS on the financial data included in this Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Because differences exist between Indian GAAP and IFRS, the financial information in respect of our Company contained in this Prospectus may not be an effective means



to compare us with other companies that prepare their financial information in accordance with IFRS. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the Issue and the financial information relating to our Company. Potential investors should consult their own professional advisers for an understanding of these differences between Indian GAAP and IFRS, and how such differences might affect the financial information contained herein.

The Institute of Chartered Accountants of India, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with, IFRS, pursuant to which all public companies in India, including ours, will be required to prepare their annual and interim financial statements under IFRS with the fiscal period commencing April 1, 2011. Because there is significant lack of clarity on the adoption of and convergence with IFRS we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholder's equity will not appear materially worse under IFRS than under Indian GAAP. As we transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems and internal controls. Moreover, there is increasing competition for the small number of IFRS experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS and any failure to successfully adopt IFRS by April 2011 will not adversely affect our reported results of operations or financial condition.

## 53. Political instability or a change in economic liberalization and deregulation policies could seriously affect business and economic conditions in India generally and our business in particular.

The GoI has traditionally exercised and continues to exercise influence over many aspects of the economy. Our business and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. The GoI has in recent years sought to implement economic reforms and the current government has implemented policies and undertaken initiatives that continue the economic liberalization policies pursued by previous governments. There can be no assurance that liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting the foreign investment and other matters affecting investment in our securities could change as well. A change in the GoI may result in significant change in the government policies in the future. Any significant change in such liberalization and deregulation policies could adversely affect business and economic conditions in India, generally, and could adversely affect our business, prospects, financial condition and results of operations, in particular.

## 54. The extent and reliability of Indian infrastructure, to the extent insufficient, could adversely impact our results of operations and financial condition.

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

### 55. Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

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

## 56. Financial instability in Indian financial markets could adversely affect our results of operations and financial condition.



The Indian financial market and the Indian economy are influenced by economic and market conditions in other countries, particularly in Asian emerging market countries. Financial turmoil in global economy in recent years has affected the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss in investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general.

## 57. Wage pressures in India may prevent us from sustaining our competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States, Europe and other developed economies for comparably skilled professionals, which has been one of India's competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the western countries, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Compensation increases may result in an adverse effect on our business, financial condition and results of operations and could cause the price of the Equity Shares to decline.

## 58. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles of Association, regulations of our directors and Indian law govern our corporate affairs. Legal principles related to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as shareholder than as shareholder of a corporation in another jurisdiction.

### **Prominent** Notes

- 1. Our Company, Promoters, Directors, promoter group or persons in control of our Company have not been prohibited or debarred from accessing the capital market by the SEBI. Also, none of our Promoter, directors or persons in control of our Company was or is a promoter, director or person in control of any other company that is debarred from accessing the capital market under any order or directions made by SEBI. Further Our Company, it's Promoters, their relatives, Directors, Promoter Group or persons in control of our Company are not declared as wilful defaulters by RBI / Government Authorities and there are no violations of securities laws committed in the past or pending against them.
- This is a Initial Public Offer of 50,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [•] per Equity Share including a share premium of Rs. [•] per Equity Share for cash aggregating Rs. [•] Lacs. The issue will constitute 25 % of the post issue paid up capital of the Company.
- 3. The net worth of our Company, before the Issue as per our restated financial statements as at March 31, 2010 and March 31, 2011 was Rs. 1,050.98 Lacs and Rs. 1,556.00 Lacs respectively.
- 4. The book value per Equity Share as per our restated financial statement was Rs. 1,224.50 (for a face value of Rs. 100 per Equity Shares- prior to the sub-division) as of March 31, 2010 and Rs. 10.37 (for a face value of Rs. 10 per Equity Share) as on March 31, 2011.
- 5. Any clarification or information relating to this Issue shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. Investors can contact the Company Secretary and Compliance Officer and / or the Registrar to



the Issue and / or Book Running Lead Manager, i.e. Ms. Toshiba Sugandhi, BigShare Services Private Limited, D and A Financial Services Private Limited respectively, for any complaints pertaining to this Issue at the Pre-Issue or Post-Issue stage.

6. The following table represents average cost of acquisition of Equity Shares by our Promoters as on date of this Red Herring Prospectus. For details please refer to chapter titled "*Capital Structure*" beginning on page 62 under sub heading '*Details of the build up of Promoters*' shareholding in our Company' of this Red Herring Prospectus.

Sr.	Name of the Promoters	Average cost of acquisition (in Rs.)
1.	Mr. Shyam Sunder Mundra	2.18
2.	Mr. Vikalp Mundra	4.07
3.	Mr. Anurag Mundra	7.74

The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking into account the amount paid by them, to acquire, by way of fresh issuance or transfer, the Equity Shares, including bonus shares to them. For more information, please refer to the chapter titled *"Capital Structure"* beginning on page 62 of this Red Herring Prospectus

- 7. The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue will be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid bids being received at or above the Issue Price. If at least 50% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith.
- 8. In the event of the Issue being oversubscribed, the allocation shall be on a competitive basis to Bidders in the QIBs, Retail Individual Bidders and Non-Institutional Bidders. For further details, please refer to the chapter titled "*Issue Procedure*" beginning on page 245 of this Red Herring Prospectus.
- 9. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- 10. Under subscription, if any, in any category except the QIB portion shall be allowed to be met with spill over from the other categories, at the sole discretion of our Company in consultation with the BRLM. Allocation in all the categories shall be on a proportionate basis.
- 11. Except as disclosed in the chapter titled "*Capital Structure*" beginning on page 62 of this Red Herring Prospectus, we have not issued any shares for consideration other than cash.
- 12. For details of Group Entities having business interest in or other interest in our Company, please refer to chapter titled "*Financial Statements- Related Party Transactions- Annexure XV*" beginning on page 174 of this Red Herring Prospectus.
- 13. The details of transactions by our Company with our Group Entity during the last financial year ending March 31, 2011 is as follows:

Details of the transactions with our Related Parties

	(Rs. In Lacs)
Particulars	2011
Job Work Expenses	
C S Steels Pvt Ltd	0.00
Geeta Electricals Indore Pvt Ltd	0.00
Indore Transformer Private Limited	0.00
Job Work Income	
C S Steels Pvt Ltd	0.00



Casta Electricala Indone Det I td	0.90
Geeta Electricals Indore Pvt Ltd	0.90
Purchase of goods	3.89
C S Steels Pvt Ltd Geeta Electricals Indore Pvt Ltd	16.44
	10.44
Sale of goods	
C S Steels Pvt Ltd	0.00
Geeta Electricals Indore Pvt Ltd	227.99
Remuneration paid	
S.S. Mundra	32.00
Vikalp Mundra	28.50
Anurag Mundra	28.50
Interest Received	
C S Steels Pvt Ltd	0.23
Geeta Electricals Indore Pvt Ltd	3.74
Interest Paid	
S.S. Mundra	1.27
Vikalp Mundra	0.50
Anurag Mundra	0.26
Anurag S Mundra (HUF)	0.20
Sushiladevi Mundra	0.00
Sarita Mundra	0.00
S G Mundra (HUF)	0.00
G J Mundra (HUF)	0.25
Vikalp S Mundra (HUF)	0.12
Geeta Mundra	1.68
Commission paid	
S.S. Mundra	0.00
Vikalp Mundra	0.00
Anurag Mundra	0.00
Rent Paid	
Indore Transformer Private Limited	0.00
Accounting charges Paid	
	NA
Daffodils	
Investment made	
Autopal Trade Impex Pvt. Ltd.	NA
Unsecured Loan Received	25.00
S.S. Mundra	35.00
Vikalp Mundra	20.00
Anurag Mundra	31.87
C S Steels Pvt Ltd	5.06
Geeta Electricals Indore Pvt Ltd	30.81
S G Mundra (HUF)	0.00
G J Mundra (HUF)	4.00
Vikalp S Mundra (HUF)	15.98
Geeta Mundra	15.00
Anurag Mundra HUF	3.50
Unsecured Loan given / repayment	AC (5
S.S. Mundra	46.65
Vikalp Mundra	22.14



32.47
22.46
74.20
0.00
22.14
0.00
4.25
36.36
3.69
0.00
0.00
0.00
0.00
0.00
0.00
0.00
0.00
0.00

For details relating the financial information of the Company please refer to chapter titled *"Financial Statements"* beginning on page 174 of the Red Herring Prospectus.

- 14. Our Company was originally incorporated as M AND B Switchgears Private Limited on June 09, 1999 under the Companies Act, 1956 by converting partnership firm M & B Switchgears under Part IX of the Companies Act, 1956. Subsequently, our Company was converted into a public limited company vide fresh Certificate of Incorporation dated November 19, 2010 and the name of our Company was changed to "M AND B Switchgears Limited". Our Company has been allocated Corporate Identification Number U31200MP1999PLC013571.
- 15. Except, as disclosed in the chapter titled "*Capital Structure*" beginning on page 62 of this Red Herring Prospectus, neither our Promoters nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.
- 16. We and the BRLM are obliged to keep this Red Herring Prospectus updated and inform the public of any material change / development until the listing and trading of the Equity Shares offered under the Issue commences.
- 17. None of our Promoters, Directors and their relatives, Promoter Group or Group Entities, have entered into any financing arrangement or have financed the purchase of securities of our Company during the last six months prior to the date of this Red Herring Prospectus.



## SECTION III – INTRODUCTION

#### SUMMARY OF INDUSTRY

The information in the Industry chapter is obtained from the report by IMaCS and from sources which are believed to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and IMaCS in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information and estimates contained herein must be construed solely as statements of opinion, and IMaCS shall not be liable for any losses incurred by users from any use of this publication or its contents.

The information in this chapter has not been independently verified by us, the BRLM or any of our or their respective affiliates or advisors. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investors should not place undue reliance on this information. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies

In recent decades, the Government of India has focused on infrastructure development with top priority given to the power sector. Significant reforms have emphasised on developing the competitive environment, restructuring the industry for higher levels of accountability and investments, and aligning the electricity market for more efficient outcomes.

According to the CEA, the average per capita electricity consumption in India is 704 kWh as compared to global average per capita consumption of 2,752 kWh. By 2012, India requires an installed capacity of over 220,000 MW, which translates into opportunities for the associated power transmission and distribution segments. In addition, several decades of deterioration in power distribution infrastructure prior to reforms have created a need for investments in the replacement segment. At about 35%, the overall transmission and distribution (T&D) losses are higher than accepted global standards. Many rural areas in the country still remain unconnected.

India's grid interactive installed power generation capacity increased from 152,151 MW as on August 31, 2009 to 164,509 MW as on August 31, 2010. Renewable energy sources accounted for about 10% of the total installed capacity in August 2010. The private sector is a key driver of renewable power development with 83% share in total grid-connected renewable power capacity.

(MW)								
		Aug-	2010			Aug-2009		
	Central	State	Private	Total	Central	State	Private	Total
Thermal	38,482	50,892	17,059	106,433	36,872	47,607	13,393	97,872
Coal/Lignite	31,780	46,222	9,856	87,858	30,233	43,333	6,721	80,287
Gas	6,702	4,067	6,606	17,375	6,639	3,672	6,075	16,386
Diesel	-	603	597	1,200	-	603	597	1,200
Hydro	8,685	27,168	1,233	37,086	8,592	27,095	1,230	36,917
Nuclear	4,560	-	-	4,560	4,120	-	-	4,120
Renewable	-	2,789	13,640	16,429	-	2,248	10,995	10,855
Total	51,728	80,849	31,932	164,509	49,584	76,950	25,618	152,151

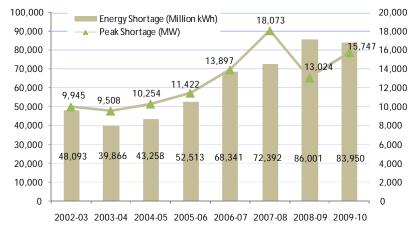
## Table 1: Installed Power Capacity

Source: IMaCS Research

For the past two decades, India has faced increasing deficit in power supply. Peak shortages affect industrial margins adversely and lead to grid instability if not managed properly. The average all-India shortages in 2009-2010 were at 10% for normal energy requirement and about 13% for peak load.

#### Figure 1: Electricity Shortage





Source: IMaCS Research

#### Transformer Market

An extensive transmission and distribution network already exists for evacuation of power and supply to consumers. Notwithstanding the substantial infrastructure, many regions in the country still suffer from electricity shortages. The new generation capacity additions as well as targeted increase in per capita consumption provide potential for further strengthening and expansion of the transmission system. With adoption of new technology, there has been a significant addition of transmission capacity at the extra-high voltage levels of over 500 kV. The 765 kV and 500 kV-HVDC technologies have raised grid efficiency and have strengthened the grid at the inter-regional links.

#### Table 2: Growth in EHV Sub-stations

(MVA)						
Voltage level	6 <sup>th</sup> Plan	7 <sup>th</sup> Plan	8 <sup>th</sup> Plan	9 <sup>th</sup> Plan	10 <sup>th</sup> Plan	11 <sup>th</sup> Plan*
765 kV	-	-	-	-	-	4,500
$\pm$ 500 kV HVDC	-	-	-	5,200	8,200	8,700
Converter/BTB Station						
400 kV	9,330	21,580	40,865	60,380	92,942	111,202
220 kV	37,291	53,742	84,177	116,363	156, 497	177,189
the second secon						

\*Up to second year of 11<sup>th</sup> Plan period

Source: IMaCS Research

ANIA

Regional transmission network expansion is essential for transmission of power across the country, from abundant generation areas to the deficit areas. As part of its ambitious mission to provide electricity to the entire country by 2012, the Government has set a target of adding over 60,000 circuit kilometres of new transmission lines. The integrated grid is expected to carry as much as 60% of the power generated in the country. The Government is also carrying out expansion of the five regional systems as well as the inter-regional grid to boost transmission capacity from 17,000 MW to 37,000 MW. The network expansion is expected to continue beyond 2012 commensurate with generation capacity and demand growth projections.

Power distribution network is vital for electricity supply. However, poor operational efficiencies, under-recovery of costs and poor collection efficiency of the power utilities remain the key concerns. With the restructuring of electricity utilities, the focus has shifted to making the distribution segment more efficient and financially viable. This has created significant opportunities in the segment.

To continue reforms in the distribution sector, the Cabinet Committee on Economic Affairs (CCEA) approved a restructured APDRP (R-APDRP) for the Eleventh Plan period as a central sector scheme in July 2008. The focus of this programme is on actual, demonstrable performance in terms of AT&C loss reduction.

In April 2005, the Government of India launched the RGGVY, a scheme for developing rural electricity infrastructure and household electrification. As of May 2010, about 83% of targeted villages



had been provided with electric connection. With access to basic connectivity, the actual electricity demand growth is expected to multiply rapidly in the coming years.

The Union Budget, 2008-09, emphasised on increasing the pace of power generation capacity addition and continuing the reform process in power distribution. The Government also reduced customs duty on project imports by 5%. The initiatives for increasing capacity include developing eight ultra-mega power projects (UMPP) projects, each with a capacity of 4,000 MW, and augmenting capacities in other generation, transmission and distribution systems.

In the Union Budget, 2009-2010, the allocation under R-APDRP was increased by 160% to Rs 20.8 billion over the previous budget estimate and by 305% for RGGVY to Rs 22.3 billion. The plan allocation for power sector, excluding the RGGVY, was more than doubled in the Union Budget, 2010-11 to Rs 51.3 billion.

Growth of power generation capacity and, transmission and distribution network is expected to boost demand for power and distribution transformers in India. Replacement of transformers installed during the Sixth Plan (1980-85) and Seventh Plan (1985-89) periods is also expected to add to demand.

In 2009-2010, total production of power and distribution transformers in India was about 176,427 MVA. Overall economic recovery in India as well as in some of the major export destinations has encouraged the industry players to take up expansion and green field projects. Investments have been mainly made in capacities for generators, transformers, switchgears, wires and cables, boilers and turbines.

In order to mobilise resources from private sector, the Government of India issued guidelines for private sector participation in transmission sector in January 2000. It is estimated that to transmit the increased generation capacity, as envisaged in Eleventh Plan, to consumers, a matching distribution network of about 1,500,000 ckm of 33 kV, 11 kV and LV lines and 292,000 MVA of distribution transformer capacity will be needed. Installation of capacitors and re-conductoring of sub-transmission/ distribution network of about 3,000,000 ckm, and augmentation of distribution capacity of 198,000 MVA of various sub-stations would also be required.

Indian transformer manufacturers are aligning themselves with the changing power generation, transmission and distribution scenario. While generation capacity is being augmented, smart-grid technologies are increasingly being deployed to reduce transmission and distribution losses. Going ahead, greater use of 765 kV extra high voltage (EHV) transmission highways and High Voltage Direct Current (HVDC) links are expected to open up new opportunities for the industry.

Production of transformers increased at a CAGR of 17% during the period 2004-2010. Of the total transformers produced in 2009-2010, power transformers contributed 79% while distribution transformers accounted for 21%.

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	CAGR
Power Transformers (MVA)	60,787	62,577	77,674	94,390	119,101	140,048	18.2%
Dist. Transformers (MVA)	19,369	27,181	35,188	40,412	34,272	36,379	13.4%
Total	80,156	89,758	112,862	134,802	153,373	176,427	17.1%

Table 3: Production of Transformers

Source: IMaCS Research

Besides meeting the domestic requirement, India exports transformers to over 50 countries, including the US, South Africa, Cyprus, Syria, Iraq and countries in Europe, the Middle and Far East. Exports of transformers grew over five-fold, from Rs 411 million in 2004-05 to Rs 2,132 million in 2009-2010. During this period, imports grew from RS 321 million to Rs 884 million.

#### Solar Power Market

Energy from renewable sources has gained significance in the context of high global crude oil prices in 2008 that led to the realisation that diversifying energy risk is important to break the oligopoly of oil suppliers across the world. Greater awareness of environmental concerns and the drive against rising



greenhouse gases is another reason for adoption of renewable sources of energy that have lower carbon emissions than conventional fossil-based fuels.

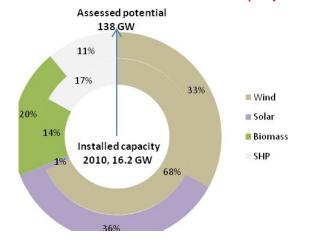
A significant untapped demand in Asia, particularly India and China, also emphasise the need for diversifying their fuel mix for optimum use of available energy resources with lower carbon emissions. However, high initial costs and inherent technology as well as supply risks make renewable energy sources difficult to promote commercially and hence, need to be supported by government incentives and programmes.

According to the projections of International Energy Outlook, 2010, of the US Energy Information Administration (EIA), from 2007 to 2035, world renewable-energy use for electricity generation is expected to grow at an average rate of 3% annually, and the renewable share of world electricity generation is likely to increase from 18% in 2007 to 23% in 2035. Of the 4.5 trillion kWh of higher renewable generation 54% during the period 2007-2035, 54% would be because of hydroelectric power, 26% from wind and the remaining 20% from other sources such as solar, geothermal, biomass, waste, and tidal energy.

Some of the large users of grid-connected solar power are Germany, Spain, Japan, USA and South Korea. Solar and wind are intermittent technologies and can be used only when resources are available. Once installed, the cost of operating wind or solar technologies is generally much lower than the cost of operating conventional renewable generation. However, high construction costs can make the total cost to build and operate renewable generators, comparatively higher. The intermittence of wind and solar energy availability is a key constraint as they are not necessarily available when they are of greatest value to the system. In most countries, renewable energy is driven by government policies for targeted installed capacity addition with incentives such as feed-in tariffs, tax exemptions, and market share quotas, to encourage the construction of renewable electricity facilities even at higher cost than conventional fuel based power plants.

India has an estimated renewable energy potential of 222,000 MW. Of this, grid connected potential is 132,000 MW. As of March 2010, the actual installed capacity was 17,222 MW, of which grid connected capacity was 16,817 MW. Central and state governments have provided several incentives for promotion renewable energy such as preferential purchase rates, obligations for distribution companies to purchase renewable power up to 10% of the total energy sourced, tax holidays, capital subsidies, import duty exemptions and accelerated depreciation.

As of March 2010, grid-connected renewable power represents 10% of the total installed power capacity in the country and just about 4% of the total power generated. Also, India's solar footprint is extremely small. However, the assessed potential indicates that when fully harnessed, solar power would emerge as the renewable energy source with largest share in the renewable pie.





SHP-Small Hydropower Source: IMaCS Research



Since solar power is fairly underdeveloped, the capacity utilisation factor is low at 15-16% and technology is expensive as compared to other renewable and non-renewable sources of power, the Government of India is a major driver of the solar power industry. The plan outlay for the Ministry of New and Renewable Energy (MNRE) was increased by 61%, to Rs 10 billion in the Union Budget, 2010-11 from Rs 6.2 billion in the previous year. The budget also allocated about Rs 5 billion for setting up solar, small hydro and micro power projects in the Ladakh region of Jammu & Kashmir.

In January 2008, the MNRE issued guidelines for generation-based incentive for grid-interactive solar power generation projects at Rs 12 per kWh for solar photovoltaic (SPV) and Rs 10 per kWh for solar thermal power fed from a power plant of a capacity of 1 MWp and above for a period of 10 years. In November 2009, the Central Government launched the Jawaharlal Nehru National Solar Mission (JNNSM). Guidelines for New Grid-Connected Solar Power Projects were released in July 2010. These developments have opened up a potentially significant market of solar power in the country with economic viability as a key focus.

#### Table 4: Jawaharlal Nehru National Solar Mission

MNRE's JNNSM Targets	MNRE's JNNSM Targets							
To create an enabling policy frame	ework for developing 20,000 M	AW of solar power by 2022						
To increase grid-connected solar p	ower capacity to 1,000 MW b	y 2013 and 3,000 MW by 2017	through mandatory use					
of the renewable purchase obligati	ion (RPO) by utilities backed	with preferential tariffs						
This capacity can increase signific	cantly - reaching 10,000 MW	by 2017 – depending upon th	e status of international					
finance and technology transfer at	that time							
To create favourable conditions	for solar manufacturing c	apability, particularly solar th	hermal, for indigenous					
production and market leadership								
To promote programmes for off-g	rid applications, reaching 1,00	0 MW by 2017 and 2,000 MW	by 2022					
To achieve 15 million sq m solar t	hermal collector area by 2017	and 20 million by 2022						
To deploy 20 million solar lighting	g systems for rural areas by 20	22						
Mission to be implemented in th	ree phases with the following	g targets:						
	Phase-II (2010-13) Phase-II (2013-17) Phase-III (2017-22)							
Solar collectors7 million sq m15 million sq m20 million sq m								
Off-grid applications	200 MW	1,000 MW	2,000 MW					
Utility power including rooftop	1,000-2,000 MW	3,000-10,000 MW	20,000 MW					

Source: IMaCS Research

In order to facilitate grid-connected solar power generation in the first phase, a mechanism of "bundling" relatively expensive solar power with cheaper power from NTPC's unallocated quota from coal-based stations has been proposed. The "bundled power" would be sold to the distribution utilities at the CERC-determined prices.

There is significant interest from project developers as evident from the fact that the recently launched small grid-connected plants scheme attracted applications adding up to about 400 MW, nearly four times the available capacity. NTPC Vidyut Vyapar Nigam Limited (NVVN) is the nodal agency for entering into power purchase agreement with solar power developers. As of August 2010, NVVN had signed Memoranda of Understanding with 16 project developers to set up to 84 MW of solar power projects. Under migration, 54 MW will be developed through SPV and the remaining 30 MW through solar thermal technology. These projects are expected to be commissioned by the mid-2011.

The successful implementation of the JNNSM requires the identification of resources to overcome the financial, investment-related, technological, institutional, and other related barriers. The penetration of solar power requires substantial support. The policy framework of the JNNSM is expected to facilitate the process of achieving grid parity by 2022.

Market-based trading scheme to promote renewable energy, which was announced by the CERC in January 2010, is likely to help the development of solar power market. Notification to facilitate the renewable energy certificates (REC) mechanism has been made, under which the distribution companies, captive-power users, and open access customers across the states have to buy 15% power from renewable sources by 2020.

The REC scheme is expected to create a national-level market and ensure that every state contributes to renewable energy development, irrespective of the potential in the state. It is likely to encourage renewable energy capacity addition in states where there is high potential, as the framework allows cost recovery at the national level. This would also enable obligated open access entities to purchase



renewable energy at competitive costs. Initially, the REC markets may exist together with the feed-in tariff system, but as the market matures, feed-in tariffs could be gradually phased out. The price of REC will be as decided in the power exchange. Renewable power generators, who have not entered into PPA at feed-in-tariff, are eligible for the REC scheme. The freedom to choose buyers and greater flexibility to decide the price of their product is expected to encourage investors to set up renewable capacity.

## Industry concerns – Transformer

While the transformer industry is driven by strong demand and potential for long-term market growth, there are market concerns that may defer anticipated growth.

- Increase in use of electricity is related to economic growth, which results in higher disposable income for purchasing goods and services that require automation and use of energy. Any slowdown in economic growth has a direct bearing in electricity use, which in turn drives transformer market growth.
- Rising inflation in non-electricity sector has a bearing on input costs for transformer manufacturing as raw material cost and fixed costs reduce profitability.
- Higher oil prices increase demand for alternative energy from conventional and unconventional sources, which results in higher fuel surcharges being levied on electricity bills. This has an adverse effect on short-term electricity demand and hence for transformers.
- Slowdown in economy or high interest costs and inflation also have an adverse effect on project costs, thereby, resulting in delays in execution of infrastructure projects including power generation, transmission and distribution, all of which results in slowdown in equipment demand including transformers.
- Any slowdown in replacement market may have an adverse effect on transformer industry.
- Most distribution projects are undertaken by state utilities. Hence, their commercial viability and growth in profitability are important to increasing demand for transformers. Any deterioration in financial performance of state utilities because of poor billing and collections is likely to result in curtailment of state-distribution project budgets.
- However, in the event of rapid economic growth, greater demand for electricity and improved financials of state utilities demand may grow faster than anticipated, which may result in capacity constraints and higher imports. Competition from cheaper countries may also increase dependence on imports.
- The RGGVY and R-APDRP are the two key drivers for transformer demand in the rural and urban areas, respectively. Discontinuation or termination of these two programmes along with reduction of plan outlays for power sector at the Central and State Government levels would have a significantly adverse effect on the transformer market.
- Government policies and regulations are a major driver of the Indian power sector project. Power Grid Corporation is a leading project developer in transmission and distribution projects. Any changes in policies and regulations or budget allocation for Power Grid may have an adverse effect on transformer market.
- India's transformer exports have growth over the last five years. Any policy changes in the export markets or slowdown in local economy may affect transformer market adversely.

#### Industry concerns – Solar Power

- Solar energy is based on expensive technology as compared to other existing power generation technologies. Hence, a general cost-benefit analysis may not support solar power installations, although running costs are much lower than conventional power generation units.
- Government support in terms of tax holidays, incentives, power purchase obligations, etc., is extremely important for development of the industry. Withdrawing such support or change in policy may affect the industry adversely.
- Global warming, reducing carbon footprint and India's commitment towards these objectives are significant drivers of the renewable energy market. Any change in global outlook due to poor economic condition or other such compelling reasons may affect the solar power market adversely.
- Since, the technology for solar power systems is still under development, there may be technology risks associated with a particular system. In addition, there is associated construction risk.



- Solar power is intermittent in nature and hence energy can be harnessed or stored only when there is adequate sunlight. Hence, solar power may be good for certain uses, although it may not replace conventional power supply. Also, the availability and PLF may be lower than conventional systems.
- The Indian solar power industry is small and developing. Removing uncertainties in market development may involve customer education, incentives and other methods that make it a product for the mass market, when overall prices may become cost-effective. However, that may be a process to evolve in the long-term.
- JNNSM is the key driver of solar power. Bundling of expensive solar power with cheaper conventional power has been undertaken by NTPC. The business model has to be sustainable for NTPC or the Government to support such bundling.



## SUMMARY OF BUSINESS

Our Company is promoted by Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra. Our Company is engaged in manufacturing of distribution transformers, power transformers, furnace transformers and special purpose transformers. Originally Mr. Shyam Sunder Mundra started manufacturing of transformers in the year 1976 in a proprietorship concern "M & B Switchgears". Later in the year 1995, the same was converted into a partnership concern and Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra (sons of Mr. Shyam Sunder Mundra) acting as partners. Subsequently, in the year 1999, the partnership firm, was converted under Part IX of the Companies Act, 1956, into an incorporated entity i.e. M AND B Switchgears Private Limited.

Our Company became a public limited company and a fresh certificate of incorporation was issued on November 19, 2010, in the name of M AND B Switchgears Limited. Our Company has been allocated Corporate Identification Number U31200MP1999PLC013571.

We are in the business of manufacturing transformers for more than 30 years and are a preferred and regular supplier of quality transformers. We have consolidated our position through continuous modernisation and expansion and by acquiring latest and sophisticated technology and processes.

We started with a capacity to manufacture 550 transformers per annum and have grown gradually to a capacity to manufacture 5,109 transformers per annum

Our existing annual production capacity in terms of KVA is 75,000 KVA of transformer per month on single shift basis. Our annual aggregate capacity is 9,00,000 KVA per annum.

As per our restated financial statements, our total income has increased from Rs. 1,618.51 Lacs in fiscal 2007 to Rs. 3,528.26 Lacs in fiscal 2011, and our Profit after Tax has increased from Rs. 21.29 Lacs to Rs. 77.48 Lacs during the same period. Our net sales have increased at a CAGR of 22 % from fiscal 2007 to fiscal 2011. Our PAT have increased at a CAGR of 38 % from fiscal 2007 to fiscal 2011.

Our major revenue in the last 5 years is from the transformer business. We are currently engaged in setting up a power project to generate 2 MWp through Solar PV Cells. The project is being executed at a plot area of 4.06 hectare at Survey No 13/1/1. Village Gagorni, Tehl and Distt. Rajghar, MP.

## **OUR STRENGTHS**

We believe that we are well equipped to sustain and build our position in the markets in which we compete as well as to utilise the growth opportunities that exist. We believe the following, among others, are our principal strengths:

#### 1. Qualified and experienced Promoters

Our Promoter Mr.Shyam Sunder Mundra is an Electrical Engineer and Masters in Electronics and Business Administration and has a total experience of 42 years in the power industry of which 8 years are in Madhya Pradesh Elecrical Board(MPEB) and remaining 34 years are in the transformer industry. Mr.Vikalp Mundra, is an Electrical Engineer and Masters in Management and has an experience of 17 years in the transformer industry and Mr.Anurag Mundra is a Chartered Financial Analyst(CFA) and holds a Master in Business Administration and has over 11 years experience in our Company which is in the business of manufacture of transformers.

#### 2. Experience in designing transformers at optimal costs

Our Company specialises in designing of transformers which are specific to the customers' need achieving highest possible efficiency with an acceptable trade off in the transformer raw material cost.

#### 3. Research and development and designing capabilities

Due to existence in the industry for past 30 years, our company has developed its brand on technical front. Our company has developed well-equipped quality control and in-house R & D department. Our Company has already developed technology in the field of manufacturing, upgrading, rehabilitation, and life extension of transformers.



## 4. Well Equipped Testing facility

Our transformers are subjected to all routine tests as per IS: 2026 standards and customer specifications. We have equipments and capabilities to conduct various routine, special, type tests and vector tests on the components and transformers manufactured by us.

Our transformers undergo various technical tests/analysis/evaluation done by various independent agencies, who conduct inspections on behalf of their customers for pre-despatch inspection for the products which has given us a reputation of manufacturing products to the clients specifications and expectations as a preferred vendor.

## 5. Capable Technical Personnel

Manufacture, repair and maintenance of transformers require capable technical personnel. Our Company is well equipped with team of qualified engineers and technical staff to handle manufacturing processes efficiently. Our Company possesses a team of experienced, trained and qualified personnel dedicated to Research and Development center that also takes care of total quality management. As on March 31, 2011 we have a total of 9 engineers and our total workmen strength is 100.

## 6. Ability in customization to suit the demand from low, medium, and high capacity transformers

Our Company caters to specific customer requirements, by providing with tailor made transformers as per the design and specifications required by the customers. Wide product portfolio and ability to cater to diverse needs of markets. Our product portfolio ranges from power and distribution transformers, rectifier transformers, furnace duty transformers, dry type transformers, automatic voltage regulators, converter duty transformers and other special purpose transformers in both repairing and manufacturing segment, thus catering to diverse needs of markets.

## 7. Diversified customer base

We have established good client relationships in domestic markets from whom we get orders for manufacturing on a continuous basis. Our existing relationship with our clients represents a competitive advantage in gaining new clients and growing our business. Many of our clients are renowned SEBs/Government controlled utility company/ Public Sector Undertakings(PSU's).We are not dependent on any one industry or sector as we cater to sectors like power, steel, textile, coal and mine, infrastructure, engineering and automobile, etc. and within each of these sectors we have diversity of clients. Our business is directly related to the overall industrial growth and is not affected by a downtrend in any particular single sector.

## 8. Manufacturing of Quality Products

We have a team of qualified engineers and well equipped manufacturing facilities which enables us to manufacture products confiring to any specifications, both Indian and international standards. Our Company enjoys a good reputation among its customers. Our Company has the ISO 9001:2008 and ISO 14001:2004 certifications.

## 9. Locational Advantage of being in Central India

We are located in heart of India which gives us an logistical advantage and can supply products across India with ease. Indore is well connected to all industrial towns across India. The infrastructure facility is also good.

## Our Business Strategy

Our strategy is based on available opportunities, trend of market demands and the projected growth of the transformer industry. The important elements of our business strategy are stated hereunder:

## **Our Vision**

To offer energy efficient products and solutions to enable uninterruptible and reliable power supply systems for hazard free use of electrical energy.



## 1. To focus on higher KVA category transformers and to optimally utilize manufacturing facilities

Higher KVA transformers manufacturing needs a higher technical skill. We are a company promoted by a well experienced team of engineers. We have over a period of time improved our capabilities to manufacture higher KVA transformers and have extended our product range through continuous research and development efforts. We are technically competent to manufacture a variety of product range from a very simple to a complex product line. Higher KVA transformers typically command better margins as opposed to lower KVA transformers. We believe that this will help us in optimizing the available plant capacities and increase our margins in long run.

## 2. New product development/modifications for the niche business segments

We have the capabilities to modify and develop products for niche business segments. In past we have manufactured transformers for a diversified range of application such as furnace transformers, special purpose transformers such as mobile sub-station transformers etc. This was possible through an expert guidance from and vast experience of our Promoters and our management team. We wish to strive continuously to identify requirements of new products and applications and quickly provide solutions by bringing modifications in the existing products or develop a new product in a short possible time.

## 3. Implement stricter cash management and control measures

Due to rapid changes in the technology and precise customization of transformers in a broad market base, calls for a higher inventory levels in future. This may require a higher cash outflow to meet our inventory and production targets. Foresighting this we have introduced a robust cash management system and control measure for timely collection of our receivables and efficient system for timely payment to our vendors.

## 4. Reduce our per MVA manufacturing cost and increase in throughput of our production lines

In order to increase our margins we intend to undertake measures which may reduce our cost of manufacturing thereby increasing the profits from our operations. We are streamlining our systems and procedures for manufacturing and increase our manufacturing throughout. We are also working on gradually move on to a concept of Lean Manufacturing System.

## 5. We wish to increase our production, reduce our costs by training and development of employees, setting systems and softwares in place and adopting new quality standards

We plan to upgrade the skills of employee by training and development and keeping the same in mind, we are planning to implement ERP by SAP and adopt 6 SIGMA quality standards for increasing the productivity and efficiency of the employees and for expanding our standing on pan India basis. We believe this will improve the quality of manufacturing and reduce the cost by better concentration, supervision and control for different activities

## 6. Diversification of customers, expansion of customer base by marketing our products proactively in new segments

We started as a transformer manufacturing company selling our transformers to State Electricity Boards / State Distribution Companies. To meet the challenges of concentration of debtors in a particular segment for a longer period of time and sometime reduction in the realization of profits we are continuously pursuing a strategy to expand our market and product base to reduce the reliance on any one segment.

This pursuit of enhancing business operations and diversifying the risk appetite vis-a-vis the opportunity available in the energy verticals, our company endeavors to capitalize on a few. Sailing from red ocean strategy to blue ocean strategy, it provides an uncontested market space with high growth and possible high profits for the Company.

We have developed a significant presence in, transmission and distribution transformers, and industrial transformers and intend to maintain a judicious balance between both categories

## 7. Diversification in business of generation of solar power



We are diversifying into solar power projects as there is a big demand supply gap in the conventional sources of energy. For this we are in process of setting up 2 MWp of Grid Connected PV Solar Power Project at Village. Gagorni, Rajgarh District in Madhya Pradesh. The above project will be funded through internal accruals and a term loan from the banks. Way forward, through the proceeds of this IPO, we wish to strengthen our presence by installing additional 4 MWp of grid connected PV solar power project.

Further we also intend to increase the scale and geographical coverage of our sales efforts in order to expand our customer base on a pan India basis. We plan to build and enhance recognition of our products by increasing our marketing and communications programs and resources. As part of our sales and marketing strategy, our management attends all major conferences, seminars and exhibitions for demonstration of our products and technological capabilities.

In addition, we will also seek to develop customers in the market for specialty applications.

For concerns related to our business please refer to the chapter titled "*Risk Factors- Risks related to our business*" and "*Summary of Industry*" beginning on page 16 and 36 respectively of this Red Herring Prospectus.



## SUMMARY OF FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our standalone restated financial statements for fiscal years ending March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010 and March 31, 2011. These financial statements have been prepared in accordance with Part II of Schedule II to the Companies Act and the applicable SEBI ICDR Regulations and are presented in the chapter titled *"Financial Statements"* beginning on page 174 of this Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our standalone restated financial statements and consolidated restated financial statements, the notes thereto and the chapter titled *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* beginning on page 196 of this Red Herring Prospectus.

#### Statement of Assets and Liabilities, as Restated

	(Rs. in Lac					
				ear Ended N		
Sr No	Particulars	2007	2008	2009	2010	2011
А.	Fixed Assets					
	Gross block	110.93	139.87	781.47	918.44	1011.61
	Less: Depreciation	34.13	42.22	53.00	81.84	115.50
	Total	76.80	97.65	728.47	836.60	896.11
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
	NET BLOCK	76.80	97.65	728.47	836.60	896.11
	CAPITAL Work -in-Progress	0.00	0.00	0.00	0.00	136.29
	TOTAL - FIXED ASSETS					
	(A)	76.80	97.65	728.47	836.60	1032.40
В.	Investments (B)	0.00	0.00	0.00	5.00	0.00
	<u>C</u>					
C.	Current assets, loans and advances:					
0.	Inventories	297.18	375.60	500.20	357.12	498.11
	Receivables	624.72	493.59	858.60	1684.69	814.21
	Cash and bank balances	90.05	89.06	95.35	105.18	116.28
	Loans and advances	141.13	129.33	148.21	203.19	471.65
	Deferred Tax Assets	0.00	0.92	0.00	0.00	0.00
	Other Current Assets	0.00	0.00	0.00	0.00	0.00
	Total (C)	1153.08	1088.51	1602.36	2350.19	1900.25
	Total assets $(A + B + C)$	1229.88	1186.16	2330.83	3191.79	2932.65
D.	Liabilities and provisions					
	Secured loans	290.74	195.19	995.28	1305.51	1059.30
	Unsecured loans	0.00	0.20	15.00	137.27	0.00
	Deferred Tax Liability	1.69	0.00	10.34	16.00	26.58
	Current liabilities	309.79	336.40	578.83	556.40	187.37
	Provisions	32.54	30.51	41.26	69.10	103.40
	Total Liabilities (D)	634.76	562.30	1640.72	2084.26	1376.65
	× 7					
Е	Share Application Money (E)	0.00	0.00	25.3	56.54	0.00
	•``/					
F.	Net worth (A+B+C-D-E)	595.12	623.86	664.81	1050.98	1556.00
G.	Represented by					
_ •	Share capital					



			For the Year Ended March 31				
Sr No	Particulars	2007	2008	2009	2010	2011	
	-Equity Share Capital	76.03	76.03	76.03	85.83	1500.00	
	-Preference Share Capital						
	Less:- Call in Arrears						
	Total(a)	76.03	76.03	76.03	85.83	1500.00	
	Reserves and surplus	519.10	547.83	588.78	965.16	112.00	
	Less: Revaluation Reserve		0	0	0	0	
	TOTAL(b)	519.10	547.83	588.78	965.16	112.00	
	Less: Miscellaneous	0					
	Expenditure		0	0	0	56.00	
	(To the extent not written off)					0.00	
	Total(c)	0.00	0.00	0.00	0.00	56.00	
	Net Worth (a+b-c)	595.13	623.86	664.81	1050.98	1556.00	



	Summary Statement of Prof	It and Los	s, as kest	ated	(Rs	in Lacs)
Sr		]	For the ve	ar ended	March 31	/
•	Particulars					
N 0		2007	2008	2009	2010	2011
A	Income					
	Sales of Products Manufactured by the	1298.4	1427.2	2648.1	3672.0	3365.4
	Company	6	2	0	8	2
	Sales of Products Traded by the Company	429.13	635.20	126.14	455.00	338.18
	Less Excise Duty	187.14	222.74	294.58	303.97	304.89
		1540.4	1839.6	2479.6	3823.1	3398.7
	Net Sales	5	8	6	1	1
	Job work Income	4.56	9.71	8.30	3.79	2.64
	Delivery Charges	15.33	27.01	27.24	50.42	48.00
	Other Income	33.95	32.87	18.31	16.18	79.73
	Profit On Sales Of Assets	0.00	0.00	0.00	0.00	0.00
		24.22	70.41	104 (1	-	0.02
	Increase/(Decrease) in Inventories	24.22 1618.5	78.41 1987.6	124.61 2658.1	143.08 3750.4	-0.82 3528.2
	Total (A)	1010.5	1907.0	2050.1	3750.4	3520.2 6
		-	0			Ū
В	Expenditure					
		1304.3	1622.6	2195.8	2927.9	2730.6
	Materials consumed	8	7	8	8	2
	Wages and Staff Costs	66.98	89.73	119.00	180.64	188.77
	Other manufacturing expenses	0.00	0.00	0.00	0.00	0.00
	Administrative, selling and distribution					
	expenses	162.18	170.31	205.15	281.52	266.39
	Loss on sales of Fixed assets	0.00	0.00	0.00	0.00	0.00
		1533.5	1882.7	2520.0	3390.1	3185.7
	Total (B)	4	0	3	4	8
С	Profit Before Interest, Depreciation and Tax	84.97	104.98	138.09	360.28	342.48
	Depreciation	6.13	8.09	10.78	28.84	33.65
D	Profit Before Interest and Tax	78.84	96.89	127.32	331.44	308.83
-	Financial Charges	44.35	56.40	64.35	205.81	187.06
E	Profit after Interest and Before Tax	34.49	40.49	62.96	125.63	121.77
	Preliminary Expenses & Def. Exp. W/o	0.00	0.00	0.00	0.00	0.00
F	Profit before Taxation	34.49	40.49	62.96	125.63	121.77
	Provision for Taxation	12.43	12.90	8.50	27.00	32.00
	Provision for Deferred Tax	-0.41	-2.61	11.27	5.65	10.58
	Provision for FBT	0.76	1.17	1.17	0.00	0.00
	Add/Less Tax adjustment	0.00	0.00	0.00	0.00	0.00
	Total Profit After Tax but Before Extra ordinary	12.78	11.46	20.93	32.65	42.58
G	Items	21.71	29.03	42.03	92.98	79.19
	Impact of material restatement - Gratuity	21./1	27.05	72.03	72.70	, , , , , , , , , , , , , , , , , , , ,
	provision	0.42	0.30	1.08	0.84	1.71
Н	Net Profit after adjustments	21.29	28.73	40.95	92.14	77.48
<u> </u>	Balance brought forward from the previous					
	year	49.68	70.97	99.70	140.65	232.79
	Appropriations					
	Capitalisation of profits by issue of Bonus					
L	shares	0.00	0.00	0.00	0.00	210.02
-	Net Profit / (Loss) carried over to Balance	70.07	00.70	140 55	000 70	100.25
Ι	Sheet	70.97	99.70	140.65	232.79	100.25

## Summary Statement of Profit and Loss, as Restated



Sr.	( <i>Rs in Lacs</i> ) For the year ended March 31							
No.	Particulars —	2007	2008	2009	2010	2011		
A	Cash Flow from Operating Activities							
	Profit before tax, as restated after adjustment	34.07	40.19	61.88	124.79	120.00		
	Adjustments for							
	Depreciation	6.13	8.09	10.78	28.84	33.6		
	Interest Received	-32.33	-32.25	-18.24	-15.85	18.1		
	Financial Exp.	31.70	43.51	48.60	177.52	156.3		
	Provision for Gratuity	0.00	0.00	0.00	0.00	1.7		
	Operating Income before working capital changes	39.57	59.55	103.03	315.31	329.8		
	Adjustments for:							
	Decrease/(Increase) in Trade & Other Receivables	-119.76	131.14	-365.01	-826.10	870.4		
	Decrease/(Increase) in Inventories	-24.22	-78.41	-124.61	143.08	-140.9		
	Decrease/(Increase) in Loans & Advances	68.42	13.41	-4.32	-2.64	-234.3		
	Decrease/(Increase) in Misc. Exp not w/off	0.00	0.00	0.00	0.00	0.0		
	Increase/(decrease) in Trade Payables & Provisions	130.14	26.91	243.52	-21.60	-366.7		
	Cash Generated from Operations	94.14	152.59	-147.39	-391.95	458.3		
	Direct Taxes (Net)	-11.30	-18.02	-14.56	-52.34	-34.12		
	Net Cash Flow from Operating Activities	82.84	134.57	-161.95	-444.29	424.1		
B	Cash Flow from Investing Activities							
	Purchase of Fixed Assets & CWIP	(5.42)	(28.94)	(641.60)	(136.97)	(229.46		
	Investments Made	-	-	-	(5.00)	0.0		
	Investments Sold	-	-	-	-	5.0		
	Interest Received	32.33	32.25	18.24	15.85	(18.15		
	Public Issue Expenses	-	-	-	-	(56.00		
	Net Cash used from Investing Activities	26.91	3.31	(623.36)	(126.12)	(298.62		
	Cash Flow from Financing							
С	Activities							
	- Share Capital	-	-	-	9.80	470.0		
	- Share Premium	-	-	-	284.23	11.7		
	- Share Application Money	-	-	25.30	31.24	56.5		
	Change in the Borrowings							
	- Loans Receipt (Net)	(53.43)	(95.35)	814.89	432.49	(383.47		
	- Interest Paid	(31.70)	(43.51)	(48.60)	(177.52)	(156.30		

## Summary Statement of Cash Flow, as Restated



Sr.	Particulars	For the year ended March 31					
	Net Cash Flow from Financing						
	Activities	(85.13)	(138.86)	791.59	580.24	(114.48)	
	Net Increase/(Decrease) in Cash						
	& Cash Equivalents (A+B+C)	24.63	(0.99)	6.28	9.83	11.09	
	Cash & Cash Equivalents at						
	Beginning of the Year	65.42	90.05	89.06	95.35	105.18	
	Cash & Cash Equivalents at						
	End of the Year	90.05	89.06	95.35	105.18	116.27	



## THE ISSUE

The following table summarizes the Issue details:

Issue of Equity Shares	
Public Issue	50,00,000 Equity Shares
Of which:	
A. QIB Portion	At least 25,00,000 Equity Shares
Of which:	
Mutual Fund Portion	1,25,000 Equity Shares
Balance for all QIB portion (including Mutual Funds)	23,75,000 Equity Shares
B. Non-Institutional Portion	Not less than 7,50,000 Equity Shares
C. Retail Portion	Not less than 17,50,000 Equity Shares
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	1,50,00,000 Equity Shares
Equity Shares outstanding after the Issue	2,00,00,000 Equity Shares

#### Use of Issue Proceeds

See the chapter titled "*Objects of the Issue*" beginning on page 73 of this Red Herring Prospectus for information about the use of the Issue Proceeds.

Notes:

a. At least 50% of the Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the discretion of our Company, the BRLM, in consultation with the Designated Stock Exchange. If at least 50% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith

b. The Issue has been authorized by the Board of Directors pursuant to a board resolution dated November 19, 2010 and by the shareholders of our Company pursuant to a special resolution dated December 20, 2010 passed at the EGM of shareholders under section 81(1A) of the Companies Act.

c. The Issue comprises 25% of our post-Issue share capital.

For details of the terms of the Issue, refer chapter titled "*Terms of the Issue*" beginning on page 238 of this Red Herring Prospectus.



## **GENERAL INFORMATION**

Our Company was incorporated on June 09, 1999 with the Registrar of Companies, Gwalior, Madhya Pradesh, bearing the name "M AND B Switchgears Private Limited" with CIN U31200MP1999PLC013571. A fresh certificate of incorporation was issued on November 19, 2010, pursuant to change in name from M AND B Switchgears Private Limited to M AND B Switchgears Limited. The registered office of our Company was shifted from 2-D/2 Sector D, Sanwer Road, Industrial Area, Indore- 452 015 Madhya Pradesh to Survey No. 211/1, Opposite Sector-C and Metalman, Sanwer Road, Industrial Area, Indore 452 015, with effect from October 25, 2010.

#### Registered and Corporate Office of our Company

## M AND B Switchgears Limited

Survey No. 211/1, Opposite Sector- C and Metalman, Sanwer Road, Industrial Area, Indore- 452 015 Madhya Pradesh, India Tel. No.: +91-731-2722388/2721672 Facsimile: +91-731-2721693 Email: <u>info@mbswitch.com</u> Website: <u>www.mbswitch.com</u>

#### **Registrar of Companies**

#### Registrar of Companies, Gwalior, Madhya Pradesh and Chhattisgarh

3rd Floor, 'A' Block, Sanjay Complex, Jayendra Ganj, Gwalior, Madhya Pradesh, India Tel No.: +91-751-2321907 Facsimile: +91-751-2331853 Email: roc.gwalior@mca.gov.in

## **Board of Directors**

Our Board of Directors as on the date of this Red Herring Prospectus with SEBI is as follows:

Sr. No.	Names of the Directors	Designation	Director Identification Number	Address
1.	Mr. Shyam Sunder	Chairman and	00113199	191, Saket Nagar, Indore (M.P.)
	Mundra	Managing Director		
2.	Mr. Vikalp Mundra	Wholetime Director	00113145	191, Saket Nagar, Indore (M.P.)
3.	Mr. Anurag Mundra	Wholetime Director	00113172	191, Saket Nagar, Indore (M.P.)
4.	Ms. Aarti Jhaveri	Independent	00851063	Parishram 43, Keshar Bagh Road,
		Director		Indore (M.P.)
5.	Mr. Narendra Beli	Independent	03326551	302, Premashram Appartment, 12/7, E,
		Director		South Tukoganj, Indore (M.P.)
6.	Mr. Nilesh Rathi	Independent	03329897	78/3, Dravid Nagar, Indore(M.P.)
		Director		- · · · ·

## **Company Secretary and Compliance Officer**

#### Ms. Toshiba Sugandhi,

Survey No. 211/1, Opposite Sector- C and Metalman, Sanwer Road, Industrial Area, Indore- 452 015 Madhya Pradesh, India Tel No.: +91-731-2721672



Facsimile No.: +91-731-2721693 Email: toshiba.s@mbswitch.com

Investors can contact the Company Secretary and Compliance Officer and / or the Registrar to the Issue and / or Book Running Lead Manager, i.e. Ms. Toshiba Sugandhi, BigShare Services Private Limited, D & A Financial Services Private Limited respectively, in case of any pre-Issue or post-Issue problems, such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as application number, name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders. It may be noted that pursuant to the SEBI Circular (no. CIR/CFD/DIL/1/2011) dated April 29, 2011 SEBI has decided to make the ASBA facility mandatory for non-retail investors i.e. QIBs and Non Institutional Investors in all public/rights issues opening on or after May 2, 2011.

#### Book Running Lead Manager to the Issue

#### D & A Financial Services Private Limited,

71, 7th Floor,
Mittal Chambers,
Nariman Point,
Mumbai – 400 021
Maharashta, India
Tel. No: +91-22- 3267-7738
Facsimile: +91-22-6747 8995
E-mail: mbswitch.ipo@dnafinserv.com
Investor Grievance ID: investorgrievance@dnafinserv.com
Website: www.dnafinserv.com
Contact Person: Mr. Lalit Mahajan/ Mr. Balakrishnan Iyer
SEBI Registration number: INM00011484

#### Legal Advisors to this Issue

#### M/s. Crawford Bayley and Co.

State Bank Buildings, 4th floor, N. G. N. Vaidya Marg Fort, Mumbai - 400 023 Maharashtra, India Tel. No.: +91- 22- 2266 8000 Facsimile: +91- 22- 2266 0355 E-mail: sanjay.asher@crawfordbayley.com

#### **Registrar to this Issue**

#### **Bigshare Services Private Limited,**

E-2 and 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka. Andheri (E), Mumbai - 400 072, Maharashtra, India Tel. No.: +91-22-2847 0652 / 4043 0200/ 2847 0653 Facsimile: +91-22-2847 5207 E-mail: <u>MandB.ipo@bigshareonline.com</u> Investor Grievance ID: <u>investor@bigshareonline.com</u> Website: <u>http://www.bigshareonline.com</u> Contact Person: Mr. Ashok Shetty SEBI Registration number: INR000001385

### Lender Banks



## State Bank of India

Commercial Branch, Near GPO, AB Road, Indore- 452 001, Madhya Pradesh, India Tel No.: +91-731-4273208/4273209 Facsimile: +91-731-2707309 Contact Person: E. S. N. Murthy, Assistant General Manager & Relationship Manager Email: <u>sbi.09632@sbi.co.in</u>

## Axis Bank Limited

Kamal Palace, 1 Yeshwant Colony, Y. N. Road, Indore-452003 Madhya Pradesh, India Tel No.: +91-731-4295333 Facsimile: +91-731-2436910 Contact Person: Mr. Ranjeet Barnwal Email: ranjeet.barnwal@axisbank.com

#### Banker to the Company

## State Bank of India

Commercial branch, Near GPO, AB Road, Indore- 452 001, Madhya Pradesh, India Tel No.: +91-731-4273208/4273209 Facsimile: +91-731-2707309 Contact Person: E. S. N. Murthy Email: <u>sbi.09632@sbi.co.in</u>

## Axis Bank Limited

Kamal Palace, 1 Yeshwant Colony, Y. N. Road, Indore-452003, Madhya Pradesh, India. Tel No.: +91-731-4295333 Facsimile: +91-731-2436910 Contact Person: Mr. Ratanlal Gurjar (AVP) Email: r.gurjar@axisbank.com

### **IDBI Bank Limited**

Alankar Chambers, Ratlam Koti, A.B. Road, Indore- 452 001, Madhya Pradesh, India. Tel No.: +91-731-4066601 Facsimile: +91-731-2518101 Contact Person: Mr. Raghvendra Jha Email: rk.jha@idbi.co.in

## **CITI Bank Limited**

UCI, Apollo Square, 7/2, Race Course Road, Indore-452003, Madhya Pradesh, India Tel. No.: +91-731-4202808



Facsimile: +91-731-4202819 Contact Person: Mr. Kapil Arora Email: kapil.arora@citi.com

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

HDFC Bank Limited	Axis Bank Limited
FIG –OPS Department, Lodha	Plot No: 32, Matharu Arcade,
I Think Techno campus, O-3 Level,	Subhash Road,
Next to Kanjurmarg Railway Station,	Vile Parle East,
Mumbai 400 042	Mumbai 400 057
Tel:+91 22 3075 2928	Tel: + 91 22 2684 9563
Fax:+91 22 2579 9801	Fax: + 91 22 2684 9560
Email:deepak.rane@hdfcbank.com	Email: vileparleeast.branchhead@axisbank.com
Contact Person: Mr. Deepak Rane	Contact Person: Mr. Manohar Hegde
Website: <u>www.hdfcbank.com</u>	Website : <u>www.axisbank.com</u>
SEBI Registration Number: INBI00000063	SEBI Registration Number: INBI00000017
IndusInd Bank Limited	Dhanlaxmi Bank Limited
No. 1001 / 02, Ground Floor,	Janmabhoomi Bhavan,
Bldg. No.1 0,	Janmabhoomi Marg,
Solitaire Corporate Park,	Mumbai 400 001,
Guru Hargovindji Marg,	Tel: + 91 22 2202 2535 / 6154 1857
Andheri (E), Mumbai 400093	Fax: +91 22 2287 1637/ 6154 1725
Tel: +91 22 6772 3998	Email: venkataraghavan.ta@dhanbank.co.in
Fax: +91 22 6772 3998	Contact Person: Mr. Venkataraghavan T.A
Email: sanjay.vasarkar@indusind.com	Website: www.dhanbank.com
Contact Person: Mr. Sanjay Vasarkar	SEBI Registration Number: INBI00000025
Website: www.indusind.com	
SEBI Registration Number: INBI0000002	

Syndicate Member(s)

#### Sumpoorna Portfolio Limited

Unit No 227, Linkway Estate, Link Road, Malad (W), Near Inorbit Mall, Mumbai 400064 Tel No: +91 22 42087070/42087051 Facsimile: +91-22-42087058 Contact Person: Mr. Aanand Tripathi Email: <u>aanand.tripathi@sumpoornaonline.com</u> Website: <u>www.sumpoornaonline.com</u> SEBI Registration Number: INB011429033/2314429037

## **Inventure Growth and Securities Limited**

Viraj Towers, 201, 2<sup>nd</sup> Floor, Near Land Mark, Western Express Highway, Andheri (East), Mumbai 400069 Tel No: +91 22 39548500/40751515, Facsimile: +91 22 40751535/395486000 Contact Person: Mr. Arvind J. Gala Email: investorgreviances@inventuregrowth.com Website: www.inventuregrowth.com SEBI Registration Number: INB23091739/ INB01901730

#### Self Certified Syndicate Banks (SCSBs)

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



## Refund Banker(s)

### HDFC Bank Limited

FIG –OPS Department, Lodha I Think Techno campus, O-3 Level, Next to Kanjurmarg Railway Station, Mumbai 400 042 Tel: +91 22 3075 2928 Fax: +91 22 2579 9801 Email: deepak.rane@hdfcbank.com Contact Person: Mr. Deepak Rane Website: www.hdfcbank.com

Statutory Auditors M/s Ashok Khasgiwala & Co., 317, Chetak Centre "Annex", R.N.T. Marg, Indore 452 001, Madhya Pradesh, India Tel No.: +91-731-2517341 Email: ashokkhasgiwala@yahoo.com Contact Person: Mr. Avinash Baxi

#### Statement of Inter-se allocation of responsibilities

As D & A Financial Services Private Limited is the sole BRLM to this issue, inter-se allocation of responsibility is not applicable.

#### Credit Rating

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

## **IPO Grading Agency**

ICRA Limited Building No. 8, 2<sup>nd</sup> Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002 Tel: +91 124 4545300 Fax: +91 124 4545350 Email: vivek@icraindia.com Contact Person: Mr. Vivek Mathur SEBI Registration No:IN/CRA/003/1999

#### **IPO** Grading

This Issue has been graded by ICRA Limited, a SEBI registered credit rating agency, and has been assigned the "IPO Grade 2/5" indicating "below average fundamentals" through its letter dated April 21, 2011, which is valid for a period of six months. The IPO grading is assigned on a five point scale from 1 to 5 wherein an "IPO Grade 5" indicates strong fundamentals and "IPO Grade 1" indicates poor fundamentals. The rationale furnished by the grading agency for its grading will be updated at the time of filing of the Red Herring Prospectus with the RoC / Designated Stock Exchange. For details in relation to the rationale furnished by ICRA Limited and disclaimer, see "Annexure A". A copy of the report provided by ICRA Limited, furnishing the rationale for its grading will be annexed to the Red Herring Prospectus to be filed with the RoC and will be made available for inspection at our Registered Office/Corporate Office from 11 a.m. to 5 p.m. on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Our Company has not obtained grading from any other agency other than ICRA Limited.



## Expert Opinion

Except for the report of ICRA Limited in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as "Annexure A"), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the reports of the Auditors of our Company on the restated financial statements, included in this Red Herring Prospectus, our Company has not obtained any expert opinions.

## Trustees

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

### Monitoring Agency

As the Issue size is less than Rs. 50,000 Lakhs, we have not appointed monitoring agency under Regulation 16(1) SEBI ICDR Regulations.

## Appraisal Entity

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

#### **Book Building Process**

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

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

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

## In accordance with the SEBI ICDR Regulations, QIB bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Further, allocation to QIBs will be on a proportionate basis. For further details, refer chapter titled "Issue Procedure" beginning on page 245 of this Red Herring Prospectus.

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

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

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

1. Check eligibility for making a Bid. For further details, see the chapter titled "*Issue Procedure*" beginning on page 245 of this Red Herring Prospectus;



- 2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Form, as the case may be;
- 3. Ensure that the Bid cum Application Form or ASBA Form is duly completed as per the instructions given in this Red Herring Prospectus and in the respective forms;
- 4. Ensure that you have mentioned your PAN in the Bid cum Application Form or ASBA Form (for further details, see the chapter titled *"Issue Procedure"* beginning on page 245 of this Red Herring Prospectus);
- 5. Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form and the ASBA Form (see the Chapter titled "Issue Procedure" beginning on page 245 of this Red Herring Prospectus). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;
- 6. Ensure the correctness of your Demographic Details (as defined in the chapter titled "*Issue Procedure Bidder's PAN, Depository Account and Bank Account Details*" on page 259of this Red Herring Prospectus), given in the Bid cum Application Form or ASBA Form, with the details recorded with your Depository Participant;
- 7. Bids by ASBA Bidders will only have to be submitted to the SCSBs at the Designated Branches. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that their ASBA Form is not rejected; and
- 8. Bids by QIBs (but excluding ASBA Bidders) must be submitted to the BRLM and/or their affiliates.

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

(Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue and excludes Bidding under the ASBA process)

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

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

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

The process of Book building under the SEBI ICDR Regulations is relatively new and is subject to change, from time to time. The ASBA process has been notified vide SEBI Circular dated August 28, 2008 and is a new process. Accordingly, investors are advised to make their own judgment about investment through this process of Book Building (including through ASBA process) prior to making a Bid.

#### Withdrawal of this Issue

In accordance to SEBI ICDR Regulations, our Company in consultation with Book Running Lead Manager, reserve the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date, without assigning reasons thereof. In the event of withdrawal of this Issue after the Bid/Issue Closing Date, but before allotment, the reasons therefore shall be disclosed in a public notice



which shall be published within two days of the Bid/Issue Closing Date in English and Hindi daily national newspapers and one regional daily newspaper, each with wide circulation and the Stock Exchanges shall be informed promptly. The Book Running Lead Manager, through the Registrar to the Issue shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the date of receipt of such notification.

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

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

# In terms of the SEBI ICDR Regulations, QIBs bidders shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date.

#### **Bid/Issue Programme**

#### **Bidding Period**

<b>BID/ISSUE OPENS ON</b>	September 28, 2011
<b>BID/ISSUE CLOSES ON</b>	October 05, 2011

Bids and any revision in Bids shall be accepted only between 10 a.m. and 5 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding Centres mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) (excluding ASBA Bidders) and uploaded until (i) 4 p.m. in case of Bids by QIB bidders, Non-Institutional Bidders where the Bid Amount is in excess of Rs. 2,00,000 and (ii) until 5 p.m. in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 2,00,000, which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Manager to the Stock Exchanges within half an hour of such closure. Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders, are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under this Issue. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Further, if such Bids are not uploaded, the Issuer, BRLM, Syndicate Members and the SCSB will not be responsible. Bids will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holidays). Bids by ASBA Bidders shall be uploaded by the SCSBs in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book  $vis-\dot{a}-vis$  the data contained in the physical Bid form, for a particular Bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book  $vis-\dot{a}-vis$  the data contained in the physical or electronic ASBA Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Form as stated herein and reported by the Book Running Lead Manager to the Stock Exchange within half an hour of such closure.

Our Company, in consultation with the Book Running Lead Manager, reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI ICDR Regulations provided that the Cap Price should not be more than 120% of the Floor Price. Subject to compliance with the abovementioned condition, 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/Issue Opening Date.

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

#### **Underwriting Agreement**

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

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

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

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	
[•]	[•]	[•]
[•]	[•]	[•]
Total	[•]	[•]

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

Based on a certificate given by the Underwriters we confirm that the resources of the Underwriters 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 with the Stock Exchanges. Our Board, at its meeting held on  $[\bullet]$ , has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

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

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

In case of under-subscription in the Issue, the Book Running Lead Manager shall be responsible for invoking underwriting obligations in terms of the SEBI ICDR Regulations.



## CAPITAL STRUCTURE

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

			(Rs. in Lacs)
Sr. No	Particulars	Aggregate Value at nominal value	Aggregate Value at Issue Price
	Authorised share capital		
	2,50,00,000 Equity shares of Rs. 10/- each	2,500.00	
В	Issued, subscribed and paid-up capital before the Issue		
	1,50,00,000 Equity Shares of Rs. 10/- each	1,500.00	[•]
С	Present Issue to the public in terms of this Red Herring Prospectus		
	50,00,000 Equity Shares of Rs. 10/- each fully paid up	500.00	[•]
	Of which		
	a. QIB Portion of at least 25,00,000 Equity Shares	250.00	[•]
	b. Non- Institutional Portion of not less than 7,50,000 Equity Shares	75.00	[•]
	c. Retail Portion of not less than 17,50,000 Equity Shares	175.00	[•]
D	Paid up share capital after the Issue		
	2,00,00,000 Equity Shares of Rs. 10/- each	2,000.00	[•]
Е •	Securities Premium Account		
	Before the Issue	11.75	
	After the Issue*	[•]	

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

#### Changes in the authorised share capital

- (a) The initial authorised share capital of Rs. 60,00,000 divided into 60,000 equity shares of Rs. 100/- each was increased to Rs. 95,00,000/- divided into 95,000 equity shares of Rs. 100 each pursuant to shareholders resolution passed at the EGM held on December 16, 2004.
- (b) The authorized share capital of Rs. 95,00,000/- divided into 95,000 equity shares of Rs. 100/each was increased to Rs. 25,00,000/- divided into 25,00,000 equity shares of Rs. 100/each pursuant to shareholders resolution passed at the EGM held on October 15, 2010.
- (c) The equity share of face value of Rs. 100 each of the Company has been subdivided into 10 Equity Shares of Rs. 10/- each pursuant to shareholders resolution passed at the EGM held on October 15, 2010. The current authorised share capital of the Company after subdivision is Rs. 25,00,000/- divided into 2,50,00,000 Equity Shares of Rs. 10/- each.

## Notes to the Capital Structure

## 1. Share Capital History

#### a) History of equity share capital of our Company

Date of allotment	Number of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative number of equity shares	Cumulative share capital (Rs.)	Cumulative share premium (Rs.)
June 9,	50,000	100	100	Cash (Initial	Initial	50,000	50,00,000	Nil



Date of allotment	Number of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative number of equity shares	Cumulative share capital (Rs.)	Cumulative share premium (Rs.)
1999				capital at the time of conversion from partnership firm to private limited company)	Subscription			
March 30, 2003	5,426	100	451 (including premium of Rs. 351)	Cash	Preferential Allotment	55,426	55,42,600	19,04,526
March 30, 2005	5,000	100	1000 (including premium of Rs. 900)	Cash	Preferential Allotment	67,826	67,82,600	2,12,04,526
	7,400		2,100 (including premium of Rs. 2,000)	Cash	Preferential Allotment			
March 30, 2006	8,200	100	3,000 (including premium of Rs. 2,900)	Cash	Preferential Allotment	76,026	76,02,600	4,49,84,526
August 25, 2009	1,000	100	3,000 (including premium of Rs. 2,900)	Cash	Preferential Allotment	77,026	77,02,600	4,78,84,526
March 30, 2010	8,801	100	3,000 (including premium of Rs. 2,900)	Cash	Preferential Allotment	85,827	85,82,700	7,34,07,426
of Rs. 10 eac	h pursuant to	the share	holders resolu	ach in the share ca tion dated Octobe hares of face value	r 15, 2010, as a			
October 15, 2010	8,58,270	10	-	-	Sub- division of face value of equity shares	8,58,270	85,82,700	-
October 25, 2010	94,40,970	10		Bonus	Bonus in the ratio of 11:1 out of free reserves	Bonus in the 1,02,99,24 ratio of 11:1 0 out of free reserves		-
December 21, 2010	47,00,760	10	10.25 (including premium of Rs. 0.25)	Cash	Preferential allotment	1,50,00,00 0	15,00,00,000	11,75,190

- 1. As on the date of this Red Herring Prospectus, our Company has not issued any Equity Shares out of revaluation reserves since our incorporation.
- 2. Except for the bonus issue 94,40,970 Equity Shares on October 25, 2010 our Company has not issued any Equity Shares for consideration other than cash.
- 3. We have not allotted any Equity Shares in terms of any scheme approved under Sections 391-394 of the Companies Act.
- 4. Our Company has allotted 94,40,970 Equity Shares by capitalizing a sum of Rs. 9,44,09,700 out of free reserves of Rs. 9,69,51,505.39 standing on the balance sheet of our Company as on March 31, 2010.
- 5. 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.

# 2. Issue of Equity Shares one year preceding this Red Herring Prospectus below the Issue Price

Our Company has issued Equity Shares to the following persons in the year preceding the date of this Red Herring Prospectus, which may be at a price lower than the Issue price:

Sr. No.	Name of the Shareholder	Date of Issue	Whethe r Belongs to Promot er Group	Number of Equity Shares (Face value of Rs. 10 each)	Issue Price (Rs.)	Reasons for Issue
1.	Mr. Shyam Sunder Mundra	October 25, 2010	Yes	46,04,600	-	Bonus
2.	Mr. Vikalp Mundra	October 25, 2010	Yes	6,27,000	-	Bonus
3.	Mr. Anurag Mundra	October 25, 2010	Yes	5,42,740	-	Bonus
4.	Mr. Sanat Kumar Mandovara	October 25, 2010	No	1,100	-	Bonus
5.	Ms. Vandana Mundra	October 25, 2010	Yes	1,71,600	-	Bonus
6.	Ms. Manju Mandovara	October 25, 2010	No	1,100	-	Bonus
7.	Mr. Narendra Beli	October 25, 2010	No	1,100	-	Bonus
8.	Ms. Geeta Mundra	October 25, 2010	Yes	1,210	-	Bonus
9.	Anurag Mundra HUF	October 25, 2010	Yes	7,480	-	Bonus
10	Ms. Sarita Mundra	October 25, 2010	Yes	110	-	Bonus
11	Vikalp Mundra HUF	October 25, 2010	Yes	2,15,600	-	Bonus
13	Ms. Preeti Neema	October 25, 2010	No	1,77,320	-	Bonus
14	Shri Ramchandra Maharaj Trust	October 25, 2010	Yes	27,500	-	Bonus
15	SVA Family Welfare Trust	October 25, 2010	Yes	24,94,470	-	Bonus
16	Inox Vanijya Private Limited	October 25, 2010	No	1,10,000	-	Bonus
17	Natwarlal Neema HUF	October 25, 2010	No	1,18,140	-	Bonus
18	Mr. Natwarlal Neema	October 25, 2010	No	1,79,850	-	Bonus
19	Ms. Pushpabai Neema	October 25, 2010	No	59,070	-	Bonus
20	Amit Neema HUF	October 25, 2010	No	14,630	-	Bonus
21	Mr. Amit Neema	October 25, 2010	No	56,870	-	Bonus
22	Mr. Anurag Neema	October 25, 2010	No	16,500	-	Bonus
23	Anurag Neema HUF	October 25, 2010	No	8,910	-	Bonus
24	Pranita Neema	October 25, 2010	No	4,070	-	Bonus
	Sub total (B)			94,40,970		
Sr. No.	Name of the Shareholder	Date of Issue	Whethe r Belongs to Promot er Group	Number of Equity Shares (Face value of Rs. 10 each)	Issue Price (Rs.)	Reasons for Issue
1.	Mr. Anurag Mundra	December 21, 2010	Yes	3,47,532	10.25(includi ng premium	Preferential allotment



		1			(D. 0.05)	
2.	Anurag Mundra HUF	December 21, 2010	Yes	35,468	of Re. 0.25) 10.25(includi ng premium of Re. 0.25)	Preferential allotment
3.	Ms. Geeta Mundra	December 21, 2010	Yes	5,42,288	10.25(includi ng premium of Re. 0.25)	Preferential allotment
4.	Mr. Shyam Sunder Mundra	December 21, 2010	Yes	5,28,388	10.25(includi ng premium of Re. 0.25)	Preferential allotment
5.	Mr. Sanat Kumar Mandovara	December 21, 2010	No	45,684	10.25(includi ng premium of Re. 0.25)	Preferential allotment
6.	SVA Family Welfare Trust	December 21, 2010	Yes	25,68,148	10.25(includi ng premium of Re. 0.25)	Preferential allotment
7.	Shri Ramchandra Maharaja Trust	December 21, 2010	Yes	5,47,668	10.25(includi ng premium of Re. 0.25)	Preferential allotment
8.	Mr. Vikalp Mundra	December 21, 2010	Yes	85,584	10.25(includi ng premium of Re. 0.25)	Preferential allotment
	Sub total (C)			47,00,760		
	Grand Total		1	1,41,50,531		

## 3. Promoters' Contribution and Lock-in details

Pursuant to the Regulation 32 of SEBI ICDR Regulations, an aggregate of 20% of the post-Issue Equity Share Capital of our Company shall be locked in by the Promoters for a period of three years from the date of Allotment.

<sup>(</sup>a) Details of the build up of Promoters' shareholding in our Company:

Name of the Promoter	Date of allotment/transfer	No. of equity shares		quisition price per equity	Nature of considerat ion (cash, bonus, other than cash)	Nature of transaction (allotment/gift/transfer)
	June 9, 1999	41,000	100	100	Cash	Initial subscription
	March 30, 2010	360	100	3,000	Cash	Preferential Allotment
	October 6, 2010	500	100	3,000	Cash	Transfer of Equity Shares from Mr. Amit Neema
Mr. Shyam Sunder Mundra	was sub-divided into resolution dated Octo	10 equity s ber 15, 2010	shares of Accordi	Rs. 10 e ngly 41,8	each pursua 60 Equity Sl	expital of our Company nt to the shareholders hares of Rs. 100 issued Equity Shares of Rs. 10
	October 15, 2010	4,18,600	-	-	-	Subdivision of face value of the equity share.
	October 25, 2010	46,04,600	10	-	Bonus	Bonus
	December 21, 2010	5,28,388	10	10.25	Cash	Preferential Allotment
Sub total (A)		55,51,588				
	June 9, 1999	5,120	100	100	Cash	Initial subscription
	March 30, 2010	80	100	3,000	Cash	Preferential Allotment
Mr. Vikalp Mundra	October 6, 2010	100	100	3000	Cash	Transfer of Equity Shares from Ms. Preeti Neema
		400	100	3000	Cash	Transfer of Equity Shares from Mr. Amit Neema



Name of the Promoter	Date of allotment/transfer	No. of equity shares	equity share (Rs.)	quisition price per equity share (Rs.)	considerat ion (cash, bonus, other than cash)	
	was sub-divided into resolution dated Octob	10 equity s ber 15, 2010.	shares of Accordin	Rs. 10 angly 5,700	each pursua ) Equity Sha	capital of our Company int to the shareholders res of Rs. 100 issued to es of Rs. 10 each were
	October 15, 2010	57,000	10	-	-	Subdivision of face value of the equity share
	October 25, 2010	6,27,000	10	-	Bonus	Bonus
	December 21, 2010	85,584	10	10.25	Cash	Preferential Allotment
Sub total (B)		7,69,584				
	June 9, 1999	3,840	100	100	Cash	Initial subscription
	June 30, 2000	16	100	100	Cash	Transfer of one Equity Shares to each to Ms. Geeta Mundra, Ms. Sushila Devi Mundra, S.G Mundra (HUF), G.J Mundra (HUF), Mr. Arvind Deshpandey, Mr. D.K. Patodi, Mr. Kanwarlal Mundra, Mr. N.K. Sethi, Mr. P.K. Rakhecha, Ms. Prabha Maloo, Mr. Rashid Khan, Ms. Sarla Mantri, Mr. S.K Beli, Ms. Leela Lahoti, Mr. N.K. Lahoti, Mr. Sumit Maloo.
	March 30, 2010	560	100	3,000	Cash	Preferential Allotment
	October 06, 2010	550	100	3000	Cash	Transfer of Equity Shares from Amit Neema (HUF)
Mr. Anurag Mundra	was sub-divided into resolution dated Octob	10 equity s ber 15, 2010.	shares of Accordined and ne	<sup>°</sup> Rs. 10 angly 4,934	each pursua Equity Sha	Sub-division of face value of the equity
	October 25, 2010	5,42,740	10	-	Bonus	share Bonus issue
	December 21, 2010	3,47,532		10.25	Cash	Preferential Allotment
Sub total (C)		9,39,612				I
Grand Total (A+B+C+)	72,60,784		I			

(b). Details of the shareholding of the Promoters and the Promoter Group as on the date of this Red Herring Prospectus:

	Pre-Issu	e	Post-Issue		
	No. of Equity % Shares		No. of Equity Shares	%	
A. Promoters	Simi es		Since CS		
Mr. Shyam Sunder Mundra	55,51,588	37.01	55,51,588	27.76	
Mr. Vikalp Mundra	7,69,584	5.13	7,69,584	3.85	



	Pre-Issu	e	Post-Iss	ue
	No. of Equity %		No. of Equity	%
	Shares		Shares	
Mr. Anurag Mundra	9,39,612	6.26	9,39,612	4.70
Sub-Total	72,60,784	48.41	72,60,784	36.30
B. Promoter Group				
Ms.Vandana Mundra	1,87,200	1.25	1,87,200	0.94
Ms. Geeta Mundra	5,44,808	3.63	5,44,808	2.72
Ms. Sarita Mundra	120	-	120	Negligible
Anurag Mundra (HUF)	43,628	0.29	43,628	0.22
Vikalp Mundra (HUF)	2,35,200	1.57	2,35,200	1.18
SVA Family Welfare Trust	52,89,388	35.26	52,89,388	26.45
Shri Ramchandra Maharaj Trust	5,77,668	3.85	5,77,668	2.89
Sub-Total	68,78,012	45.85	68,78,012	34.39
Total (A+B)	1,41,38,796	94.26	1,41,38,796	70.69

(c). Details of Promoter's contribution locked in for three years

Pursuant to the Regulation 36 (a) of ICDR Regulations, an aggregate of 20% of the post-Issue shareholding of the Mr. Shyam Sunder Mundra constituting 40,00,000 Equity Shares shall be locked-in for a period of three years.

The details of such lock-in are given below:

Name of the Promoter	Date of allotment/t ransfer	value of	-		Nature of transaction (allotment/gif t/transfer)	shares locked	Percentage of pre-Issue Capital	Percentage of post-Issue Capital
Mr. Shyam Sunder Mundra	October 25, 2010	10	-	Bonus	Bonus	40,00,000	26.66%	20%

All the shares of our Company held by the Promoters are held in electronic form.

The Promoter's contribution has been brought in to the extent of not less than specified minimum lot and from persons defined as Promoters under the SEBI ICDR Regulations.

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, we confirm the following:

(i) The Equity Shares offered for minimum 20% Promoters' contribution have not been acquired in the last three years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves, or unrealised profits of our Company or from a bonus issue against Equity Shares which are otherwise ineligible for computation of Promoter's contribution;

(ii) The Equity Shares offered for minimum 20% Promoters' contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Issue;

(iii) The Equity shares offered for minimum 20% Promoters' contribution were not issued to the Promoters upon conversion of a partnership firm;

(iv) The Equity Shares offered for minimum 20% Promoters, contribution are not subject to any pledge; and

(v) The Equity Shares offered for minimum 20% Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from our Promoters for inclusion of their subscription in the minimum Promoters, contribution subject to lock-in.

(d). Details of share capital locked in for one year



In addition to the lock-in of the Promoter's contribution, the remaining pre-Issue equity share capital of our Company, comprising of 1,10,00,000 Equity Shares shall be locked in for a period of one year from the date of Allotment as per Regulation 36 (b) and 37 of the SEBI ICDR Regulations.

## (e). Other requirements in respect of lock-in

The locked in Equity Shares held by the Promoters, as specified above, may be pledged only with scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan. Provided that if any Equity Shares are locked in as minimum Promoters' contribution, under Regulation 39(a) of the SEBI ICDR Regulations, the same may be pledged, only if, in addition to fulfilling the above requirement, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

Pursuant to Regulation 40 of the SEBI ICDR Regulations, the Equity Shares held by the Promoters may be transferred *inter se* or to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The Equity Shares held by persons other than Promoters' prior to the Issue may be transferred to any other person holding Equity Shares which are locked-in as per Regulation 37 of the SEBI ICDR Regulations, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

## 4. Our shareholding pattern

The table below represents our Equity Shareholding pattern of our Company as on the date of this Red Herring prospectus as per Clause 35(a) of the Listing Agreement.

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares			Pledged or otherwise encumbered
					As a percentage of (A+B)[1]	As a percentage of (A+B+C)	Number of shares	As a percentage
<b>(I</b> )	(II)	(III)	( <b>IV</b> )	( <b>V</b> )	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	Shareholding of Promoter and Promoter Group[2]							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	10	1,41,38,796	1,41,38,796	94.26	94.26	Nil	N.A.
(b)	Central Government/ State Government(s)	0	0	0	0	0	Nil	N.A.
(c)	Bodies Corporate	0	0	0	0	0	Nil	N.A.
(d)	Financial Institutions/ Banks	0	0	0	0	0	Nil	N.A.
(e)	Any Other	0	0	0	0	0	Nil	N.A.
	(specify)						Nil	N.A.
	Sub-Total (A)(1)	10	1,41,38,796	1,41,38,796	94.26	94.26	Nil	N.A.



-2	Foreign			0			Nil	N.A.
(a)	Individuals (Non- Resident Individuals/ Foreign Individuals)	0	0	0	0	0	Nil	N.A.
(b)	Bodies Corporate	0		0	0	0	Nil	N.A.
(c)	Institutions	0		0	0	0	Nil	N.A.
(d)	Any Other (specify)	0		0	0	0	Nil	N.A.
	Sub-Total (A)(2)	0	0	0	0	0	Nil	N.A.
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	10	1,41,38,796	1,41,38,796	94.26	94.26	Nil	N.A.
(B)	Public shareholding <sup>3</sup>						Nil	N.A.
-1	Institutions	0	0	0	0	0	Nil	N.A.
(a)	Mutual Funds/ UTI	0	0	0	0	0	Nil	N.A.
(b)	Financial Institutions/ Banks	0	0	0	0	0	Nil	N.A.
(c)	Central Government/ State Government(s)	0	0	0	0	0	Nil	N.A.
(d)	Venture Capital Funds	0	0	0	0	0	Nil	N.A.
(e)	Insurance Companies	0		0	0	0	Nil	N.A.
(f)	Foreign Institutional Investors	0	0	0	0	0	Nil	N.A.
(g)	Foreign Venture Capital Investors	0	0	0	0	0	Nil	N.A.
(h)	Any Other (specify)	0	0	0	0	0	Nil	N.A.
	Sub-Total (B)(1)	0	0	0	0	0	Nil	N.A.
-2	Non-institutions	0	0	0	0	0	Nil	N.A.
(a)	Bodies Corporate	1	1,20,000	0	0.80	0.80	Nil	N.A.
(b)	Individuals -						Nil	N.A.
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	3	15,360	5,640	0.10	0.10	Nil	N.A.
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	8	7,25,844	7,25,844	4.84	4.84	Nil	N.A.
(c)	Any Other (specify)	0	0	0	0	0	Nil	N.A.
	Sub-Total (B)(2)	12	8,61,204	7,31,484	5.74	5.74	Nil	N.A.



	Total Public Shareholding (B)= (B)(1)+(B)(2)	12	8,61,204	7,31,484	5.74	5.74	Nil	N.A.
	TOTAL (A)+(B)	22	1,50,00,000	14,8,70,280	100.00	100.00	Nil	N.A.
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	Nil	N.A.
	GRAND TOTAL (A)+(B)+(C)	22	1,50,00,000	1,48,70,280	100.00	100.00	Nil	N.A.

5. The list of shareholders of the Company and the number of Equity Shares held by them is as under:

a. Our top 10 shareholders as on the date of this Red Herring prospectus.

Sr. No.	Name of the Shareholder	No. of Shares of face value Rs.10/-	% of issued capital
1.	Mr. Shyam Sunder Mundra	55,51,588	37.01
2.	SVA Family Welfare Trust (held by Mr. Shyam Sunder Mundra as trustee on behalf of the trust)	52,89,388	35.26
3.	Mr. Anurag Mundra	9,39,612	6.26
4.	Mr. Vikalp Mundra	7,69,584	5.13
5.	Shri Ramchandra Maharaj Trust (held by Mr. Vikalp Mundra as trustee on behalf of the trust)	5,77,668	3.85
6.	Ms. Geeta Mundra	5,44,808	3.63
7.	Vikalp Mundra HUF	2,35,200	1.57
8.	Mr. Natwarlal Neema	1,96,200	1.31
9.	Ms. Preeti Neema	1,93,440	1.29
10.	Ms. Vandana Mundra	1,87,200	1.25
	Total	1,44,84,68	96.56

b. Our top 10 shareholders 10 days prior to the date of filing this Red Herring Prospectus

Sr. No.	Name of the Shareholder	No. of Shares of face value Rs.10/-	% of issued capital
1.	Mr. Shyam Sunder Mundra	55,51,588	37.01
2.	SVA Family Welfare Trust (held by Mr. Shyam Sunder Mundra as trustee on behalf of the trust)	52,89,388	35.26
3.	Mr. Anurag Mundra	9,39,612	6.26
4.	Mr. Vikalp Mundra	7,69,584	5.13
5.	Shri Ramchandra Maharaj Trust (held by Mr. Shyam Sunder Mundra as trustee on behalf of the trust)	5,77,668	3.85
6.	Ms. Geeta Mundra	5,44,808	3.63
7.	Vikalp Mundra HUF	2,35,200	1.57
8.	Mr. Natwarlal Neema	1,96,200	1.31
9.	Ms. Preeti Neema	1,93,440	1.29
10.	Ms. Vandana Mundra	1,87,200	1.25
	Total	1,44,84,68 8	96.56

c. Our top 10 shareholders two years prior to the date of this Red Herring Prospectus.



Sr. No.	Name of the Shareholder	No. of Shares of face value Rs.100/-	% of issued capital
1.	Mr. Shyam Sunder Mundra	41,000	53.23
2.	SVA Family Welfare Trust (held by Mr. Shyam Sunder Mundra as trustee on behalf of the trust)	7,150	9.28
3.	Ms. Sarita Mundra	6,551	8.50
4.	Creative World Telefilms Limited	6,550	8.50
5.	Mr. Vikalp Mundra	5120	6.65
6.	Mr. Anurag Mundra	3,824	4.96
7.	Ms. Vandana Mundra	1,560	2.03
8.	Vikalp Mundra (HUF)	1,551	2.01
9.	Unno Industries Limited	1,250	1.62
10.	Inox Vanijya Private Limited	1,000	1.30
	Total	75,556	98.09

- 6. There has been no purchase or sale of Equity Shares by our Promoter Group and/or by the directors of the Company who are also Promoters of our Company and by directors of our Company and their immediate relatives (as defined under sub-clause (ii) of clause (zc) of sub-regulation (10 of regulation (2) of SEBI ICDR Regulations) within six months immediately preceding the date of this Red Herring Prospectus.
- 7. There has been no financing arrangement whereby the Company, promoter group, Promoters, Directors and their relatives have financed the purchase by any other person of securities of our Company during the six months immediately preceding the date of this Red Herring Prospectus with the SEBI.
- 8. Our Company, our Promoters, Promoter Group, our Directors and the BRLM to this Issue have not entered into any buy-back arrangements or any other arrangements for purchase of Equity Shares issued by our Company through this Red Herring Prospectus. Further our Company has not entered into any safety net arrangement.
- **9.** An over-subscription to the extent of 10% of the Issue to the public can be retained for the purpose of rounding off to the nearest multiple of minimum bid lot while finalizing the basis of Allotment. In the event that the aggregate demand in the QIB Portion has been met, any under subscription, other than the QIB category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. 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 shall be locked in.
- **10.** All Equity Shares offered under this Issue shall be made fully paid up.
- 11. Our Company presently does not intend to alter its capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or qualified institutions placement or otherwise, or if we enter into acquisitions, joint ventures or other arrangements, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
- 12. At least 50% of the Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds subject to valid Bids being received at or above the Issue Price. If at least 50% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation to Retail Individual



Bidders, subject to valid Bids being received from them at or above the Issue Price. Undersubscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the discretion of our Company, the BRLM, in consultation with the Designated Stock Exchange.

- **13.** As on date of this Red Herring Prospectus with SEBI, the entire Issued Share Capital of our Company is fully paid-up.
- 14. 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.
- **15.** As on the date of this Red Herring Prospectus, our Company has 22 shareholders.
- **16.** 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.
- 17. Our Company has borrowed a sum of Rs. 4,490.00 Lacs in the form of unsecured inter corporate deposits to meet fund requirements of its objects of the issue. For details related to the objects of the proposed initial public offer and unsecured inter corporate deposits please refer to chapter titled "*Objects of the Issue*" beginning on page 73 and "*Financial Indebtedness- Details of Unsecured Borrowings of our Company*" on page 209 of this Red Herring Prospectus
- **18.** Our Promoters and members of Promoter Group will not participate in this Issue.
- **19.** 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 this 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.
- **20.** 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.
- **21.** No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by our Company, our Promoters, Promoter Group or our Directors to the persons who receive allotments, if any, in this issue.
- **22.** The BRLM does not hold any equity shares of our Company.



#### **OBJECTS OF THE ISSUE**

#### The objects of the Issue are set forth below:

- 1. To set up our new grid connected 4 MWp solar photovoltaic power plant at Village Gagorni, Distt. Rajghar, Madhya Pradesh; and
- 2. To meet General corporate purpose.

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 objects clause of our Memorandum of Association enables us to undertake the activities proposed in terms of the objects of the Issue, for which the funds are being raised through this Issue. Our existing activities are within the ambit of the objects clause of the Memorandum of Association of our Company.

#### Cost of project and means of finance

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

#### **Cost of the Project**

		(Rs. In Lacs)
Sr. No.	Object	Total Estimated Cost
1.	Land	36.28
2.	Site development and civil works	300.00
3.	Survey of land and study of incident of radiation and other parameters, including installation and commissioning charges and project management and training fee	540.00
4.	Plant and Machinery	6,220.00
5.	Evacuation Infrastructure – cabling from project site to feeder point	40.00
6.	General corporate purposes	[•]
7.	Issue Expenses	[•]
	Total cost of the project	[•]

#### MEANS OF FINANCE

		(Rs. In Lacs)
Sr. No	Description	Amount
1.	Gross proceeds of the Issue("Issue Proceeds")	[•]
2.	Issue related expenses	[•]
3.	Net proceeds of the issue after deducting the issue related	[•]
	expenses from the issue proceeds ("Net Proceeds")	
4.	Internal accruals	94.25*
	Total	[•]

\*We have spent a sum of Rs. 36.28 Lacs towards land acquisition, Rs. 34.19 Lacs towards advance of survey of land and study of incident of radiation and other parameters and Rs. 23.78 Lacs towards issue expense, aggregating to Rs. 94.25 Lacs out of internal accruals. In terms of our reply to SEBI clarification vide letter dated April 7, 2011, wherein we have confirmed that Rs. 94.25 Lacs soft the issue will not be recouped from the Issue proceeds.

In case the initial public offer does not go as planned, our Company will make alternative arrangements like availing of fresh loans from bank(s) and/or utilizing internal accruals. In case of excess funds remaining after deployment as per the objects of the Issue, the same will be utilized for General Corporate Purposes.

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 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.

As our Company is arranging the funding for the objects of the issue through issue proceeds, Regulation 4 (2) (g) of the SEBI (ICDR) Regulations 2009 regarding confirmation for firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public issue, is not applicable to the company.

#### **OBJECTIVE OF THE PROJECT**

We propose to set up a grid connected Solar Photovoltaic power plant with an installed capacity to generate 4MWp of Power at district Rajgarh in Madhya Pradesh. We propose to assign the execution job, excluding the land development, civil work and evacuation infrastructure to TATA BP Solar India Limited. The details mentioned hereunder are as per the estimates prepared by our management and quotations received, orders placed as per the details provided hereunder in this chapter.

#### **PRODUCTION CAPACITY**

The solar power plant of 4MWp that we propose to set up through the proceeds of the issue is expected to generate 6.656 million units of power at 19% plant load factor (PLF).

(Production Capacity is assumed for 365 working days per year with 24 hours a day adjusted for nights and inadequate availability of solar radiations)

#### DETAIL OF THE COST OF THE PROJECT

#### Land

We have acquired the land having area of 14.467 hectares for setting up of the 4MWp of solar power plant. This land is situated at village Gagorni, Distt. Rajghar, Madhya Pradesh. Our Company has spent a sum of Rs. 33.07 Lacs for the acquisition of the Land from the following people.

Sr.No	Details of land	Area	Seller	Consideration
1.	Survey No. 13/2	7.208 Hectare	Ms.Sangeeta Khandelwal	Rs.18.55 Lacs
2.	Survey No. 20, 23,24, 25, 27, 28, 30, 37 and 38	7.259 Hectare	<ul> <li>a. Mr.Anil Pandit</li> <li>b. Mr.Sudhir Pandit</li> <li>c. Ms.Snehalata Pandita</li> <li>d. Ms. Sheilaben</li> </ul>	Rs.14.52 Lacs
	Total	14.467 Hectares		Rs.33.07 Lacs

Note: The sellers are not related to the Promoter, Directors of the Company.

In addition to the above, our Company has spent a sum of Rs. 3.21 Lacs towards transfer and registration of the foresaid land in the name of the Company.

#### Site development and civil works

The site development would involve levelling and graveling of site, mass excavation in soil / morum. The Civil work would involve development of internal roads, pathways and drains, Plain Cement Concrete (PCC) and Reinforced Cement Concrete (RCC) Civil work for Module Mounting with reinforcement for erection of solar modules and other support structure, construction of Control Room, Switch Yard and other utilities and Fencing of the project site for the entire Perimeter of the land.



The details of various cost components is as follows:-

-		(	(Rs. In Lacs)
Object	Total Estimated Cost	Name of Vendor	Date of Quotation
<ul> <li>Site Development &amp; Civil Works - Turnkey work with material</li> <li>Leveling and graveling of site, including mass excavation in soil/morum, Excavation in Foundation and plinth, excluding disposal.</li> <li>Development of Internal Roads and Pathways, Drains.</li> <li>Soil stablisation with lime, underrimmed piles, refilling excavated soil, morum filling, PCC and RCC Civil work for Module Mounting (Including reinforcement for erection of 22400 numbers of solar modules with cable trenches and other support structure, Control Room, Substation, Switch Yard and other utilities,</li> <li>Fencing of complete perimeter of site upto the height of 6 feet with MS angle and barbed wire.</li> <li>And all the sundry civil work of constructing to commencing of 4 MWp of Solar Power Generation Plant.</li> </ul>	300	G & P Project Construction	December 15, 2010
Total Cost	300	•	

Plant and Machinery

Sr. No	Particular of machinery	Quantity per MWp	Quantity for 4MWp	Amount (Rs. in Lacs)	Name of the supplier	Order details
А.	<b>PV MODULE</b> :					
1.	180Wp Solar Module manufactured by Tata BP Solar India Limited	5,610	22,440 2020 (additional 2020 no. of solar modules equivalent to 0.36MWp as spare for operations and maintenance purposes	4,388	STL Exports Limited	Our Order No. MBPL/CAP/06/1 1-12 dated June 15, 2011 and amendment No. MBPL/CAP/06/1 1-12/Amedn -1 dated June 28, 2011
	Sub total			4,388		

Sr. No	Particular of machinery	Quantity per MWp	Quan tity for 4MW p	Amou nt (Rs. in Lacs)	Tata BP Solar India Limited approved make	Name of the supplier	Order details
в.	MODULE MOUNTING STRUCTURES						
1.	36 Module mounting structure	156	624	460	Hi- Tech/R.T.	Rishikesh Infrastruct	Our Order No. MBPL/CAP/09/



Sr. No	Particular of machinery	Quantity per MWp	Quan tity for 4MW p	Amou nt (Rs. in Lacs)	Tata BP Solar India Limited approved make	Name of the supplier	Order details
					/Kamayani	ure Private Limited	11-12 dated June 24, 2011
C.	DC CABLING WITH CABLE & CONNECTING ARRANGEMENTS			136			
1.	String cable from String to SMU with MC connectors on both sides 1 Core 4 mm2 cables - double insulated Copper cable	8,028	32,11 0		Universal / soundstrin g/ Excel		
2.	MC4 connectors - male	160	640		Synergy / Solar UL / Ether part		
3.	MC4 connectors – female	160	640		Synergy / Solar UL / Ether part		
4.	Cable from SCB to Inverter 1 core 70 Sq mm XLPE armored Aluminium	12,000	48,00 0		Polycab / Primecab/e quivalent	Rishikesh Infrastruct ure Private Limited	Our Order No. MBPL/CAP/09/ 11-12 dated June 24, 2011
5.	Cable gland suitable for 1 core 70 sq mm XLPE armored aluminium cable	64	256		Minlec / Nimbus		
6.	Aluminium Lugs suitable for 1 core 70 Sq mm Aluminium cable (ring type)	64	256		Dolex/ 3D / jansons		
7.	150 x 40 mm GI perforated cable tray	2,000	8,000		Metalica / Right/ MDM		
D.	INVERTER, TRANSFORMER, PLC, COMBINER BOX & DISCONNECTOR PANELS			744			
	1MW bloc	-	-				
	Inverter 500kWp	2	8		ABB/Schn eider		
	Spare Inverter 500 KWp		2		ABB/Schn eider ABB /	Rishikesh	Our Order No.
	LT disconnector panel	2	8		Equivalent Voltamp/	Infrastruct ure Private	MBPL/CAP/09/ 11-12 dated
	Transformer (ONAN, 1250kVA, 0.3/33kV)	1	4		Emco/ CG/ Blue Star	Limited	June 24, 2011
	PLC	1	4		ABB/equi valent		
	String combiner box	16	64		ABB Limited		
E.	AC CABLING WITH CABLE & CONNECTING ARRANGEMENTS			140			
1	1.1 kV LT XLPE 3.5 core 185 Sq mm Aluminium Armored	230	920		Polycab / Primecab/ equivalent	Rishikesh Infrastruct ure Private	Our Order No. MBPL/CAP/09/ 11-12 dated



Sr. No	Particular of machinery	Quantity per MWp	Quan tity for 4MW p	Amou nt (Rs. in Lacs)	Tata BP Solar India Limited approved make	Name of the supplier	Order details
	cable				Limited)	Limited	June 24, 2011
2	1.1 kV LT XLPE 3.5 core 300 Sq mm Aluminium Armored cable	200	800		Polycab / Primecab/ equivalent		
3	Cable gland suitable for 3.5 core 185 sq mm XLPE armored aluminium cable	18	72		Minlec / Nimbus		
4	Cable gland suitable for 3.5 core 300 sq mm XLPE armored aluminium cable	10	40		Minlec / Nimbus		
5	Aluminium Lugs suitable for 3.5 core 185 Sq mm Aluminium cable (ring type)	72	288		Dolex/ 3D / jansons		
6	Aluminium Lugs suitable for 3.5 core 300 Sq mm Aluminium cable (ring type)	40	160		Dolex/ 3D / jansons		
7	33kV HT EXPE 3 Core Cables from HT Panel to transformer 3 core x 400 Sq mm Aluminium armoured cable	200	800		Polycab / Primecab /equivalent		
8	HT Cable connection kit - complete with all necessary accessories - Heat shrinkable raychem kits	50	200		Raychem / equivalent		
F.	POWER EVACUATION SYSTEM Includes following:		1 Set	272	ABB / Areva / equivalent		



Sr. No	Particular of machinery	Quantity per MWp	Quan tity for 4MW p	Amou nt (Rs. in Lacs)	Tata BP Solar India Limited approved	Name of the supplier	Order details
	<ul> <li>33kV HT Panel ( includes 2 incomer VCB)</li> <li>BOS for 33kV, 4MWp substation+B5 9</li> <li>33KV Outdoor PC VCB, 630A, 25KA with Local Control Cabinet + Steel support structure</li> <li>Indoor relay &amp; control panel for the 33KV VCB with following items: relays 50/51, 51/51N, 86, 63X, Mimic &amp; Indication Lamps</li> <li>33KV, 200A, Manually operated Isolator (without E/Switch), 20kA, 1 sec</li> <li>33KV, 200A, Manually operated Isolator (with E/Switch), 20kA, 1 sec</li> <li>33KV, 200A, Manually operated Isolator (with E/Switch), 20kA, 1 sec</li> <li>33KV Outdor Lightning Arrester, 10KA (without surge counter)</li> <li>33KV Outdoor Live Tank CT, 200/1/1A, CI: 0.5/5P10, 10 VA, 18kA, 1sec</li> <li>33KV Outdoor FT, 33KV/V3/110 V/V3/110V/V 3, 50VA, CI:0.5/3P. Vf = 1.2 Cont, 1.5 for 30 secs.</li> <li>ACSR Conductor (Dog), Equip</li> </ul>				make	Rishikesh Infrastruct ure Private Limited	Our Order No. MBPL/CAP/09/ 11-12 dated June 24, 2011



Sr. No	Particular of machinery	Quantity per MWp	Quan tity for 4MW p	Amou nt (Rs. in Lacs)	Tata BP Solar India Limited approved make	Name of the supplier	Order details
	Connector, String Insulators, 33KV Outdoor Live Tank CT, 200/1/1A, CI: 0.2/0.2, 10 VA,18kA, 1 sec Galvanised steel support structure for the CT & PT, 2 nos Isolators and only Incoming line H Structure. AC Distribution Board with MCB 125A MCB Incomer & outgoing feeder DC Distribution Board with 8 feeders Marshalling Box for CTs & PTs Outdoor Tariff Metering Cubicle with 0.2 Cl L&T Meter Type ER300P (Check meter & main meter) Battery and Battery Charger						
G.	MONITORING			40			
1.	Central SCADA system	1	1		ABB / Schneider	Rishikesh Infrastruc	Our Order No. MBPL/CAP/09/
2.	Computer and accessories for local monitoring	1	1		Dell/HP	ture Private Limited	11-12 dated June 24, 2011
Н.	AUXILIARY EQUIPMENTS, INCLUDING AUXILIARY TRANSFORMER		1	20			
1.	Unit Auxillary Transformer 11kV / 415 V - 50 kVA		1		Voltamp/ Emco/ CG/ Blue Star	Rishikesh Infrastruct ure Private	Our Order No. MBPL/CAP/09/ 11-12 dated
2.	UPS for Inverters		2		ABB	ure Private Limited	
I.	EARTHING AND LIGHTINING ARRESTORS			20			



Sr. No	Particular of machinery	Quantity per MWp	Quan tity for 4MW p	Amou nt (Rs. in Lacs)	Tata BP Solar India Limited approved make	Name of the supplier	Order details
	Plant Earth Pits (Copper Plate)		Based on ERS		Ashlok / Equivalent	Rishikesh Infrastruct	Our Order No. MBPL/CAP/09/
	Plant Lightning Arrestors		Based on ERS		Indelec / Equivalent	ure Private Limited	11-12 dated June 24, 2011
	Sub Total (B to I)			1,832			
	Total Cost (inclusive of Excise Duty, Central Sales Tax @ 2%, Transit Insurance and Cost of transportation up to the project site.)			6,220			

#### **Project Management Fee & Training Cost**

Our Company proposes to grant the Contract for supply, installation & commissioning of the Solar Power project to Tata BP Solar India Limited., on a turnkey basis. We are required to pay a sum of Rs. 540 Lacs to Tata BP Solar India Limited towards Survey of land, Installation, Commissioning, Training and Management Fee.

			(Rs. in Lacs)
Particulars	Amount	Name of the	Date of Quotation
		Service Provider	
Survey of land and study of incident of radiation	540	Tata BP Solar	December 27, 2010
and other parameters, including installation &		India Limited	
commissioning charges and project management			
& training fee			
Total Cost (inclusive of Service Tax @ 10.3%)	540		

#### Evacuation Infrastructure - Cabling from Project site to Feeder point

This would involve laying of overhead conductors for a distance of approximately 1 Km from the project site to the feeder point of Madhya Pradesh Power Transmission Company Limited (MPPTCL) and would involve installation of Step Up/Step Down Transformers, Fixing up of Power Distribution poles, Installation of Switching and Connecting equipments etc. The above is expected to cost us a sum of Rs.40 Lacs as per the estimates given hereunder:-

Object	Distance in Kms & Quantity in Nos	Rate per Meters of Cable/ Rate per Pole or Equipment (Rs.).	Total Estimated Cost (Rs.)	Name of Turnk ey contra ctor	Date of Quotatio n
Evacuation Infrastructure – From Project site to Feeder point					
Conductor	3.2 Kms	52,000	1,66,400	Rathore Engine	December 15, 2010
Pole	11 Nos.	15,000	1,65,000	ering Works	December 15, 2010
Insulators	110 Nos.	500	55,000		December 15, 2010
Cross Arms	11 Nos.	1,200	13,200		December 15, 2010
Bay at Grid as per MPPTCL Specification consisting mainly of Structure, VCB, Insulators, Isolators, Permissions etc.	1 Nos.	30,00,000	30,00,000		December 15, 2010
Labor Charges paid in lumpsum	-	5,00,000	5,00,000		December



				15, 2010
Others	-	-	1,00,000	December
				15, 2010
<b>TOTAL</b> (Inclusive of cost of equipments, excise duty, central sales tax, transit insurance and cost of transportation up to the project site)			39,99,600	
Rounded off to	•	-	40,00,000	

#### **General Corporate Purposes**

We propose to use the balance amount of the Net Proceeds of the Issue, approximately Rs. [•] Lacs, towards general corporate purposes including but not restricted to, brand building exercises, strengthening of our marketing capabilities, interests on unsecured loans taken from third parties/entities for the implementation of the project and meeting exigencies which we may face in the ordinary course of our business. This may also include rescheduling the proposed utilization of Issue Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Issue Proceeds. Our management, in accordance with the competitive and dynamic nature of our business and the policies of the Board, will have the flexibility to revise its business plan from time to time and in utilizing the sum earmarked for general corporate purposes and any surplus amounts from the Net Proceeds of the Issue.

#### **Issue Expenses**

The total expenses of this Issue are estimated to be approximately Rs.  $[\bullet]$  Lacs. The expenses of the Issue include, among others, Issue management fees, IPO grading expenses, selling commissions, underwriting commissions, printing and distribution expenses, advertisement expenses and listing fees payable to Stock Exchanges among others. All expenses with respect to the Issue will be allocated on the following basis:

Sr. No	Activity	Expenses (Rs. in Lacs)	% of Issue Size	% of Issue Expenses
1	Lead management fees, Syndicate fee, underwriting and selling commission* *(including commission to SCSBs for ASBA Applications *)	[•]	[•]	[•]
2	Advertising and marketing expenses*	[•]	[•]	[•]
3	Printing and stationery, including transportation costs*	[•]	[•]	[•]
4	Others (Filling fee with SEBI, BSE and NSE, Registrars fee, Legal fees, listing fees etc and Fees payable to Rating Agency*, bidding software expenses, depository charges etc., including travelling, Boarding & Lodging and reimbursement of expenses to intermediaries).	[•]	[•]	[•]
	Total	[•]	[•]	[•]

\* will be incorporated after the issue price is finalised.

#### **Estimated Schedule of Implementation**

Sr. No	Particulars	Proposed Month of Commencement	Proposed Month of Completion
To set u	1p solar photovoltaic power plant of capacity of 4	MWp unit at Rajgarh	, Madhya Pradesh
1.	Acquisition of Land	April 2010	October 2010(Completed)
2.	Placement of orders to Vendors	July 2011	October 2011
3.	Site Development & Civil Works	October 2011	December 2011
4.	Installation & Commissioning of PV Solar Main Plant	November 2011	January 2012
5.	Evacuation Infrastructure	October 2011	February 2012



6.	Commence Feeding Power [Trial Run]	February 2012	March 2012
7.	Commercial Supply of Power	March	2012

#### Details of funds already deployed for the project and sources of funds deployed

The funds deployed and means of finance thereof up to August 30, 2011 towards the object of this issue on the project as certified by the statutory auditors of our Company, M/s Ashok Khasgiwala & Co. Chartered Accountants vide their certificate dated August 31, 2011.

#### a. Details of funds already deployed for the project

Sr. No.	Particulars	Amount deployed till August 30, 2011 (Rs. In lacs)
1.	Land acquisition	36.28
2.	Advance for survey of land and study of incident of radiation and other parameters	34.19
3.	Advance for plant and machinery	3,574.00
4,	Evacuation Infrastructure (Madhya Pradesh Power Transmission Company Limited)	29.82
5.	Issue expenses	68.86
	Total	3,743.15

#### **b.** Sources of funds deployed

Sr. No.	Particulars	Rs. In lacs
1.	Internal accruals*	94.25
2.	Unsecured Inter corporate deposits **	3,648.90
	Total	3,743.15

\*We have spent a sum of Rs. 36.28 Lacs towards land acquisition, Rs. 34.19 Lacs towards advance of survey of land and study of incident of radiation and other parameters and Rs. 23.78 Lacs towards issue expense, aggregating to Rs. 94.25 Lacs till January 04, 2011 out of internal accruals. In terms of our reply to SEBI clarification vide letter dated April 7, 2011, wherein we have confirmed that Rs. 94.25 Lacs spent by our Company towards the objects of the issue will not be recouped from the Issue proceeds.

\*\*Further, we have spent Rs. 3,574 Lacs as advance towards plant and machinery, Rs. 29.82 Lacs towards evacuation infrastructure and Rs. 45.08 Lacs towards additional issue expenses aggregating to Rs. 3,648.90 Lacs till August 30, 2011 from unsecured inter corporate deposits availed by the Company from third parties/entities. Rs. 3,648.90 Lacs spent out of unsecured inter corporate deposits (including the entire bridge loan obtained for the objects of the issue) shall be repaid out of the proceeds of the issue. For details relating to the unsecured inter corporate deposits please refer to "Financial Indebtedness" beginning on page 205 of this Red Herring Prospectus

#### **Details of balance fund deployment**

				(Rs. in Lacs)
Sr. No.	Particulars	Amount Deployed till August 30, 2011	Amount to be Deployed till March 2012	Amount Total
1.	Land admeasuring 14.467 Hectare	36.28	0	36.28
2.	Site Development & Civil Works	0.00	300.00	300.00
3.	Survey of land and study of incident of radiation and other parameters including installation and commissioning charges including project management and training Fee.	34.19	505.81	540.00
4.	Plant & Machinery	3,574.00	2,646.00	6,220.00
5.	Evacuation Infrastructure – cabling from project site to feeder point	29.82	10.18	40.00
6.	General corporate purposes.	0.00	[•]	[•]
7.	Issue Expenses.	68.86	[•]	[•]
	Total	3,743.15	[•]	[•]



#### **Bridge Loan**

We have availed certain bridge loan in the form of unsecured inter corporate deposits from third parties/entities. As on August 30, 2011, we have utilised a sum of Rs. 3,648.90 Lacs towards advance for plant and machinery, evacuation infrastructure and issue expenses. The bridge loan obtained for the objects of issue shall be repaid out of the proceeds of the issue. For details relating to the unsecured inter corporate deposits, please refer to "*Financial Indebtedness- Details of Unsecured Borrowings of our Company*" on page 209 of this Red Herring Prospectus.

#### Interim use of Issue proceeds

Pending utilization of the Issue proceeds for the purposes described above, our management, in accordance with the approval of the Board of Directors, will have the flexibility in deploying the issue proceeds received by us. We intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with the banks or for reducing overdraft, for the interim and applicable period.

#### Monitoring Utilization of Funds

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

Our Board will monitor the utilization of the Issue proceeds. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for Financial Years 2010-11 and 2011-12, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our Listing Agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our Directors, key management personnel or companies promoted by our Promoters except in the usual course of business.



#### BASIS FOR ISSUE PRICE

Investors should read the following summary along with the chapters titled "Risk Factors" and "Financial Statements" beginning on pages 16 and 174 respectively and Section titled "About Our Company" beginning on page 95 of this 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:

#### **Qualified and Experienced Promoters**

Our Promoter Mr. Shyam Sunder Mundra is an Electrical Engineer and Masters in Electronics and Business Administration and has a total experience of 42 years in the power industry of which 8 years are of Madhya Pradesh Electrical Board (MPEB) and remaining 34 years are in the transformer industry. Mr. Vikalp Mundra is an Electrical Engineer and Masters in Management and has an experience of 17 years in the transformer industry and Mr. Anurag Mundra is a Chartered Financial Analyst (CFA) and holds a Master in Business Administration and has over 11 years experience in the transformer industry.

#### Experience in designing transformers at optimal costs

Our Company specializes in designing of transformers which are specific to the customers' need achieving highest possible efficiency with an acceptable trade off in the transformer raw material cost.

#### Research and development and designing capabilities

Due to existence in the industry for past 30 years, our company has developed its brand on technical front. Our company has developed well equipped quality control and an in-house R & D department. Our Company has already developed technology in the field of manufacturing, upgrading, rehabilitation, and life extension of transformers.

#### Well Equipped Testing facility

Our transformers are subjected to all routine tests as per IS: 2026 standards and customer specifications. We have equipments and capabilities to conduct various routine, special, type tests and vector tests on the components and transformers manufactured by us. We have been subject to various independent agencies inspections on behalf of their customers for pre-dispatch inspection for the products which has given us a reputation of manufacturing products to the client's specifications and expectations as a preferred vendor.

#### Capable Technical Personnel

Manufacture, repair and maintenance of transformers require capable technical personnel. Our Company is well equipped with team of qualified engineers and technical staff to handle manufacturing processes efficiently. Our Company possesses a team of experienced, trained and qualified personnel dedicated to Research and Development center that also takes care of total quality management. As on March 31, 2011 we have a total of 9 engineers and our total workmen strength is 100.

#### Ability in customization to suit the demand from low, medium, and high capacity transformers

Our Company caters to specific customer requirements, by providing with tailor made transformers as per the design and specifications required by the customers.

#### Wide product portfolio and ability to cater to diverse needs of markets.

Our product portfolio ranges from power and distribution transformers, rectifier transformers, furnace duty transformers, dry type transformers, automatic voltage regulators, converter duty transformers and



other special purpose transformers in both repairing and manufacturing segment, thus catering to diverse needs of markets.

#### **Diversified customer base**

We have established client relationships in domestic markets from whom we get orders for manufacturing on a continuous basis. Our existing relationship with our clients represents a competitive advantage in gaining new clients and growing our business. Many of our clients are renowned Public Sector Undertakings(PSU's). We are not dependent on any one industry or sector as we cater to sectors like power, steel, textile, coal and mine, infrastructure, engineering and automobile, etc. and within each of these sectors we have diversity of clients. Our business is directly related to the overall industrial growth and is not affected by a downtrend in any particular single sector.

#### **Manufacturing of Quality Products**

We have a team of qualified engineers and well equipped manufacturing facilities which enables us to manufacture products confirming to any specifications, both Indian and international standards. Our Company enjoys a good reputation among its customers. Our Company has the ISO 9001:2008 and ISO 14001:2004 certifications.

#### Locational Advantage of being in Central India

We are located in heart of India which gives us the logistical advantage. We can supply products across India with ease. Indore is well connected to all industrial towns across India. The infrastructure facility is also good.

#### Quantitative Factors

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

### 1. Basic Earnings Per Share

Particulars	EPS (Rs)	<u>Weights</u>
2008-2009	0.45	1
2009-2010	1.00	2
2010-2011	0.67	3
Weighted Average Basic EPS	0.74	

#### 2. Diluted Earnings Per Share

Particulars	EPS (Rs)	<u>Weights</u>
2008-2009	0.44	1
2009-2010	0.94	2
2010-2011	0.67	3
Weighted Average Diluted EPS	0.72	

#### Note:

Basic and Diluted EPS is restated for Sub-division (From Face value per equity shares of Rs.100 to Rs.10) on 15th October, 2010 and Bonus issue (11 equity shares for each equity shares held) on 25th October, 2010 in accordance with AS-20 issued by Institute of Chartered Accountant of India.

#### 3. Price/Earnings Ratio (P/E) in relation to Issue Price of Rs. [•] per share



Particulars	P/E at the lower end of the price band Rs. 180	P/E at the higher end of the price Rs.186	P/E at the Issue Price of Rs. [●]
a. Based on 2010-11 Basic EPS of Rs.0.67	268.66	277.61	[•]
b. Based on 2009-10 Diluted EPS of Rs.0.67	268.66	277.61	[•]
c. Based on Weighted Average Basic EPS of Rs.0.74	243.24	251.35	[•]
d. Based on Weighted Average Diluted EPS of Rs.0.72	250.00	258.33	[•]

Industry P/E* - ELECTRIC EQUIPMENT	(Figures are on a Standalone basis)
Highest – Asea Brown Boveri Limited	160.8
Lowest – Accurate Transformers Limited	3.4
Average	19.2

Source: Capital Market, Volume XXVI/11, July 25, 2011 – August07, 2011.

\* There is no separate grouping for players in the transformer industry. Since transformer companies are covered under Electric Equipment Industry Segment in the above source, we have therefore computed the above ratios, based on the data of transformer manufacturing companies only. The data computed is not based on the entire Electric Industry Segment.

#### 4. Return on Net Worth

Particulars	<u>RONW (%)</u>	<u>Weights</u>
2008-2009	6.16	1
2009-2010	8.77	2
2010-2011	4.98	3
Weighted Average RONW	6.44	

# 5. Minimum Return on Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 0.67 for the year ended March, 2011

Particulars	Based on Basic EPS of Rs.0.67	Based on Diluted EPS of Rs.0.67
a) At the higher end of the price band of Rs.186	1.23%	1.23%
b) At the lower end of the price band of Rs.180	1.27%	1.27%
c) At the Issue Price of Rs. [•]	[•]*	

\*The Issue price will be determined on conclusion of Book Building Process.

o. Net Asset value (Ks.)							
Particulars	At the lower end of the Price	At the higher end of the Price Band					
	Band (Rs.180)	(Rs. 186)					
As on March 31, 2011	10.37	10.37					
After Issue	53	54					
Issue Price of Rs. [●]	[•]*						

## 6. Net Asset Value (Rs.)

\*The Issue price will be determined on conclusion of Book Building Process.



## 7. Peer Group

				(Rs	. In Lacs)
Name of Company	EPS	P/E Ratio(x)	RONW (%)	NAV/ Book Value. Rs.	Face Value . Rs.
Transformers & Rectifiers (India) Limited	31.04	8.5	12.56	247.07	10
Tarapur Transformers Limited	(2.48)	-	-ve	40.61	10
Voltamp Transformers Limited	51.18	10.2	13.86	369.30	10
Emco Limited	(7.05)	-	-ve	85.44	2
M AND B Switchgears Limited	0.67	[•]	4.98	10.37	10

Note: All the figures are on a standalone basis and are as on March 31, 2011.

Source: Capital Market, Volume XXVI/11, July 25, 2011 – August07, 2011.

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.  $[\bullet]$  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

To, **The Board of Directors, M AND B Switchgears Limited,** Survey No. 211/1, Opposite Sector - C & Metalman, Sanwer Road Industrial Area, Indore (M. P.) -452015

Dear Sir,

#### Sub: Statement of Tax Benefits

We hereby report that the attached Annexure states the possible tax benefits available to M AND B Switchgears Limited ("the Company") and to the shareholders of the Company under the Income Tax Act, 1961, Wealth Tax Act, 1957 presently in force in India, subject to the fact that 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 the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfil.

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 the professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

Our views are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and interpretations of the current tax laws. We do not assume responsibility to up-date the views of such changes. No assurance is given that the revenue authorities/courts will concur with the view expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. 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 Ashok Khasgiwala and Co. Chartered Accountants

CA Avinash Baxi Partner M. No. : 079922 Date : August 18, 2011 Place : Indore



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

- A. SPECIAL TAX BENEFITS TO THE COMPANY AND SHAREHOLDERS OF OUR COMPANY: NIL
- **B.** 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 1<sup>st</sup> October, 2004 and is liable to securities transact ion 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 31<sup>st</sup> March, 2005 subject to fulfillment of conditions prescribed therein.



7. Under section 115JAA (1A) 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. Under section 115JAA (2A) of the Act, 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 10 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 transact ion 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(1)(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of 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 15% (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(1)(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of 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(1)(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction 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 IV – ABOUT OUR COMPANY

#### **INDUSTRY OVERVIEW**

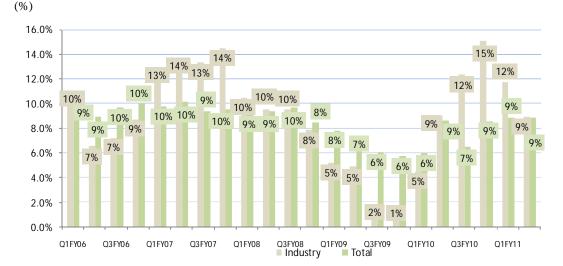
The information in the Industry chapter is obtained from the report by IMaCS and from sources which are believed to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and IMaCS in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information and estimates contained herein must be construed solely as statements of opinion, and IMaCS shall not be liable for any losses incurred by users from any use of this publication or its contents.

The information in this chapter has not been independently verified by us, the BRLM or any of our or their respective affiliates or advisors. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investors should not place undue reliance on this information. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies

#### **Overview of Indian Economy**

Indian economy grew at an average rate of 9% during the period, 2006-08. Following signs of slowdown in late-2008 because of the global financial crisis, the Indian Government introduced stimulatory fiscal measures at the beginning of 2009 along with sizeable increase in public outlays. With a subsequent recovery, the real gross domestic product (GDP) increased 7.4% in 2009-2010. In 2010-11, the expected real GDP growth is slightly over 8%. As exports have started to grow once again, business investment is expected to rebound by September 2011. Concerns include increase in long-term interest rates, wide fiscal gap, and inflationary pressure affecting investments adversely.

Indian economy continues to maintain high growth momentum as the real GDP picks up in the second quarter of fiscal 2010-11. As per the latest estimates released by the CSO (Central Statistical Organisation), the real economy expanded by 8.9% during the second quarter (July to September) in 2010-11 compared to 8.7% during the same period of 2009-10.



#### Figure 3: Quarterly Growth in GDP

Source: IMaCS Research



Industrial GDP recovered sharply from 0.6% in fourth quarter of 2008-09 to 13.8% in the third quarter of 2009-2010, because of substantially higher growth in manufacturing. Global figures on industrial production, trade and employment also indicate that the rate of contraction may now be starting to moderate and point towards faster trade growth in 2010. The Indian index of industrial production (IIP) increased 10.4% in 2009-2010, compared with 2.7% in 2008-09.

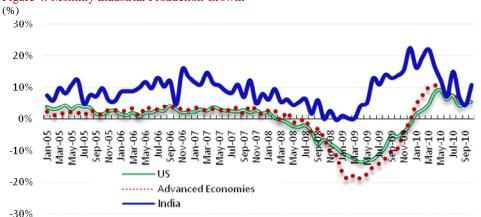
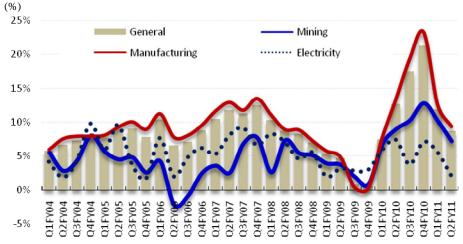


Figure 4: Monthly Industrial Production Growth

In 2009-2010, the growth in general industrial production was 10.4% as compared to 2.7% 2008-09. The corresponding growth in sub sectors of manufacturing and mining was 10.9% and 9.8%, respectively, in 2009-2010 as compared to 2.7% and 2.6% in 2008-09. The growth in electricity was 6% in 2009-2010 as compared to 2.8% 2008-09.



## Figure 5: Quarterly Growth in Industrial Production

Source: IMaCS Research

Investment flows in India have increased rapidly because of portfolio equity inflows from foreign institutional investors. Gross capital inflows increased from US\$ 59.37 billion in the fourth quarter of 2008-09 to US\$ 90.23 billion in the corresponding period of 2009-2010. Exports increased 2.7%, year-on-year, in October 2009, representing the first increase in twelve months. Trade growth has rapidly accelerated since November 2009. Imports growth has been higher than exports reflecting increased crude oil and other commodity import prices.

The electricity sector has consistently contributed 1.5-1.6% to the total GDP. At current prices, however, the GDP contribution of electricity was lower in 1.3% of total because of higher inflation in other commodities and utilities. The three-year compound annual growth rate (CAGR) of electricity GDP was 8% up to 2008-09.

Source: IMaCS Research



# Table 5: Contribution of Electricity to India's GDP (Rs Billion)

	2004-05	2005-06	2006-07	2007-08	2008-09
Electricity GDP (current prices)	504	552	629	672	694
As % of total GDP	1.7	1.6	1.6	1.5	1.3
Electricity GDP (constant prices)	504	542	604	659	677
As % of total GDP	1.7	1.7	1.7	1.7	1.6

Source: IMaCS Research

During the period 2004-09, expenditure on electricity was about 1% of the total private expenditure on all goods and services. The three-year electricity expenditure CAGR was 12.7% up to 2008-09.

#### Table 6: Private Expenditure on Electricity

(Rs Billion)

۱ــــــــــــــــــــــــــــــــــــ	2004-05	2005-06	2006-07	2007-08	2008-09	3-Year CAGR (%)
Electricity	187	194	221	246	277	12.7
As % of total expenditure	1.0	0.9	0.9	0.9	0.9	-
Source: IMaCS Research						

#### Power Sector Overview

In recent decades, the Government of India has focused on infrastructure development with top priority given to the power sector. Significant reforms have emphasised on developing the competitive environment, restructuring the industry for higher levels of accountability and investments, and aligning the electricity market for more efficient outcomes.

As compared to 23 integrated utilities (SEB), which existed before the electricity reforms began in the 1990s, there are now over 80 utilities with varied ownership structures under the central government, state government, private utilities, captive power generators, independent power producers (IPP) and merchant power plants (MPP). Further, market expansion is taking place with the emergence of open access, power trading companies, power exchanges, rural electrification and various generation projects.

The state transmission utilities (STU) are responsible for inter-state power transmission, while Power Grid Corporation of India Limited (PGCIL) is responsible at the inter-regional level. Distribution of power is mostly controlled by state distribution companies. Most states have set up state electricity regulatory commissions (SERC) for tariff regulation. The Central Electricity Regulatory Authority (CERC) fulfils this responsibility for the central power utilities. The Central Electricity Authority (CEA) is responsible for planning and data management.

According to the CEA, the average per capita electricity consumption in India is 704 kWh as compared to global average per capita consumption of 2,752 kWh. By 2012, India requires an installed capacity of over 220,000 MW, which translates into opportunities for the associated power transmission and distribution segments. In addition, several decades of deterioration in power distribution infrastructure prior to reforms have created a need for investments in the segment to revamp the system in almost all states. At about 35%, the overall transmission and distribution (T&D) losses are higher than accepted global standards. Many rural areas in the country still remain unconnected. The Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) provides opportunities for development of rural power distribution infrastructure.

India's grid interactive installed power generation capacity increased from 152,151 MW as on August 31, 2009 to 164,509 MW as on August 31, 2010. Renewable energy sources accounted for about 10% of the total installed capacity in August 2010 as compared to 7% in August 2009. The private sector is a key driver of renewable power development with 83% share in total grid-connected renewable power capacity. The remaining capacity is with the state utilities.

Table 7: Installed Power Capacity (MW)

Aug-2010



	Central	State	Private	Total	Central	State	Private	Total
Thermal	38,482	50,892	17,059	106,433	36,872	47,607	13,393	97,872
Coal/Lignite	31,780	46,222	9,856	87,858	30,233	43,333	6,721	80,287
Gas	6,702	4,067	6,606	17,375	6,639	3,672	6,075	16,386
Diesel	-	603	597	1,200	-	603	597	1,200
Hydro	8,685	27,168	1,233	37,086	8,592	27,095	1,230	36,917
Nuclear	4,560	-	-	4,560	4,120	-	-	4,120
Renewable	-	2,789	13,640	16,429	-	2,248	10,995	10,855
Total	51,728	80,849	31,932	164,509	49,584	76,950	25,618	152,151

Source: IMaCS Research

For the past two decades, India has faced increasing deficit in power supply. Peak shortages affect industrial margins adversely and lead to grid instability if not managed properly. The average all-India shortages in 2009-2010 were at 10% for normal energy requirement and about 13% for peak load. Although the target set for capacity addition during the Eleventh Plan period is 78,700 MW, only 62,000 MW is expected to be added by the end of the period.



#### Figure 6: Electricity Shortage

Source: IMaCS Research

#### Transformer Demand Drivers

An extensive transmission and distribution network already exists for evacuation of power and supply to consumers. Notwithstanding the substantial infrastructure, many regions in the country still suffer from electricity shortages. The new generation capacity additions as well as targeted increase in per capita consumption provide potential for further strengthening and expansion of the transmission system.

With adoption of new technology, there has been a significant addition of transmission capacity at the extra-high voltage levels of over 500 kV. The 765 kV and 500 kV-HVDC technologies have raised grid efficiency and have strengthened the grid at the inter-regional links.

(MVA)						
Voltage level	6 <sup>th</sup> Plan	7 <sup>th</sup> Plan	8 <sup>th</sup> Plan	9 <sup>th</sup> Plan	10 <sup>th</sup> Plan	11 <sup>th</sup> Plan*
765 kV	-	-	-	-	-	4,500
$\pm$ 500 kV HVDC	-	-	-	5,200	8,200	8,700
Converter/BTB Station						
400 kV	9,330	21,580	40,865	60,380	92,942	111,202
220 kV	37,291	53,742	84,177	116,363	156, 497	177,189
*II c 1 th	D1 1					

#### Table 8: Growth in EHV Sub-stations

\*Up to second year of 11th Plan period Source: IMaCS Research

Regional transmission network expansion is essential for transmission of power across the country, from abundant generation areas to the deficit areas. As part of its ambitious mission to provide electricity to the entire country by 2012, the Government has set a target of adding over 60,000 circuit



kilometres of new transmission lines. The integrated grid is expected to carry as much as 60% of the power generated in the country. The Government is also carrying out expansion of the five regional systems as well as the inter-regional grid to boost transmission capacity from 17,000 MW to 37,000 MW. The network expansion is expected to continue beyond 2012 commensurate with generation capacity and demand growth projections.

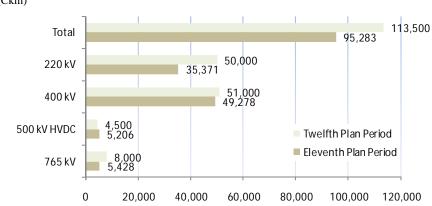


Figure 7: Projected Transmission Line Length (Ckm)

Source: IMaCS Research

Power distribution network is vital for electricity supply. However, poor operational efficiencies, under-recovery of costs and poor collection efficiency of the power utilities remain the key concerns. With the restructuring of electricity utilities, the focus has shifted to making the distribution segment more efficient and financially viable. This has created significant opportunities in the segment.

#### Table 9: Transmission and Distribution Statistics

							CAGR
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	(%)
T&D lines (ckm)	6,553,411	4,878,758	6,570,823	6,778,359	6,939,529	7,278,946	2.1%
11-33 kV lines (ckm)	2,238,958	2,151,942	2,271,361	2,357,168	2,424,545	2,567,049	2.8%
Dist. transformer capacity (MVA)	196,686	206,668	236,070	243,269	262,537	284,365	7.7%
Average T&D losses (%)	32.144	32.898	34.92	32.952	30.608	30.43	-

Source: IMaCS Research

To reform the distribution sector, the Government of India introduced the Accelerated Power Development Programme (APDP). The aim was to strengthen the transmission and distribution networks and reduce aggregate technical and commercial (AT&C) losses. Subsequently, incentive financing was integrated with the existing investment programme in the renamed Accelerated Power Development & Reforms Programme (APDRP) for the Tenth Plan period (2003-07). After a re-examination of the APDRP, The Cabinet Committee on Economic Affairs (CCEA) approved a restructured APDRP (R-APDRP) for the Eleventh Plan period as a central sector scheme in July 2008. The focus of this programme is on actual, demonstrable performance in terms of AT&C loss reduction.

Projects under the R-APDRP scheme have been taken up in three parts:

• Preparation of baseline data for project area, covering consumer indexing, geographic information system (GIS) mapping, metering of distribution transformers and feeders, automatic data logging for all distribution transformers and feeders, supervisory control and data acquisition (SCADA) and distribution management system (DMS).

Initially, 100% of the funds for the approved projects are to be provided through loans from the Government of India on terms decided by Ministry of Finance.

 Renovation, modernization and strengthening of 11 kV level substations, transformers/transformer centres, re-conductoring of lines at 11 kV and lower levels, urban-rural load bifurcation, feeder separation, load balancing, HVDS (11 kV); laying aerial bunched conductor in high population-



#### Projects under the R-APDRP scheme have been taken up in three parts:

density areas; replacement of electromagnetic energy meters with tamper-proof electronic meters; installation of capacitor banks and establishing mobile service centres.

Initially, up to 25% funds for the projects are to be provided through loans from the Government of India on terms decided by the Ministry of Finance. For special-category states, loan amount would be 90% of the project cost. However, the project-wise requirement of gross budgetary support is to be decided by a steering committee. The remaining funds are to be raised from financial institutions.

Funding of activities related to promoting reforms in the power sector.

In April 2005, the Government of India launched the RGGVY, a scheme for developing rural electricity infrastructure and household electrification. The scheme is aimed at providing access to electricity to all households in five years. Rural Electrification Corporation (REC) is the nodal agency for implementation of the scheme. As of May 2010, about 83% of targeted villages had been provided with electric connection. With access to basic connectivity, the actual electricity demand growth is expected to multiply rapidly in the coming years.

The industrial segment is the largest electricity demand generator and accounts for 45.9% of total consumption. Agricultural, commercial and domestic consumers account for another 18%, 8.1% and 20.9%, respectively. At an average GDP growth rate of 8%, the overall demand is expected to increase to about 1,524 billion kWh in 2016-17 and to 3,880 billion kWh by 2031-32.

	0.	equirement n kWh)	Peak Demand (GW)	-				Required
GDP growth at	8.0%	9.0%	8.0%	9.0%	8.0%	9.0%		
2003-04	633	633	89	89	131	131		
2006-07	761	774	107	109	153	155		
2011-12	1,097	1,167	158	168	220	233		
2016-17	1,524	1,687	226	250	306	337		
2021-22	2,118	2,438	323	372	425	488		
2026-27	2,866	3,423	437	522	575	685		
2031-32	3,880	4,806	592	733	778	960		

#### Table 10: Projected Electricity Demand

Source: IMaCS Research

The Union Budget, 2008-09, emphasised on increasing the pace of power generation capacity addition and continuing the reform process in power distribution. The Government also reduced customs duty on project imports by 5%. The initiatives for increasing capacity include developing eight ultra-mega power projects (UMPP) projects, each with a capacity of 4,000 MW, and allocated on the basis of competitive bidding as well as augmenting capacities in generation, transmission and distribution systems.

In addition, Rs. 8 billion was provided for R-APDRP projects in 2008-09 and Rs. 5.5 billion for RGGVY. These initiatives and provisions are expected to boost demand for transformers and switchgears – two major equipments used in transmission and distribution of power. Moreover, the Budget proposed the creation of a national fund for transmission and distribution reform. In the Union Budget, 2009-2010, the allocation under R-APDRP was increased by 160% to Rs. 20.8 billion over the previous budget estimate and by 305% for RGGVY to Rs. 22.3 billion. The plan allocation for power sector, excluding the RGGVY, was more than doubled in the Union Budget, 2010-11 to Rs. 51.3 billion.

Growth of power generation capacity and, transmission and distribution network is expected to boost demand for power and distribution transformers in India. Replacement of transformers installed during the Sixth Plan (1980-85) and Seventh Plan (1985-89) periods is also expected to add to demand.

In 2009-2010, total production of power and distribution transformers in India was about 176,427 MVA. Overall economic recovery in India as well as in some of the major export destinations has encouraged the industry players to take up expansion and green field projects. Investments have been mainly made in capacities for generators, transformers, switchgears, wires and cables, boilers and turbines.



# Table 11: Project Investments as of March 2010(Rs Billion)

Inductor	Outstanding	Investments	Projects under Implementation		
Industry	Projects (No.)	Investment	Projects (No.)	Investment	
Generators, transformers, switchgears	5	10.4	3	8.0	
Wires and cables	11	16.6	8	11.4	
Boilers and turbines	23	272.3	12	127.1	
Total	39	299.2	23	146.5	

Source: IMaCS Research

In order to mobilise resources from private sector, the Government of India issued guidelines for private sector participation in transmission sector in January 2000. It is estimated that to transmit the increased generation capacity, as envisaged in Eleventh Plan, to consumers, a matching distribution network of about 1,500,000 ckm of 33 kV, 11 kV and LV lines and 292,000 MVA of distribution transformer capacity will be needed. Installation of capacitors and re-conductoring of sub-transmission/ distribution network of about 3,000,000 ckm, and augmentation of distribution capacity of 198,000 MVA of various sub-stations would also be required.

Several policy initiatives that have a direct bearing on the transmission and distribution segments include the Electricity Act, 2003, the National Electricity Policy, 2005, the National Tariff Policy, 2006, Renewable Power policies, the Mega Power and Ultra-Mega Power policies and the New Hydropower Policy, 2008.

#### Competitive Environment and Key Players – Transformer

India has over 500 transformer manufacturers. Major manufacturers of transformers in India include EMCO, Bharat Bijlee, Crompton Greaves, Transformers and Rectifiers India Limited (TRIL), Kirloskar Electric, Voltamp Transformers and Indian subsidiaries of multinational companies such as ABB, Siemens, and Areva T&D. The industry manufactures a wide range of transformers, such as generation transformers, distribution transformers, traction and locomotive transformers, and ultrahigh-voltage instrument transformers (1,200 kV). Energy-efficient transformers with low loss and low noise levels that meet international standards are also produced.

Indian manufacturers are aligning themselves with the changing power generation, transmission and distribution scenario. While generation capacity is being augmented, smart-grid technologies are increasingly being deployed to reduce transmission and distribution losses. Going ahead, greater use of 765 kV extra high voltage (EHV) transmission highways and High Voltage Direct Current (HVDC) links are expected to open up new opportunities for the industry. As the government has initiated bulk tendering of supercritical power plants, Power Grid Corporation of India Limited (PGCIL) has moved towards implementation of 800kV HVDC transmission lines and will adopt 1,200 kV AC lines next. The production of transformers increased at a CAGR of 17% during the period 2004-2010. Of the total transformers produced in 2009-2010, power transformers contributed 79% while distribution transformers accounted for 21%.

Total	80,156	89,758	112,862	134,802	153,373	176,427	17.1%
Dist. Transformers (MVA)	19,369	27,181	35,188	40,412	34,272	36,379	13.4%
Power Transformers (MVA)	60,787	62,577	77,674	94,390	119,101	140,048	18.2%
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	CAGR
Table 12. Floduction of 1							

## Table 12: Production of Transformers

Source: IMaCS Research

Besides meeting the domestic requirement, India exports transformers to over 50 countries, including the US, South Africa, Cyprus, Syria, Iraq and countries in Europe, the Middle and Far East. Exports of transformers grew over five-fold, from Rs 411 million in 2004-05 to Rs 2,132 million in 2009-2010. During this period, imports grew from RS 321 million to Rs 884 million.

#### Table 13: Imports and Exports of Transformers



#### (Rs. Million)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	CAGR (%)
Exports	411.0	578.4	932.8	1,279.7	2,144.2	2,132.1	39.0%
Imports	321.3	348.3	540.4	732.5	1,492.7	883.5	22.4%

Source: IMaCS Research

The power transmission segment is mainly in the hands of STUs for intra-state power transmission while inter-state and inter-regional transmission is controlled by PGCIL, which is the biggest driver of new transmission projects in the country and the associated engineering, procurement and construction (EPC) contracting and sub-contracting industries. The company's assets were valued at Rs 477.4 million as of September 2010. PGCIL carries 51% of the generated power across the country with a transformation capacity of 89,170 MVA and inter-regional capacity of 27,950 MW.

PGCIL undertakes most of its transmission projects through contractors, although under its supervision and quality control. As of September 30, 2010, PGCIL had 68 transmission projects at several stages of implementation with an approved cost of Rs. 812.9 billion. These projects involve 45,750 ckm of transmission lines and 65 new substations including 15 new 765 KV substations and three HVDC stations with a total power transformation capacity of 111,770 MVA. In the Eleventh Five-Year Plan period, the company intends to invest Rs. 550 billion towards expansion of transmission network and grid strengthening and preparation of feasibility reports for UMPPs. In the seven years from 2010, PGCIL plans to invest Rs. 1,000 billion on T&D networks.

In addition to PGCIL, there are some private players such as Tata Power, Torrent Power and Reliance Power, which have recently entered the transmission segment, either as independent operators of small line sections connecting their power plants to the grid or as joint venture partners for development of new lines.

The power distribution segment is mainly controlled by state utilities, although there are private operators who control distribution in Delhi and Orissa and some of the major cities of the country. Tata Power, Reliance Energy, CESC, NOIDA Power, Dishergarh Power and Torrent Power are some of the major private sector operators.

An analysis of capital expenditure incurred by distribution utilities indicates that in 2008-09, capital expenditure of power distribution utilities and SEBs in the Northern region accounted for 45% of the total capital expenditure of all distribution utilities. During the period, 2006-09, the average annual growth in capital expenditure was about 17%. Some of the states with high capital expenditure in 2008-09 included Chhattisgarh, Maharashtra, Tamil Nadu and Rajasthan.

(its minon)			
	2006-07	2007-08	2008-09
East	3,620	20,100	15, 740
Northeast	11,550	10,150	11,070
North	87,040	113,290	121,640
South	49,900	57,880	66,610
West	44,600	41,860	54,050
Total	196,710	243,280	269,110

Table 14: Regio	n-wise Capital	Expenditure by	y Distribution U	Jtilities and SEBs
(Rs Million)				

Source: IMaCS Research

#### Transformer Market Outlook

Electricity demand is a function of consumer demand. However, energy requirement may vary with factors such as seasonal changes, improvement in technology of power generation and consumption, regional distribution of consumer segments, prices, structural changes in the economy and per capita income. The CEA estimates an energy requirement of 7.5% in the Twelfth Five-Year Plan period and 6.6% in the Thirteenth Five-Year Plan period. Peak load demand is expected to be 7.4% and 6.5%, respectively.

Table 15: Projected Growth Rate	es
(CAGR %)	

	2012-17	2017-22
Electrical energy requirement	7.52	6.58



	2012-17	2017-22
Peak load	7.39	6.45
Energy consumption	8.45	7.04
Source: IMaCS Research		

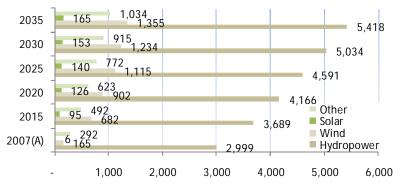
For a rupee invested in setting up new power generation capacity, an equal investment is required in transmission and distribution. It is estimated that to transmit the increased generation capacity of 78,000 MW, as envisaged in Eleventh Five-Year Plan period, the matching distribution network requirement is about 1,500,000 ckm of 33 kV, 11 kV and LV lines and 292,000 MVA of distribution transformer capacity. Going by a capacity addition plan of another 100,000-120,000 MW in the Twelfth Plan period, the matching requirement is likely to increase by about 30%. In addition, sub-transmission and distribution network augmentation, re-conductoring and sub-station up gradation works are expected to continue through 2012-17.

However, usual constraints include delays in project execution schedules because of factors such as clearances, availability of equipment, manpower, security and other infrastructure such as roads and transport.

#### Global Renewable Power Overview

Energy from renewable sources has gained significance in the context of high global crude oil prices in 2008 that led to the realisation that diversifying energy risk is important to break the oligopoly of oil suppliers across the world. Greater awareness of environmental concerns and the drive against rising greenhouse gases is another reason for adoption of renewable sources of energy that have lower carbon emissions than conventional fossil-based fuels.

## Figure 8: Projected World Net Renewable Energy Generation (Billion kWh)



A-actual Source: IMaCS Research

A significant untapped demand in Asia, particularly India and China, also emphasise the need for diversifying their fuel mix for optimum use of available energy resources with lower carbon emissions. However, high initial costs and inherent technology as well as supply risks make renewable energy sources difficult to promote commercially and hence, need to be supported by government incentives and programmes.

According to the projections of International Energy Outlook, 2010, of the US Energy Information Administration (EIA), from 2007 to 2035, world renewable-energy use for electricity generation is expected to grow at an average rate of 3% annually, and the renewable share of world electricity generation is likely to increase from 18% in 2007 to 23% in 2035. Of the 4.5 trillion kilo watt hours of higher renewable generation 54% during the period 2007-2035, 54% would be because of hydroelectric power, 26% from wind and the remaining 20% from other sources such as solar, geothermal, biomass, waste, and tidal energy.

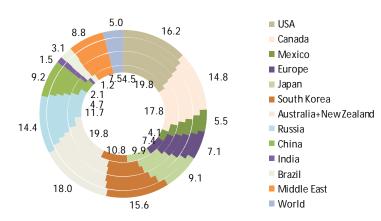
World energy-related carbon dioxide emissions are expected to increase from 29.7 billion metric tons in 2007 to 42.4 billion metric tons in 2035, an increase of 43%. While the US, Canada, Europe, Japan, Australia and New Zealand and India are likely to decrease per capita carbon-dioxide emissions,



countries such as China, Mexico, South Korea, Russia, Brazil and the Middle East are likely to increase per capita emissions.

#### Figure 9: Projected Per Capita CO<sub>2</sub> Emissions (2007-2035)

(Metric tonnes per person)



Year sequence (inner to outer) – 2007(actual), 2015, 2020, 2025, 2030, 2035 Source: IMaCS Research

Since 1990, energy consumption as a share of total world energy use has increased significantly in India and China, and together they accounted for about 10% of the world's total energy consumption in 1990 and 20% in 2007. Strong economic growth along with doubling of energy use during the EIA projection period is likely to result in 30% share in total world energy consumption for 2035 for these two countries. In contrast, the share of world energy consumption for the US is expected to fall from 21% in 2007 to about 16% in 2035.

Population growth and access to energy resources is expected to increase demand in the Middle East increases by 82% between 2007 and 2035. In Central and South America and Africa, energy consumption is expected to increase by 63%. Energy use for the Europe and Eurasia region is likely to increase 17% from 2007 to 2035, because of population declines and substantial gains in energy efficiency.

The total world energy consumption by industrial sector is expected to increase from 184 quadrillion BTU in 2007 to 262 quadrillion BTU in 2035. The capacity from of renewable energy sources is likely to increase from 13 quadrillion BTU to 22 quadrillion BTU, according to EIA.

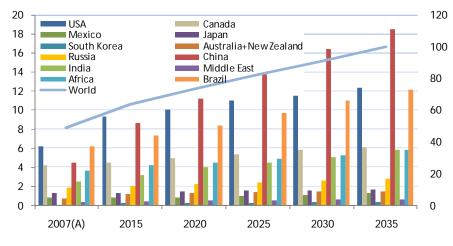


Figure 10: Projected Hydroelectric and Renewable Power Consumption (2007-2035) (1,000 Billion BTU)

Source: IMaCS Research



Some of the large users of grid connected solar power are Germany, Spain, Japan, USA and South Korea. Solar and wind are intermittent technologies and can be used only when resources are available. Once installed, the cost of operating wind or solar technologies is generally much lower than the cost of operating conventional renewable generation. However, high construction costs can make the total cost to build and operate renewable generators, comparatively higher. The intermittence of wind and solar energy availability is another constraint as they are not necessarily available when they are of greatest value to the system. The use of energy storage combinations such as hydroelectric pumped storage, compressed air storage, and batteries and a wide geographic dispersal of wind and solar generating facilities help mitigate these problems. Many countries also have government policies for targeted installed capacity addition and incentives such as feed-in tariffs, tax incentives, and market share quotas, encourage the construction of renewable electricity facilities even at higher cost than conventional fuel based power plants.

Country	Policy support
USA	Over 50 states require minimum renewable generation or capacity share
Canada	Federal government policy called, "ecoENERGY" for renewable power; Provinces have additional policies such as Ontario Renewable Energy Standard offer Program
Mexico	Targets 2.5 GW of wind capacity by 2012; Aims to reduce 50% of 2002 level of greenhouse gas emissions by 2050.
European Union	Set binding target to produce 21% of electricity generation from renewable sources by 2010 – target already achieved in 2007; By 2020, 20% of total energy production to come from renewable resources.
China	"The Golden Sun" programme to subsidise 50% of construction costs of grid-connected solar plants.
Brazil	National Energy Plan 2008-2017 aims to construct 54 GW of installed capacity with non- hydroelectric capacity.

## Table 16: Global Thrust on Renewable Power

Source: IMaCS Research

#### Indian Solar Power Sector Overview

#### Solar PV industry

The solar PV industry is the fastest growing area in the energy sector and is expected to grow fourfolds by 2011. In 2007, of the US\$ 71 billion invested in new renewable energy capacity globally, 30% was in solar PV. The main factors holding back an even faster rate of growth for this energy source is the high cost of energy production and lack of adequate supply of basic feedstock, particularly polysilicon. The shortage has caused polysilicon prices to go up from an average US\$ 20/kg in 2001 to over US\$ 50/kg in 2006. On the other hand, the shortage has pushed for higher efficiency in production and the introduction of new solar PV technologies, i.e. thin film technology.

In 2007, there was an increase in the supply of polysilicon globally by 30%. However, access to adequate polysilicon supply remained the main bottleneck for growth of the solar PV industry. The global silicon feedstock capacity servicing the solar PV as well as the semiconductor industry was up from 38,000 tonnes per annum in 2006 to 52,000 tonnes in 2007.

Currently, the polysilicon manufacturing is dominated by seven major players in the USA, Japan and Germany. However, after seeing the huge demand for solar PV, a large number of new players have entered or are set to foray into this space.

Global PV cell production grew by 55% during 2007 (over 2006), with both mono and multicrystalline losing ground to thin films. The five largest solar PV cell producing countries were Japan, China, Germany, Taiwan, and the United States. Recently, China has emerged as a major player in cell production, displacing Japan as

the second largest producer of solar PV cells in 2007.

Concurrently, thin film technology has evolved with a substantial increase in capacity since 2005 (at almost 80% in 2006 and more than 100% in 2007) due to polysilicon shortage. In the thin films market, significant expansion is expected in the future and some of the main players lining up are First Solar and Sharp, both of which hope to have a thin films capacity of 1 GW by 2012.



In recent times, the geographical focus of solar PV manufacturing has shifted towards developing countries, especially China, India, Malaysia and Taiwan. It is expected that by 2011-12, a sizable chunk of the manufacturing base will be developed by leading manufacturers in these countries, with India and China remaining the main strategic choice.

Presently, in India there are around 90 companies into solar PV, which comprise of 9 manufacturers of solar cells and 19 manufacturers of PV modules. Another 60 companies are engaged in the assembly and supply of solar PV systems. During FY07, nearly 45 MW of solar cells and 80 MW of SPV modules were produced in the country, of which over 60 MW of solar PV products were exported.

In 2007, the Government of India announced the Semiconductor Policy that offers a capital subsidy of 20% for manufacturing plants in SEZs and 25% for manufacturing plants outside SEZs. The subsidy is on the condition that the net present value of the investment is at least Rs 10 billion. So far, there have been 12 applications for setting up solar PV plants, which cumulatively could bring an investment of about Rs 663.940 billion (approximately US\$ 16 billion).

Solar PV is a technology-intensive industry. Over the period, technology interventions have changed the shape of the industry in terms of cost economics and system efficiency. At present, crystalline silicon technology dominates the market. It had an overall share of close to 90% of the 2007 production, followed by 10% by thin films. Besides, new and emerging technologies are still at the research stage. Each technology has its pros and cons on cost and efficiency.

#### (Source: Study on Solar Photovoltaic Industry: ISA-NMCC 2008)

India has an estimated renewable energy potential of 222,000 MW. Of this, grid connected potential is 132,000 MW. As of March 2010, the actual installed capacity was 17,222 MW, of which grid connected capacity was 16,817 MW. Central and state governments have provided several incentives for promotion renewable energy such as preferential purchase rates, obligations for distribution companies to purchase renewable power up to 10% of the total energy sourced, tax holidays, capital subsidies, import duty exemptions and accelerated depreciation.

According to the Ministry of Power, India's total installed capacity as on October 31, 2010 is 167,278.36 MW. Thermal power plants account for 108,602.98 MW, followed by hydro power plants with a capacity of 37,328.40 MW. Renewable energy sources provide 16,786.98 MW of power and the remaining 4,560 MW comes from nuclear energy.

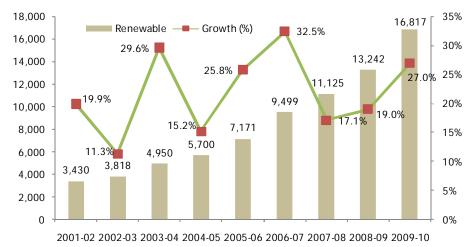


Figure 11: Growth in India's Grid-Connected Installed Renewable Power Capacity (MW)

Source: IMaCS Research

As of March 2010, grid-connected renewable power represents 10% of the total installed power capacity in the country and just about 4% of the total power generated. Also, India's solar footprint is extremely small. However, the assessed potential indicates that when fully harnessed, solar power would emerge as the renewable energy source with largest share in the renewable pie.



#### Solar Mission Plan:

Under the Solar Mission plan unveiled last year, India is to produce 1,300 MW of power by 2013, an additional supply of up to 10 GW by 2017 and the rest by 2022 at an overall investment of about \$70 billion. India's Solar Mission plan is to make the use of solar-powered equipment and applications mandatory for hospitals, hotels and government buildings, and encourage use of solar lighting systems in villages and small towns with micro financing.

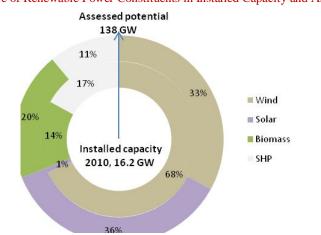


Figure 12: Share of Renewable Power Constituents in Installed Capacity and Assessed Potential

SHP-Small Hydropower Source: IMaCS Research

#### **INDIA POWER SECTOR - FUTURE OUTLOOK**

Ministry of Power has stated that the scope for investment in the power sector over the next few years is well over US\$ 300 billion and given the large expansion programme in this sector, the country would definitely need and welcome a large amount of foreign direct investment (FDI).

(Source:http://www.thaindian.com/newsportal/business/indias-power-sector-needs-300-billion-investment-shinde\_100439719.html)

Ministry of New and Renewable Energy said that the government is targeting to electrify 10000 remote villages across the country with an investment of US\$ 112.14 million by March 2012.

(Source: http://www.mnre.gov.in/)

India expects investments of up to US\$ 55 billion by 2015 in the renewable energy sector, which would generate 35,000 MW of power, stated by, Indian Renewable Energy Development Agency (IREDA).

(Source: http://www.ireda.gov.in/)

According to the Department of Industrial Policy and Promotion (DIPP), the power sector has attracted foreign direct investment (FDI) worth US\$ 677 million during April to August 2010. The cumulative FDI received by the power sector between April 2000 and August 2010 was US\$ 5.30 billion.

(Source: http://dipp.nic.in/)

#### Government Policies and Targets for Solar Power

Since solar power is fairly underdeveloped, the capacity utilisation factor is low at 15-16% and technology is expensive as compared to other renewable and non-renewable sources of power, the Government of India is a major driver of the solar power industry. The plan outlay for the Ministry of



New and Renewable Energy (MNRE) was increased by 61%, to Rs 10 billion in the Union Budget, 2010-11 from Rs 6.2 billion in the previous year. The budget also allocated about Rs 5 billion for setting up solar, small hydro and micro power projects in the Ladakh region of Jammu & Kashmir.

Table 17: Estimated	Capital	Cost	of Development
(De Million per MW)			

(KS MIIIION per MW)	
Туре	Capital cost
Small hydropower	60
Solar PV	180
Solar thermal	130
Wind	60
Biomass	45
Waste-to-energy	45

Source: IMaCS Research

In January 2008, the MNRE issued guidelines for generation-based incentive for grid-interactive solar power generation projects at Rs. 12 per kWh for solar photovoltaic (SPV) and Rs. 10 per kWh for solar thermal power fed from a power plant of a capacity of 1 MWp and above for a period of 10 years. In November 2009, the Central Government launched the Jawaharlal Nehru National Solar Mission (JNNSM). Guidelines for New Grid-Connected Solar Power Projects were released in July 2010. These developments have opened up a potentially significant market of solar power in the country with economic viability as a key focus.

# Table 18: Jawaharlal Nehru National Solar Mission

Tuble 10. suwululul itelitu ite					
MNRE's JNNSM Targets					
To create an enabling policy frame	ework for developing 20,000 N	4W of solar power by 2022			
To increase grid-connected solar p	ower capacity to 1,000 MW b	y 2013 and 3,000 MW by 2017	through mandatory use		
of the renewable purchase obligati	on (RPO) by utilities backed v	vith preferential tariffs			
This capacity can increase signific	antly - reaching 10,000 MW	by 2017 – depending upon the s	tatus of international		
finance and technology transfer at	that time				
To create favourable conditions for	r solar manufacturing capabili	ty, particularly solar thermal, fo	or indigenous		
production and market leadership					
To promote programmes for off-g	rid applications, reaching 1,00	0 MW by 2017 and 2,000 MW	by 2022		
To achieve 15 million sq m solar t	hermal collector area by 2017	and 20 million by 2022			
To deploy 20 million solar lighting	g systems for rural areas by 20	22			
Mission to be implemented in th	ree phases with the following	targets:			
Phase-I (2010-13) Phase-II (2013-17) Phase-III (2017-22)					
Solar collectors 7 million sq m 15 million sq m 20 million sq m					
Off-grid applications	200 MW	1,000 MW	2,000 MW		
Utility power including rooftop	1,000-2,000 MW	3,000-10,000 MW	20,000 MW		

Source: IMaCS Research

In order to facilitate grid-connected solar power generation in the first phase, a mechanism of "bundling" relatively expensive solar power with cheaper power from NTPC's unallocated quota from coal-based stations has been proposed. The "bundled power" would be sold to the distribution utilities at the CERC-determined prices.

The projects for development will be selected so as to provide for deployment of both SPV technology projects and solar thermal technology in a ratio of 50:50, in MW terms. However, within these two broad technology groups, the selection of projects would be technology agnostic. Projects that have migrated from existing arrangement to the JNNSM would also be taken into account in calculating the ratio. Also, given the requirement to connect the project to the TRANSCO at 33 kV and above, the minimum capacity of the solar thermal project has been fixed at 5 MW and the maximum at 100 MW.

There is significant interest from project developers as evident from the fact that the recently launched small grid-connected plants scheme attracted applications adding up to about 400 MW, nearly four times the available capacity. NTPC Vidyut Vyapar Nigam Limited (NVVN) is the nodal agency for entering into power purchase agreement with solar power developers. As of August 2010, NVVN had signed Memoranda of Understanding with 16 project developers to set up to 84 MW of solar power projects. Under migration, 54 MW will be developed through SPV and the remaining 30 MW through solar thermal technology. These projects are expected to be commissioned by the mid-2011.

Table 19: Project Developers in MoU with NVVN

Developer name	State	Capacity (MW)	SPV or Solar thermal
MAHAGENCO	Maharashtra	4	SPV



Clover Solar Private Limited	Maharashtra	2	SPV
Videocon Industries	Maharashtra	5	SPV
Enterprise Business Solution	Punjab	5	SPV
Azure Power (Punjab) Private Limited	Punjab	2	SPV
Acme Tele Power Limited	Rajasthan	10	Solar thermal
Comet Power Private Limited	Rajasthan	5	SPV
Refex Refrigerants Limited	Rajasthan	5	SPV
Aston Field Solar (Rajasthan) Private Limited	Rajasthan	5	SPV
Dalmia Solar Power Limited	Rajasthan	10	Solar thermal
Entegra Limited	Rajasthan	10	Solar thermal
Entegra Limited	Rajasthan	1	SPV
AES Solar Energy Private Limited	Rajasthan	5	SPV
Moser Baer Photovoltaic Limited	Rajasthan	5	SPV
OPG Energy Private Limited	Rajasthan	5	SPV
Swiss Park Vanijya Private Limited	Rajasthan	5	SPV
Total	-	84	-

Source: IMaCS Research

#### **Outlook for Solar Power**

The successful implementation of the JNNSM requires the identification of resources to overcome the financial, investment-related, technological, institutional, and other related barriers. The penetration of solar power requires substantial support. The policy framework of the JNNSM is expected to facilitate the process of achieving grid parity by 2022.

Market-based trading scheme to promote renewable energy, which was announced by the CERC in January 2010, is likely to help the development of solar power market. Notification to facilitate the renewable energy certificates (REC) mechanism has been made, under which the distribution companies, captive-power users, and open access customers across the states have to buy 15% power from renewable sources by 2020. The final regulation on the REC is under formulation and may include two separate renewable obligations set for each state: solar and non-solar. These two obligations will be accounted for separately, and thus, there will be two categories of certificates.

The REC scheme is expected to create a national-level market and ensure that every state contributes to renewable energy development, irrespective of the potential in the state. It is likely to encourage renewable energy capacity addition in states where there is high potential, as the framework allows cost recovery at the national level. This would also enable obligated open access entities to purchase renewable energy at competitive costs. Initially, the REC markets may exist together with the feed-in tariff system, but as the market matures, feed-in tariffs could be gradually phased out. The price of REC will be as decided in the power exchange. Renewable power generators, who have not entered into PPA at feed-in-tariff, are eligible for the REC scheme. The freedom to choose buyers and greater flexibility to decide the price of their product is expected to encourage investors to set up renewable capacity.

#### Industry concerns – Transformer

While the transformer industry is driven by strong demand and potential for long-term market growth, there are market concerns that may defer anticipated growth.

- Increase in use of electricity is related to economic growth, which results in higher disposable income for purchasing goods and services that require automation and use of energy. Any slowdown in economic growth has a direct bearing in electricity use, which in turn drives transformer market growth.
- Rising inflation in non-electricity sector has a bearing on input costs for transformer manufacturing as raw material cost and fixed costs reduce profitability.
- Higher oil prices increase demand for alternative energy from conventional and unconventional sources, which results in higher fuel surcharges being levied on electricity bills. This has an adverse effect on short-term electricity demand and hence for transformers.
- Slowdown in economy or high interest costs and inflation also have an adverse effect on project costs, thereby, resulting in delays in execution of infrastructure projects including power generation, transmission and distribution, all of which results in slowdown in equipment demand including transformers.
- Any slowdown in replacement market may have an adverse effect on transformer industry.



- Most distribution projects are undertaken by state utilities. Hence, their commercial viability and growth in profitability are important to increasing demand for transformers. Any deterioration in financial performance of state utilities because of poor billing and collections is likely to result in curtailment of state-distribution project budgets.
- However, in the event of rapid economic growth, greater demand for electricity and improved financials of state utilities demand may grow faster than anticipated, which may result in capacity constraints and higher imports. Competition from cheaper countries may also increase dependence on imports.
- The RGGVY and R-APDRP are the two key drivers for transformer demand in the rural and urban areas, respectively. Discontinuation or termination of these two programmes along with reduction of plan outlays for power sector at the Central and State Government levels would have a significantly adverse effect on the transformer market.
- Government policies and regulations are a major driver of the Indian power sector project. Power Grid Corporation is a leading project developer in transmission and distribution projects. Any changes in policies and regulations or budget allocation for Power Grid may have an adverse effect on transformer market.
- India's transformer exports have growth over the last five years. Any policy changes in the export markets or slowdown in local economy may affect transformer market adversely.

# Industry concerns – Solar Power

- Solar energy is based on expensive technology as compared to other existing power generation technologies. Hence, a general cost-benefit analysis may not support solar power installations, although running costs are much lower than conventional power generation units.
- Government support in terms of tax holidays, incentives, power purchase obligations, etc., is extremely important for development of the industry. Withdrawing such support or change in policy may affect the industry adversely.
- Global warming, reducing carbon footprint and India's commitment towards these objectives are significant drivers of the renewable energy market. Any change in global outlook due to poor economic condition or other such compelling reasons may affect the solar power market adversely.
- Since, the technology for solar power systems is still under development, there may be technology risks associated with a particular system. In addition, there is associated construction risk.
- Solar power is intermittent in nature and hence energy can be harnessed or stored only when there is adequate sunlight. Hence, solar power may be good for certain uses, although it may not replace conventional power supply. Also, the availability and PLF may be lower than conventional systems.
- The Indian solar power industry is small and developing. Removing uncertainties in market development may involve customer education, incentives and other methods that make it a product for the mass market, when overall prices may become cost-effective. However, that may be a process to evolve in the long-term.
- JNNSM is the key driver of solar power. Bundling of expensive solar power with cheaper conventional power has been undertaken by NTPC. The business model has to be sustainable for NTPC or the Government to support such bundling.



#### OUR BUSINESS

Our Company is promoted by Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra. Our Company is engaged in manufacturing of distribution transformers, power transformers, furnace transformers and special purpose transformers. Originally Mr. Shyam Sunder Mundra started manufacturing of transformers in the year 1976 in a proprietorship concern "M & B Switchgears". Later in the year 1995, the same was converted into a partnership concern and Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra (sons of Mr. Shyam Sunder Mundra) acting as partners. Subsequently, in the year 1999, the partnership firm, was converted under Part IX of the Companies Act, 1956, into an incorporated entity i.e. M AND B Switchgears Private Limited.

Our Company became a public limited company and a fresh certificate of incorporation was issued on November 19, 2010, in the name of M AND B Switchgears Limited. Our Company has been allocated Corporate Identification Number U31200MP1999PLC013571.

We are in the business of manufacturing transformers for more than 30 years and are a preferred and regular supplier of quality transformers. We have consolidated our position through continuous modernisation and expansion and by acquiring latest and sophisticated technology and processes.

We started with a capacity to manufacture 550 transformers per annum and have grown gradually to a capacity to manufacture 5,109 transformers per annum

Our existing annual production capacity in terms of KVA is 75,000 KVA of transformer per month on single shift basis. Our annual aggregate capacity is 9,00,000 KVA per annum.

As per our restated financial statements, our total income has increased from Rs. 1,618.51 Lacs in fiscal 2007 to Rs. 3,528.26 Lacs in fiscal 2011, and our Profit after Tax has increased from Rs. 21.29 Lacs to Rs. 77.48 Lacs during the same period. Our net sales have increased at a CAGR of 22 % from fiscal 2007 to fiscal 2011. Our PAT have increased at a CAGR of 38 % from fiscal 2007 to fiscal 2011.

Our major revenue in the last 5 years is from the transformer business.

We are currently engaged in setting up a power project to generate 2 MWp through Solar PV Cells. The project is being executed at a plot area of 4.06 hectare at Survey No 13/1/1. Village Gagorni, Tehl and Distt. Rajghar, MP.

#### **OUR STRENGTHS**

We believe that we are well equipped to sustain and build our position in the markets in which we compete as well as to utilise the growth opportunities that exist. We believe the following, among others, are our principal strengths:

#### 1) Qualified and experienced Promoters

Our Promoter Mr.Shyam Sunder Mundra is an Electrical Engineer and Masters in Electronics and Business Administration and has a total experience of 42 years in the power industry of which 8 years are in Madhya Pradesh Elecrical Board(MPEB) and remaining 34 years are in the transformer industry. Mr.Vikalp Mundra, is an Electrical Engineer and Masters in Management and has an experience of 17 years in the transformer industry and Mr.Anurag Mundra is a Chartered Financial Analyst(CFA) and holds a Master in Business Administration and has over 11 years experience in our Company which is in the business of manufacture of transformers.

#### 2) Experience in designing transformers at optimal costs

Our Company specialises in designing of transformers which are specific to the customers' need achieving highest possible efficiency with an acceptable trade off in the transformer raw material cost.

#### 3) Research and development and designing capabilities



Due to existence in the industry for past 30 years, our company has developed its brand on technical front. Our company has developed well-equipped quality control and in-house R & D separtment. Our Company has already developed technology in the field of manufacturing, upgrading, rehabilitation, and life extension of transformers.

# 4) Well Equipped Testing facility

Our transformers are subjected to all routine tests as per IS: 2026 standards and customer specifications. We have equipments and capabilities to conduct various routine, special, type tests and vector tests on the components and transformers manufactured by us.

Our transformers undergo various technical tests/analysis/evaluation done by various independent agencies, who conduct inspections on behalf of their customers for pre-despatch inspection for the products which has given us a reputation of manufacturing products to the clients specifications and expectations as a preferred vendor.

# 5) Capable Technical Personnel

Manufacture, repair and maintenance of transformers require capable technical personnel. Our Company is well equipped with team of qualified engineers and technical staff to handle manufacturing processes efficiently. Our Company possesses a team of experienced, trained and qualified personnel dedicated to Research and Development center that also takes care of total quality management. As on March 31, 2011 we have a total of 9 engineers and our total workmen strength is 100.

# 6) Ability in customization to suit the demand from low, medium, and high capacity transformers

Our Company caters to specific customer requirements, by providing with tailor made transformers as per the design and specifications required by the customers. Wide product portfolio and ability to cater to diverse needs of markets. Our product portfolio ranges from power and distribution transformers, rectifier transformers, furnace duty transformers, dry type transformers, automatic voltage regulators, converter duty transformers and other special purpose transformers in both repairing and manufacturing segment, thus catering to diverse needs of markets.

# 7) Diversified customer base

We have established good client relationships in domestic markets from whom we get orders for manufacturing on a continuous basis. Our existing relationship with our clients represents a competitive advantage in gaining new clients and growing our business. Many of our clients are renowned SEBs/Government controlled utility company/Public Sector Undertakings (PSU's).We are not dependent on any one industry or sector as we cater to sectors like power, steel, textile, coal and mine, infrastructure, engineering and automobile, etc. and within each of these sectors we have diversity of clients. Our business is directly related to the overall industrial growth and is not affected by a downtrend in any particular single sector.

# 8) Manufacturing of Quality Products

We have a team of qualified engineers and well equipped manufacturing facilities which enables us to manufacture products confiring to any specifications, both Indian and international standards. Our Company enjoys a good reputation among its customers. Our Company has the ISO 9001:2008 and ISO 14001:2004 certifications.

# 9) Locational Advantage of being in Central India

We are located in heart of India which gives us an logistical advantage and can supply products across India with ease. Indore is well connected to all industrial towns across India. The infrastructure facility is also good.

# OUR BUSINESS STRATEGY

# Our Business Strategy



Our strategy is based on available opportunities, trend of market demands and the projected growth of the transformer industry. The important elements of our business strategy are stated hereunder:

# Our Vision

To offer energy efficient products and solutions to enable uninterruptible and reliable power supply systems for hazard free use of electrical energy.

# 1. To focus on higher KVA category transformers and to optimally utilize manufacturing facilities

Higher KVA transformers manufacturing needs a higher technical skill. We are a company promoted by a well experienced team of engineers. We have over a period of time improved our capabilities to manufacture higher KVA transformers and have extended our product range through continuous research and development efforts. We are technically competent to manufacture a variety of product range from a very simple to a complex product line. Higher KVA transformers typically command better margins as opposed to lower KVA transformers. We believe that this will help us in optimizing the available plant capacities and increase our margins in long run.

# 2. New product development/modifications for the niche business segments

We have the capabilities to modify and develop products for niche business segments. In past we have manufactured transformers for a diversified range of application such as furnace transformers, special purpose transformers such as mobile sub-station transformers etc. This was possible through an expert guidance from and vast experience of our Promoters and our management team. We wish to strive continuously to identify requirements of new products and applications and quickly provide solutions by bringing modifications in the existing products or develop a new product in a short possible time.

# 3. Implement stricter cash management and control measures

Due to rapid changes in the technology and precise customization of transformers in a broad market base, calls for a higher inventory levels in future. This may require a higher cash outflow to meet our inventory and production targets. Foresighting this we have introduced a robust cash management system and control measure for timely collection of our receivables and efficient system for timely payment to our vendors.

# 4. Reduce our per MVA manufacturing cost and increase in throughput of our production lines

In order to increase our margins we intend to undertake measures which may reduce our cost of manufacturing thereby increasing the profits from our operations. We also intend bringing improvement in systems and procedures for manufacturing and increase our manufacturing throughput. We are also working on gradually move on to a concept of Lean Manufacturing System.

# 5. We wish to increase our production, reduce our costs by training and development of employees, setting systems and softwares in place and adopting new quality standards

We plan to upgrade the skills of employee by training and development and keeping the same in mind, we are planning to implement ERP by SAP and adopt 6 SIGMA quality standards for increasing the productivity and efficiency of the employees and for expanding our standing on pan India basis. We believe this will improve the quality of manufacturing and reduce the cost by better concentration, supervision and control for different activities

# 6. Diversification of customers, expansion of customer base by marketing our products proactively in new segments

We started as a transformer manufacturing company selling our transformers to State Electricity Boards / State Distribution Companies. To meet the challenges of concentration of debtors in a particular segment for a longer period of time and sometime reduction in the realization of profits we are continuously pursuing a strategy to expand our market and product base to reduce the reliance on any one segment.

This pursuit of enhancing business operations and diversifying the risk appetite vis-a-vis the opportunity available in the energy verticals, our company endeavors to capitalize on a few. Sailing



from red ocean strategy to blue ocean strategy, it provides an uncontested market space with high growth and possible high profits for the Company.

We have developed a significant presence in, transmission and distribution transformers, and industrial transformers and intend to maintain a judicious balance between both categories

#### 7. Diversification in business of generation of solar power

We are diversifying into solar power projects as there is a big demand supply gap in the conventional sources of energy. For this we are in process of setting up 2 MWp of Grid Connected PV Solar Power Project at Village. Gagorni, Rajgarh District in Madhya Pradesh. The above project will be funded through internal accruals and a term loan from the banks. We expect this project to start generation of power sometime by August/September 2011. Way forward, through the proceeds of this IPO, we wish to strengthen our presence by installing additional 4 MWp of grid connected PV solar power project.

Further we also intend to increase the scale and geographical coverage of our sales efforts in order to expand our customer base on a pan India basis. We plan to build and enhance recognition of our products by increasing our marketing and communications programs and resources. As part of our sales and marketing strategy, our management attends all major conferences, seminars and exhibitions for demonstration of our products and technological capabilities.

In addition, we will also seek to develop customers in the market for specialty applications. We are also exploring the possibility of arrangements with certain established project execution companies regarding opportunities for joint participation for power distribution projects and seek a preferred supplier status for the products manufactured by us.

# DETAILS OF BUSINESS OF OUR COMPANY

The Registered and Corporate Office of our Company is currently situated at Survey No. 211/1, Opposite Metalmen and Sector- C, Sanwer Road, Industrial Area, Indore- 452 015

#### Our Manufacturing units

Our manufacturing units are situated at

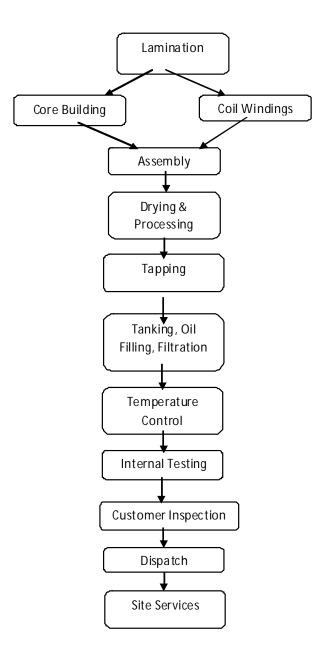
(a)Survey No. 211/1, Opp. Metalmen and Sector C, Sanwer Road Industrial Estate, Indore, 452015 having a designing and manufacturing facility spread in 92,610 sq. ft. area with the latest machinery/machineries having a capacity to manufacture 25000 KVA / 25 MVA at 132 KV Class of transformers. This premise is owned by us.

(b) 2-D/2, Sector D, Sanwer Road Industrial Area Indore, 452015, facility spread over 6247.67 sq. ft. with all the machinery and capabilities to manufacture upto 8000 KVA transformers. This premise is leased to us by DIC.

#### MANUFACTURING PROCESS

A brief process diagram for manufacturing of transformer is given below





#### **Description of manufacturing process**

#### 1. Lamination:

The lamination is built from Cold-Rolled Grain Oriented Silicon Steel (CRGO) sheets duly annealed. The joints are mitered and inter leaved to keep no load losses to the minimum possible. Also the lamination is designed to sustain over fluxing upto 12.5% due to variations in voltage and frequency. The yokes are clamped together by steel channels with bolts. The top and bottom channels are clamped together by vertical tie roads to provide rigidity and facilitate lifting of the core and coil assembly.

#### 2. Core Building

Laminations are cut to size and are assembled piece by piece on Mild Steel (M.S.) Frames with insulation and built up step by step as per required capacity of transformer and voltage class. All this work is carried out manually with the help of jigs and fixtures tightened and pressed as per specifications.



# 3. Coil Windings

There are two types of windings, mainly High Voltage and Low Voltage. These windings are wound with electrolytic copper or aluminium of pure quality ordered to pre-determined size in rectangular sections with insulation covered on bare conductors. Winding is carried out on winding machines with the help of formers. Insulation in the form of cylinders, wedges, and strips are used to form the coil with cooling ducts and thus coils are made.

# 4. Core and coil Assembly

Coils are prepared for lifting and lowered on the core limbs one by one. Prior to carrying out the above operations, bottom of the core is filled up with insulating blocks, rings, etc. Once all are placed on the core, top insulations are filled up with rings and blocks to get the clear height to start top lacing of lamination one by one. Tapping connections and other connections are made and taping is done wherever required. OLTC connections are made and testing is carried out. Core and coil assembly is then sent for drying.

# 5. Drying/Processing

Complete core and winding assembly is placed inside the oven for heating and for vacuuming, removing moisture, for improving resistance values and shrinkage of coils. This process is repeated to get the coil heights specified in the drawings.

# 6. Tappings:

<u>OFF Load Tap Changer:-</u> Generally +5% to -5% tappings are provided on HV windings. These tappings are set by means of an externally operated tap changer, which should be operated only when the transformer is disconnected from load.

<u>ON Load Tap Changer:-</u> Generally +5% to -15% tappings are provided. Remote Tap Change Center (RTCC) & Automatic Voltage Regulator (AVR) can also be supplied as an optional accessory.

Tapping in other steps can be provided as per customers requirement.

# 7. Tanking, Oil filling and Filtration

The activity involves tightening of connections of OLTC, fitting assembly of bushings, and other accessories to prepare the transformer for testing. Testing of tank for pressure test and vacuum test is also done. Oil is filled into the tank after it is filtered. Insulation break down tests are conducted for values required for different voltage classes and under vacuum. Oil is circulated and core coil assembly heated till optimum IR values are obtained for testing.

# 8. **Temperature Control**

45 / 55 oc of oil / windings (or as per customers specification).

# 9. Internal Testing

# **10.** Customer Inspection

This is the quality control activity to check, supervise, approve the quality of work. It is also the responsibility of the department to see that the work and processes are done as per drawings and specifications laid down by designers and as required by customers.

# 11. Dispatch

Transformers are dismantled and made ready for dispatch. Oil in the tank is drained and nitrogen is filled if it is to be dispatched without oil. All accessories are packed properly in wooden pallets shaped and marked together with proper documentation.

# 12. Site Servicing

This activity is for attending to the site complaints, commissioning and erection, which is one of the scopes for the manufacturers and repairers.

# OUR PRODUCTS

Our Company is engaged in manufacture of transformers up to 25 MVA capacity at 132 KV class, Automatic Voltage Controllers. We have an installed capacity to manufacture 5109 transformers of different capacities & class. **Our Company is an ISO 9001:2008 & ISO 14001:2004 Certified** 



**Company.** Our Company is mainly selling its products to various State Electricity Boards, Public Sector Undertakings, Private sector companies engaged in Generation and Distribution Electricity and other Industrial undertakings engaged in Steel, Power, Textile, Coal & Mine, Infrastructure, Engineering & Automobile Sectors etc.

Our Company manufacture following different types of transformers for varied applications:-

- Power and distribution transformers,
- Rectifier transformers,
- Furnace duty transformers [ Arc Furnace & Induction Furnace],
- Dry type transformers,
- Fire Proof transformers
- Potential transformers,
- Convertor and Special purpose transformers.

We have the capability to manufacture transformers confirming to Indian & International standards such as IS:2026, IS;1180, BS:171, IEC:76, ASA-C57 etc.

#### Our existing products:

Through continuous research and development, we have successfully extended our product range to manufacture transformers upto 25,000 KVA at 132 KV class and includes special duty transformers. The transformers are manufactured in conformance to Indian Standards Specification IS:2026 and IS:1180, International Specification IEC:76 and / or equivalent. However transformers can be supplied conforming to any other standard if / as specifically required by the customer. Transformers can be designed and manufactured according to acceptable standard specifications or customer's specifications in terms of rating, no load loss, impedance, flux density of core, current density, overall tank dimension or any other technical parameters

Given below are the details of the transformers which are manufactured by us:

#### **Furnace Transformers**



We manufacture furnace and arc furnace transformers for arc furnace/ submerged arc furnace/ induction furnace applications with capacity of 25MVA and primary voltage up to 33 KV class. The secondary voltages of these transformers suit furnace specifications with 6, 12 & 24 pulse operations Specifications:

- "Off Circuit Manually Operated" and "On Load Tap Changer" (OLTC) with AVR and RTCC panel
- OFWF cooling with ONAN cooling optional
- ONAN cooling with conventional pressed steel radiators
- Requisite series reactors for arc furnace transformers to reduce the short circuit stresses generated in transformer during the furnace operation
- Designed to withstand the harmonics generated due to furnace operation

#### **Distribution Transformers**



We specialize in manufacturing distribution transformers from 10 KVA to 5000KVA capacity with primary voltage of 11KV, 22KVand 33KV and secondary voltage as per customer's requirement.

The R&D and the design team always bring the best design for various apacities of transformers to ensure that the transformers manufactured by us unctions with high efficiency and low energy loss. With the advanced nfrastructure and well qualified engineers, we have a capacity to manufacture 425 transformers a month.



#### Dry Type Transformer and fire proof Transformers



#### **Power Transformer**



We manufacture dry type transformers which has air as the medium of insulation and heat dissipation. These are nonflammable, maintenance free transformers which can be installed at the load center in enclosed areas.

Range: 200kVA to 5000 kvA, 36 kV Class

Dry type transformers can be installed for special applications in Fire and environmental safety zone especially near load center and in a fire hazardous place. These transformers use fire resistant insulation.

We manufacture power transformer that is known for accepting energy at one voltage and passing them to other voltage. Power transformers upto 25 MVA and 132 KV class are regularly manufactured and supplied to various reputed clients.

#### **Convertor and Special Purpose Transformers**



Converter duty transformers are used as set up transformer from generator to line voltage. Converter duty transformers have range up to 10 MVA with the voltage capacity of up to 33 KV with an automatic on/off cooling option.

#### Quality and quality policy

We are wholly committed to build and sustain ourself as a transformer manufacturing organization where quality shall be the hallmark of every aspect. We possess a fully-furnished quality control laboratory, which is carefully monitored under the supervision of qualified team. The department of our quality checks consists of competent engineers who are engaged in the inspection process right from procurement of raw materials to final delivery. Our maximum attention is paid to upgrade our skills, quality system and manufacturing facility to achieve consistent product quality and customer satisfaction. We are committed to achieve customer satisfaction by designing, manufacturing and supplying transformers as per customer requirement. We are ISO 9001-2008 & ISO 14001 : 2004 certified

#### **Quality Control**

- We make all efforts for up skilling and continual training of employees in order to enhance their capabilities and competitive skills so that they can achieve its quality objectives.
- Engineering to perfection and meeting the existing standards of domestic and global customers and broadening its customer base to include international markets as well.
- To initiate quality up-gradation, value addition and forward integration steps to enhance global competitiveness.
- To continually improve quality management systems to offer product and services which meet the requirements of our customers in the power sector.
- To improve customer satisfaction in terms of Performance, Reliability & Timely Delivery.
- To establish objectives at all functions and levels and to review these objectives and take appropriate corrective and preventive actions.
- Testing means to us much more than meeting contractual and standard obligations. Several inhouse tests have been devised by us to ensure quality and reliability in service. For this, we have a variety of testing equipment, fully fledged laboratory and trained personnel.

#### **Our Testing Capabilities**

Our manufacturing facility is fully equipped with all the modern equipments to manufacture a quality product and conduct tests as per our customers' requirements.



Our transformers are subjected to all routine tests as per IS standards and specifications. Following are some of the important tests that are carried by us on every transformer manufactured by us:

- 1. Induced over potential withstand test.
- 2. Separate source high voltage withstand test. Both for primary and secondary.
- 3. Measurement of the no load current and no load losses at rated voltage and cy.

frequency.

- 4. Measurement of impedance voltage and load losses.
- 5. Turns ratio on all tap positions on all 3 phases.
- 6. Measurement of insulation strength by megger.
- 7. Measurement of resistance.
- 8. Dielectric strength of oil.
- 9. Vector Group tests

We also have equipments & capabilities to conduct following special tests on the transformer manufactured by us:

- 1. Measurement of Zero sequence impedance.
- 2. Measurement of acoustic noise level.
- 3. Measurement of capacitance and ten delta.
- 4. Measurement of harmonics of no load current.
- 5. Partial discharge monitoring test.

Our testing laboratory is equipped to conduct following tests on the completely assembled transformer as per IS: 2026 and customer specifications.

- 1. Temperature rise test.
- 2. Vacuum & pressure test on Tank etc.

#### Inspection by Independent inspection Agencies

Many of the reputed inspection agencies have, in past, carried our pre-dispatch inspections on behalf of their clients at our works. Some of the reputed inspection agencies which have seen our manufacturing unit and conducted tests on the products manufactured by us for and on behalf of some of the clients are:-

- Rail India Technical and Economic Services (RITES,)
- Central Mine Planning and Design Institute Limited (CMPDIL),
- Metallurgical and Engineering Consultants (India) Limited MECON,
- VOLTAC,
- ITENG,
- Central Power Research Institute (CPRI),
- Quality Service and Solutions (QSS), etc.
- SGS India

Note: The inspection by these agencies is as per the scope of tests & inspections specified by their clients and therefore they may be called independent agencies for the limited purpose as per the terms of their contract.

A large number of transformers manufactured by us in past, have been successfully tested for various Special & Type Tests viz. Impulse withstand test, Dynamic short circuit test & Heat run test etc. at Government approved laboratories like Central Power Research Institute, Bhopal, Central Power Research Institute, Bangalore & Electrical Research and Development Association, Vadodara.

#### Plant and machinery and other equipments

We give below brief details of some of the major equipments installed at our manufacturing units situated at Indore-

Name of Equipment	No of Machines	Capacity	Utility
Coil winding Machines	11 Machines and	up to a capacity of 4 tons	For transformer coil
and Formers	15 Formers		winding
Coil compression facilities	12 No.	Up to capacity of 4 MT	For coil processing and
_			assembly
Vacuum Oven fitted With	1	750mm of Hg heating and	To completely dry the



Roots Blower, control Panel, chilling plant, Thermopac with pumps& piping and		vacuuming	core coil assembly before tanking.
Cooling tower Electric Oven	4	200C heating Air circulating	To pre dry the coil
	-	type	assembly
Oil Filtration Machines	2	Up to 750 gph	To Filter the Oil received in tankers to achieve break down voltage of oil
E O T Cranes	4	Up to 39 tons	For material handling in different sections of production department
Testing Transformers and Generating Sets	20	Variety	To test the transformers
Distribution Transformers	1	200 KVA	To step down electricity received from M.P. Paschim Kshetra V.V. Co. Ltd.

Our department wise details of plant & machineries along with respective capacities of each of the machines are stated below:

S. No.	Detail of Plant and machinery	Capacity / Range	Quantity
A	Fabrication		
1.	Shearing Machine	up to 10mm	1
2.	Drilling Machine	up to 40mm	3
3.	Air Compressor Machine	12 kg/ Sq.cm	3
4.	Arc Welding Machine	200A	12
5.	Press Roll Machine	upto 4mm	1
6.	Press Brake Machine	upto 6mm	1
7.	Bend Saw Machine	1.5 Kw	1
8.	Gas Cutting Machine	upto35 mm	1
9.	Power Hacksaw Machine	1.5 Kw	1
10.	Bench Grinder Machine	1 mm	1
11.	Portable Drills Machine	1/2"	1
12.	Bench Drill Machine	1"	1
B	Assembly		
1.	H.V. Winding Machines	20 Kg.	6
2.	L.V. Winding Machines	500 Kg.	5
3.	Sheet Insulation Machine	12 mm	1
4.	Drilling Machine	38 mm	1
5.	Grinder Machine	1 mm	1
6.	Power Press Machine	6 mm	1
7.	Circulating Ring Cutting Machine	12 mm	1
8.	Shearing Machine	12 mm	1
9.	Cutter Machine	20 mm	2
10.	Air Compressor Machine	4 kg / sq.cm	1
11.	Oil Filter Machine Small	250 GPH	1
12.	Oil Filter Machine Big	500 GPH	1
13.	Crane	20 Ton	1
14.	Crane	5 Ton	1
15.	Crane	2 Ton	1
16.	Hydra Crane	12 Ton	1
17.	Baking Oven	200 C	4
С	Testing Equipment		
1.	Booster Transformer	0-2000 V	1
2.	High Voltage Set	0-75 KV/400 V	1



S. No.	Detail of Plant and machinery	Capacity / Range	Quantity
3.	Ratio Meter	1-2021	1
4.	Power Analyzer	600V/80A	1
5.	DVDF M-G set	66 KV/100 Hz.	1
6.	Step up transformer	0.433/33 KV	1
7.	Dimmers	100 A, 0-480 V	1
8.	Oil testing set	0-100 KV/250 V	1
9.	6 KV HV Test set	0-6 KV/250 V	1
10.	Resistance Meters	2000 M ohms	4
11.	Tong Testers	0-1000 A	2
12.	Insulation Testers	upto 5 KV, 20000 M ohms	3
13.	Watt meters	600 V, 5 A	2
14.	Ammeters	5 Amps.	1
15.	Voltmeters	600 V	1
16.	Current Transformers	1.1 Kv,100/5A	6
17.	Pressure Gauge	0-14 Kg/sq.cm.	1
18.	Vacuum Gauge	0-760 mm of Hg	1
19.	Micrometer	25 mm	1
20.	Megger	upto 5 KV	3
21.	Vernier Caliper	30 cm	1
D	Oil Storage		
	Oil Storage Tank	1,20,000Ltrs.	1
E	Paint Shop		
	Spray Painting Machine		1

#### CAPACITY AND CAPACITY UTILISATION

#### Transformers

(In Nos.)

	For the year ended March 31				
Sales	2007	2008	2009	2010	2011
Installed –Transformers	1,449	1,449	1,449	2,516*	5,109
Production – Transformers	338	427	714	1675	1,757
Percentage of Capacity Utilisation	23.33%	29.47%	49.28%	67%	34.39%

**Note:** Installed capacity is on the basis of Certificate from Department of Industries. The above data being a technical matter has been relied upon by the auditor as per the representation from the Management.

**Note \*:** The installed capacity is calculated on the weighted average basis for the machines installed during the year were available for utilization for the part of the outstanding period only.

# **RAW MATERIAL AND OTHER UTILITIES:**

#### **Raw Material required:**

Profitability in transformer industry is a combination of two critical factors viz designs of transformer and optimum utilization of raw materials as the cost raw materials are generally high.

Most of the below mentioned raw material components are indigenously available. Under deficit situations, the raw material can also be imported. The import of raw material for manufacturing for export can be made under various Govt. Schemes such as Advance License Schemes etc. However, we do not export transformers. The combination of procurement of raw material from domestic and overseas markets, help our company to source good quality of material at bargained price and desired schedules.



# List of raw materials and source

Sr.N 0	Particulars	Manufactured in house / Purchased from others	If Purchased from others, Name of the suppliers
1.	Transformer Tank	In house	-
2.	Core Assembly	In house	-
3.	Core-Coil Assembly	In house	-
4.	Transformer Leg Coils	In house	-
5.	Transformers Bakelite Sheet & Rod	Purchased	Surendra Composites (P) Limited / Lamtuf Plastics Limited
6.	Epoxy Bushings	Purchased	Baroda Bushings and Insulators / Universal Insulators
7.	Porcelene Bushings	Purchased	Sampat Ceramics (P) Limited / Krishna Ceramics
8.	Epoxy Moulded Coils	Purchased	Baroda Bushings/ Universal
9.	Sleeves	Purchased	Ruchika Traders / Shiv Enterprises
10.	Bimetallic Connector	Purchased	Engineering Art Industry / Nimbus Enterprises
11.	Valves	Purchased	Hari Industries / Hindustan Valves Industries
12.	Radiators	Purchased	Lexmark Radiators (P) Limited / Vinayak Engineering
13.	Breather	Purchased	M.P. Sales / Press n forge
14.	Wheels	Purchased	Pragatee (India) / Saubhagya
15.	Clamps	Purchased	Engineering Aid / Nimbus Enterprises
16.	Bucholz Relay	Purchased	Atvus Industries / Instrument & Control
17.	Oil Gauge	Purchased	Atvus / Ruchika Traders
18.	Temperature Indicator & Controllers	Purchased	Atvus / Shakti Sales Corporation
19.	Thermometer	Purchased	Atvus / Shakti Sales Corporation
20.	Tape Changer	Purchased	Paragone Engineers/ Alwaye Load Selectors/ Abhishek Enterprises
21.	On Loan Tape Changer	Purchased	On Load Gears / CTR Manufacturing Industries Limited
22.	CRGO Laminations	Purchased	Bil Power Ltd. / Mangal Electrical Industries (P) Limited
23.	Copper / Aluminium Conductors	Purchased	Signet Conductors (P) Limited/ Acme Cables and Conductors (P) Limited / Mimani Wires (P Limited / Ramratna Wires Limited
24.	Machinery Parts, Spares & Accessories	Purchased	Ruchika Traders / Shiv Enterprises

# Power

Our Company has adequate power load connection of 100 KW from MP Paschim Kshetra Vidyut Vitaran Company Limited to carry out our present manufacturing activities

# Fuel

Our Company does not require fuel in the manufacturing process.

# Water



We do not require water for our manufacturing process. However, we have borewell for Incidental water use.

# **Effluent Treatment Plant (ETP)**

As there is no effluent from the factory, ETP is not required.

#### Manpower

The detailed break-up of our employees is as under:

Particulars	Management	Officers/Clerks	Workers	Total
Registered & Corporate Office	4	6	0	10
Transformer Unit	2	13	75	90
Total	6	19	75	100

# MAJOR CUSTOMERS

Our Company has in past supplied transformers to a large number of Customers in different segments. Some of them are as under-

<b>A.</b>	State Electricity Boards	<b>B.</b>	Public Sector/Govt. undertakings.
1.	MP Madhya Khestra VV Co Ltd., Bhopal.	1.	BHEL,Kolkata .
2.	MP Poorva Khestra VV Co Ltd., Jabalpur	2.	RDSO, Lucknow.
3.	MP Paschim Khestra VV Co. Ltd., Indore	3.	CPRI, Bhopal.
4.	Chattisgarh State Elect. Board, Raipur	4.	East Central Railway, Patna.
5.	Tamil Nadu Elect. Board, Chennai	5.	Bank Note Press, Dewas .
6.	Bihar State Elect. Board, Patna	6.	Damodar Valley Corporation,
7.	Maharastra State Elect. Board, Mumbai	7.	BSNL.
8.	Tripura State Elect. Dist. Co. Ltd., Agartala	8.	PHE.
		9.	Manganese Ore India Ltd., Nagpur.

С	Private Industries			
1)	Tenova Multiform, Mumbai	2)	Jash Engineering Ltd ,Indore	
3)	National Steel and Agro Industries Ltd., Indore	4)	Sundram Steel Industries	
			(Vijapor, Ahmedabad)	
5)	Radha Krishna Steel Co.Ltd., Jamshedpur	6)	Universal Cables Ltd, Satna	
7)	Royal Classik-mill Spinning, Dindigul (Tamilnadu)	8)	ITL Industries Ltd , Indore	
9)	Alpa Laboratories Ltd., Indore	10)	Sanfiled (India) Ltd., Bhopal.	
11)	Evershine Oleochem Ltd ( Ruchi group ).	12)	Lloyd Insulations Ltd., Pithumpur	
13)	Pratibha Syntex Ltd., Pithumpur	14)	PEB Lloyd Ltd., Pithumpur	
15)	Fluidomat Ltd, Dewas	16)	Mllika Cast Alloys P Ltd., Pithumpur	
17)	Hitech Valves P. Ltd., Pithumpur	18) Hira Ferro Alloys Ltd., Raipur		
19)	Hira Steel & Power Ltd., Raipur	20)	20) Godawari Power & Ispat Ltd., Raipur	
21)	Shri Nakoda Ispat Ltd., Raipur	22)	Purbanchal Udyog, Kolkata	

D	Mining Companies
1.	South Eastern Coalfields Ltd., Bilaspur
2.	Western Coalfields Ltd., Nagpur
3.	Northern Coalfields Ltd., Singrauli
4.	Singreni Coalfileds Ltd., Kothegodam
5.	Central Coalfields Ltd., Ranchi
6.	Bharat Coking Coal Ltd., Dhanbad
7.	Mahanadi Coalfields Ltd., Sambalpur.

#### **Marketing Arrangements**

Our promoters have long experience of marketing of transformers and other related industrial products. They have been manufacturing and marketing these products for past over 30 years. We have a good reputation among our customers most of which consist of government, semi Government, Private sector companies etc.



#### Export possibilities and export obligations.

As of now, we do not have any export obligations.

#### Collaborations

Our Company has not entered into any collaboration for its transformers business.

#### Competition

The Indian transformer industry is quite competitive. The transformer industry is highly fragmented with large number of players from organized and unorganized players operating. Further the presence of players in unorganized segment catering to the smaller rating distribution transformer demand, over a period of time have moved up the value chain and graduated to higher rating transformers, this further increases the level of competition in the Industry for providing much better quality transformer at cost effective prices. Our operations in the transformer industry also compete with those of other well established players, some of whom have been in operation for a longer period of time than us who have developed there own brand name in the Industry over the years. The Company faces competition not only from domestic market but also from international players who have their presence in this space and also manufacture cost effective transformer but some large players from China are also venturing in Indian market to take advantage of increasing demand thereby increasing the competition.

#### BUSINESS UNDER EXECUTION –PROPOSED SOLAR POWER PROJECT

In view of a substantial gap in the demand – supply of power, our Company is now diversifying into business of Generation of Solar Power.

We are currently engaged in setting up a power project to generate 2 MWp through Solar PV Cells. The project is being executed at a plot area of 4.06 hectare at Survey No 13/1/1. Village Gagorni, Tehl and Distt. Rajghar, MP. We have conducted Technical Evaluation of the site in order to execute Solar Power Operation. The said project will be commissioned by Tata BP Solar India Limited on turnkey basis. Tata BP Solar India Limited is a renowned TATA group company providing Solar power solutions. As on date our Company has not purchased any plant and machinery for the implementation of the solar power project.

Bank of Baroda, Goyal Nagar branch, Indore vide letter dated 1st August, 2011, has sanctioned the following credit facility for setting up of 2MWp Solar Power Project:

- a. A term loan of Rs. 22.50 Crores;
- b. A letter of credit of Rs. 20 Crores, as sub limit to above term loan of Rs.22.50 crores.

As per the terms of sanction letter, this sanction is valid for acceptance by the Company for 4 months from August 1, 2011. The Company is in the process of negotiating some of the terms of the sanction letter and has not accepted the abovementioned sanction letter till date.

#### Description of business under execution:

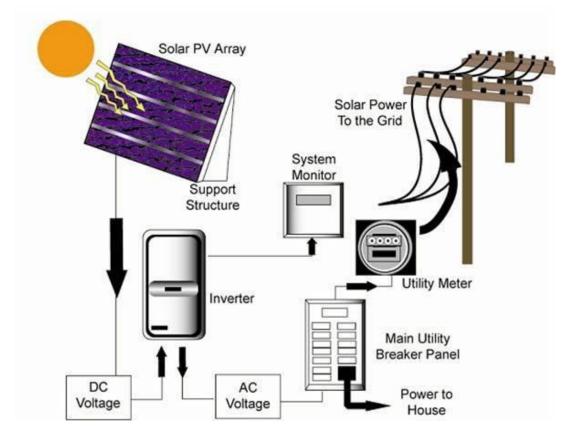
A Solar Photovoltaic power plant comprises of modules (also called panels) to generate electricity from Sun-rays; Cables and junction boxes to prepare network of cables to flow the generated current; inverters to convert DC into AC current; Step-up transformers to increase voltage of the system to be compatible to the grid, finally an evacuation infrastructure comprising of cable, switchyard and substation for feeding the power to the grid.

In order to achieve a higher system voltage, modules are connected in Series, called a string. A higher system voltage has the advantage of less installation work (smaller conductor cross sections). Lower currents flow at the high efficiency so that cable losses are reduced. The strings are connected with the photovoltaic branch or the PV distributor (smart connect box). This distributor is connected with the Main Combiner Box (MCB) which acts as the main DC collecting unit which passes the power to be converted to the central inverters. Central inverters combine various advantages of the other installation technologies. Thus the module fields are less sensitive towards partial darkening, as is the case with string inverters. Furthermore, installations can be expanded with additions of more modules. The AC power from the inverter is passed through Low voltage panel to the main transformer.



From the transformer, the power is routed through the high voltage panel and eventually to other required measuring & protection devices before connecting to the grid

Connection diagram of Solar Power (by PV) Plant.



#### Infrastructure and raw materials required

- Solar PV Modules and Module Mounting system
- Power Conditioning Inverters and Frequency Converters
- Grid connect equipment
- Monitoring system
- Master Control Unit
- Cables & connectors
- Buildings for housing the electronics (Sub-station)

# INSURANCE

Our Company has obtained insurance cover from Tata AIG General Insurance Company Limited for its building, plant machinery, plinth and stock situated at its manufacturing units at 2/ D-2 Sector D, Sanwer Road, Industrial Area, Indore, 452001, Madhya Pradesh and at Survey No. 211/1, Opposite Sector –C and Metalman, Sanwer Road, Indore- 452015, Madhya Pradesh. The details of the insurance cover obtained is as set out below:

Location	Nature of Policy	Sum Insured	Validity
----------	------------------	-------------	----------



Location	Nature of Policy	Sum Insured	Validity
2 D 2, Sector D	Fire/Building		March 19, 2011
Sanwer Road	Building	1,000,000/-	to March 18,
Industrial Area	Furniture, fixtures & Fittings	100, 000/-	2012
Indore, 452001	Plant & Machinery	1,000,000/-	
Madhya Pradesh	Plinth & Foundation	400, 000/-	
	Stock	1, 500, 000/-	
	Burglary	1, 500, 000/-	
	Stock		
			-
	Money Intransit	1, 000, 000/-	
	Wages/Salaries/Business Cash		
C N 011/1	E: /D '11'		M 1 10 2011
Survey No. 211/1,	Fire/Building	17 500 000/	March 19, 2011
Sector C,	Building	17, 500, 000/-	to March 18,
Opp Metalman	Furniture, fixtures & Fittings	1, 500, 000/-	2012
Sanwer Road,	Plant & Machinery	20,000,000/-	
Indore 452015,	Plinth & Foundation	2, 500, 000/-	
Madhya Pradesh	Stocks	68, 500, 000/-	-
	Burglary	68, 500, 000/-	
	Stock		
	M I T:4	1 000 000/	-
	Money In Transit	1, 000, 000/-	
	Wages/Salaries/Business Cash		

# INTELLECTUAL PROPERTY

As on the date of this Red Herring Prospectus, our Company does not have any intellectual property registered in its name.

# PROPERTY

# **Owned Property**

Sr.	Details of agreement	Location	Total Area	Purpose of the Property
No				
1.	Purchase vide sale deed No: 2547 dated January 2, 1997 from DIC for a total consideration of Rs. 49,016	Factory Shed/Structure situated on 2-D, Sector D-Sanwer Road Industrial	2227.67 sq.ft	Factory building for manufacturing of transformers (Manufacturing Unit 1)
2	Purchase vide sale deed No: 678 dated October 22, 2008 from Shri Ramesh Chandra for a total consideration of Rs. 2,58,00,000	211/1, village Sukliya, Tehisil and District Indore, Madhya Pradesh	0.862 hectare	Registered office, factory land for manufacturing transformer (Manufacturing Unit 2)
3.	Purchase vide sale deed No: 3498 dated October 15, 2010 from Mr. Manish Khandelwal for a consideration a total of Rs. 10,44,500.	Survey No 13/1/1 Village Gagorni, Tehsil and District, Rajghar, Madhya Pradesh	4.06 hectare	2 MWp solar power plant under execution
4.	Purchase vide sale deed No: 3499 dated October 15, 2010 from Ms. Sangeeta Khandelwal for a total consideration of Rs. 18,55,500.	Survey No. 13/2, village Gagorni, Tehsil and District, Rajghar, Madhya Pradesh	7.208 hectare	Proposed 4 MWp solar power plant
5.	Purchase vide sale deed No: 3549 dated October 21, 2010 from Mr. Anil Pandit, Mr. Sudhir Pandit, Ms.Snehalata Pandit and Mrs. Sheilaben for a total consideration of Rs. 14,52,000	Survey No 20.23/24/25/27/28/30/37 and 38, Village Gagorni, Tehsil and District, Rajghar, Madhya Pradesh	7.259 hectare	
6.	Purchase vide sale deed No: 4545, dated August 31, 2010 from Mr. Suraj Singh for a total consideration of Rs.9,00,000	Survey No 483/ 484, Village Kangdale, Barod, Dist Shahajapur, M.P	4 hectares	Future expansion of business



Sr.	Details of agreement	Location	Total Area	Purpose of the Property
No				
7.	Purchase vide sale deed No:	Survey No. 780 Village Kangdale,	0.6 hectare	
	2099, dated September 9,	Barod, District Shahajapur, Madhya		
	2010 from Mr. Sewa for a	Pradesh		
	total consideration of			
	Rs.1,35,000.			
8.	Purchase vide sale deed No	Survey No 652, Village Kangdale,	0.49 hectare	
	2102 dated September 9, 2010	Barod, District Shahajapur, Madhya		
	from Mr. Mohan Lal, Mr.	Pradesh		
	Bapu Lal, Mr. Parvati Bai,			
	Sar, Ms. Fatti Bai for a total			
	consideration of Rs. 1,00,000.			

The above mentioned land acquired by the Company is free of all encumbrances and the Company has a clear title and the property is registered in the name of the Company.

# Leasehold Properties

Sr. No	Location	Total Area	Term of the lease	Purpose of the Property
1.	Plot on which Shed No. 2 is situated at Industrial Area, Sanwer Road, Sector-D-2, Sukliya, Indore, Madhya Pradesh	2,227.67 sq.ft	Lease agreement dated January 2, 1997 with Government of Madhya Pradesh, valid for thirty years with effect from January 2, 2010 i.e. up to January 1, 2025 for a total rent of Rs. 57 per annum	Factory building for manufacturing of transformers (Manufacturing Unit 1)
2	Land surrounding Shed No. 2, Sanwer Road, Sector-D-2, Sukliya, Indore, Madhya Pradesh	4,020.00 sq.ft	Lease agreement dated January 9, 1984 with Government of Madhya Pradesh, valid for 99 years with effect from January 9, 1984 i.e. January 8, 2083 for a total rent of Rs. 18.67 per annum	Factory building for manufacturing of transformers (Manufacturing Unit 1)

The Company is not required to take any approvals pertaining to its land.

For concerns related to our business please refer to the chapter titled "*Risk Factors- Risks related to our business*" and "*Summary of Industry*" beginning on page 16 and 36 respectively of this Red Herring Prospectus.



# **REGULATIONS AND POLICIES IN INDIA**

The following description is a summary of certain relevant regulations and policies applicable to our Company in India. The information below are based on the current provisions of law in India, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. Taxation statutes such as the IT Act, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Contract Labour (Regulations and Abolition) Act, 1970, 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. The information provided below has been obtained from sources available in the public domain, is not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.

For details of government approvals obtained by us in compliance with these regulations, see the chapter titled "Government and Other Approvals" beginning on page 222 of this Red Herring Prospectus.

# BACKGROUND

The development of electricity industry in India was fashioned by two pieces of legislation namely the Indian Electricity Act, 1910 and the Electricity (Supply) Act, 1948 (the "Supply Act"). The Indian Electricity Act, 1910 introduced a licensing system for the electricity industry and the Supply Act was responsible for introducing greater state involvement in the industry, facilitating regional co-ordination.

The Supply Act promoted state-owned, vertically integrated units through the creation of the SEBs, to develop 'Grid System'. Under this legislation, the SEBs were made responsible for generation, transmission and distribution of electricity within the geographical limits of each State of the Indian Union. A government department was responsible for the electricity supply in states where SEBs were not set up. Under the Constitution of India, both the State and GoI have the power to regulate the electricity industry.

In view of the growing interest of the foreign investors government has allowed 100% FDI in generation, transmission and distribution.

# ELECTRICITY ACT, 2003

The Electricity Act is a central unified legislation relating to generation, transmission, distribution, trading and use of electricity, which seeks to replace the multiple legislations that governed the Indian power sector.

The most significant reform initiative under the Electricity Act was the move towards a multi buyer, multi seller system as opposed to the existing structure which permitted only a single buyer to purchase power from power generators. In addition, Electricity Act provides for a greater flexibility and grants the respective electricity regulatory commission's greater freedom in determining tariffs, without being constrained by rate-of-return regulations. The Electricity Act seeks to encourage competition with appropriate regulatory intervention. An Appellate Tribunal to hear appeals against the decision of the CERC and SERCs has been established. However, Electricity Act provided that transmission, distribution and trade of electricity are regulated activities which require licenses from the appropriate electricity regulatory commission, unless exempted by the appropriate government in accordance with the provisions of Electricity Act. It was amended in 2007 to exempt captive power generation plants from licensing requirements for supply to any licensee or consumer. Government has also announced National Electricity Policy in 2005 to guide the development of the electricity sector in India.

# Licensing

The Electricity Act stipulates that no person can transmit, or distribute or undertake trading in electricity, unless he is authorized to do so by a license issued under Section 14, or is exempt under Section 13 of the Electricity Act. The Electricity Act provides for transmission licensing, distribution licensing and licensing for electricity trading. There can be a private distribution licensee and licensee for electricity trading. There can be a private distribution licensee as well.



# Generation

Currently, under Indian law, any generating company can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with grid. Approvals from the GoI, State Government and the techno-economic clearance from the CEA are no longer required, except for hydroelectric projects. Generating companies are now permitted to sell electricity to any licensees and where permitted by the respective state regulatory commissions, to consumers.

In addition, no restriction is placed on setting up of captive power plant by any consumer or group of consumers for their own consumption. Under the Electricity Act, no surcharge is required to be paid on wheeling of power from the captive plant to the destination of the use by the consumer. This provides financial incentive to large consumers to set up their own captive plants. Through an amendment in 2007, Section 9 was amended to state that no separate license is required for supply of electricity generated from captive power plant to any licensee or the consumer. The respective regulatory commissions determine the tariff for supply of electricity from a generating company to any distribution licensee, transmission of electricity, wheeling of electricity and retail sale of electricity. The CERC has the jurisdiction over generating companies owned or controlled by GoI and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one state. The SERCs have jurisdiction over generating stations within the state boundaries, except those under CERC's jurisdiction.

#### Transmission

Transmission being a regulated activity, involves intervention of various players. The GoI is responsible for facilitating transmission and supply, particularly, inter-state, regional and inter-regional transmission. The Electricity Act vests the responsibility of efficient, economical and integrated transmission and supply of electricity with the GoI and empowers it to make region-wise demarcations of the country for the same. In addition, the GoI will facilitate voluntary inter-connections and coordination of facilities for the inter-state, regional and inter-regional generation and transmission of electricity.

CEA is required to prescribe certain grid standards under the Electricity Act and every transmission licensee must comply with such technical standards of O and M of transmission lines. In addition, every transmission licensee is required to obtain a license from the CERC and the respective SERCs, as the case may be.

The Electricity Act requires the GoI to designate one government company as the central transmission utility ("CTU"), which would be deemed as a transmission licensee. Similarly, each state government is required to designate one government company as state transmission utility ("STU"), which would also be deemed as a transmission licensee. The CTU and STUs are responsible for transmission system respectively. The Electricity Act prohibits CTU and STU from engaging in the business of generation or trading of electricity.

Under the Electricity Act, the GoI was empowered to establish the NLDC and RLDCs for optimum scheduling and dispatch of electricity among the RLDCs. The RLDCs are responsible for (a) optimum scheduling and dispatch of electricity within the region, in accordance with the contracts entered into with the licensees or the generating companies operating in the region; (b) monitoring grid operations; (c) keeping accounts of the quantity of electricity transmitted through the regional grid; (d) exercising supervision and control over the inter-state transmission system; and (e) carrying out real time operations for grid control and dispatch of electricity within the region through secure and economic operations of the regional grid in accordance with the grid standards and grid code.

The transmission licensee is required to comply with the technical standards of O and M of transmission lines as specified by CEA, building maintaining and operating an efficient transmission system, providing non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and surcharge in accordance with the Electricity Act.

The Electricity Act allows IPPs open access to transmission lines. The provision of open access is subject to the availability of adequate transmission capacity as determined by the CTU/STU. The Electricity Act also lays down provisions for intra-State transmission, where state commission facilitate



and promote transmission, wheeling and inter-connection arrangements within its territorial jurisdiction for the transmission and supply of electricity by economical and efficient utilization of the electricity.

# Trading

The Electricity Act specifies trading in electricity as a licensed activity. Trading has been defined as purchase of electricity for resale. This may involve wholesale supply (i.e., purchasing power from generators and selling to the distribution licensees) or retail supply (i.e., purchasing from generators or distribution licensees for sale to end consumers). The license to engage in electricity trading is required to be obtained from the relevant electricity regulatory commission.

The eligibility criteria include norms relating to capital adequacy and technical parameters. However, the National and Regional Load Despatch Centres, CTUs, STUs and other transmission licensees are not allowed to trade in power, to prevent unfair competition. The relevant electricity regulatory commissions also have the right to fix a ceiling on trading margins in intra-State trading.

# SPECIAL INCENTIVE PACKAGE SCHEME

In accordance with the rise in the solar industry globally, the GoI has instituted solar industry programs on both the demand and the supply side. On the supply side, the GoI announced a semiconductor policy, as elaborated upon here under, with cabinet-approved incentives to attract foreign investment to the semiconductor sector, including manufacturers of semiconductors, displays and solar technologies.

The Ministry of Communications and Information notified the Special Incentive Package Scheme to encourage investment for setting up semiconductor fabrication and other micro and nano technology manufacture industries in India (such industries hereinafter referred to as the "Industries"), on March 21, 2007 (the "Policy"). The purpose behind the introduction of the Policy was to create a conducive manufacturing environment for such Industries and offer a package of incentives comparable with other countries to attract global investment into the manufacturing sector as well as help bridge the viability gap due to lack of adequate infrastructure and eco-system.

The Policy states that investments made under the Policy would cover the manufacture of all semiconductors and eco-system units, namely, displays including liquid crystal displays, organic light emitting diodes, plasma display panels, any other emerging displays, storage devices, solar cells, photovoltaic, other advanced micro and nano technology products. Further, only technologically sound, large projects promoted by professionally qualified and financially sound and reputed players of proven track record shall be eligible to apply for incentives under the Policy. Additionally, investors who can attract further upstream or downstream investment shall be encouraged. The GoI or any of its agencies shall provide incentive of 20% of the capital expenditure during the first 10 years (from the commencement of the project) for the units in SEZ and 25% of the capital expenditure for non-SEZ units. Non-SEZ units shall also be exempt from countervailing duty. The incentives, if any, offered by the state government or any of its agencies or local bodies, shall be over and above this amount. However, the special incentive package shall be available only up to March 31, 2010.

# SCHEME ON "DEMONSTRATION AND PROMOTION OF SOLAR PHOTOVOLTAIC DEVICES/ SYSTEMS IN URBAN AREAS and INDUSTRY" (THE "DEMONSTRATION AND PROMOTION SCHEME")

The Demonstration and Promotion Scheme was introduced by the MNRE (Urban, Industrial and Commercial Group) for the period of 2008-2009 and continues for the 11th plan period as well.

The major objectives of the Demonstration and Promotion Scheme are: (a) to create awareness and demonstrate effective alternate solutions for community or institutional solar based systems in urban areas and industries; (b) to reduce the burden of conventional electricity facing a shortage in cities or towns facing shortages; and (c) to save highly subsidized diesel in institutions and other commercial establishments including industry facing huge power cuts. The scheme also aims at the promotion of solar street lights, solar traffic signals, solar blinkers, solar power packs/inverters etc. An expenditure of Rs. 4,800 Lacs is expected to be incurred under this scheme.

The implementation procedure, as detailed under the scheme, is to be executed through state nodal agencies and in other specific cases, by other government bodies or other technical organizations which will also be involved in organizing publicity awareness campaigns and other



events such as conferences, workshops etc. The implementing agencies will be provided service charges @ 2% of central financial assistance sanctioned for the demonstration projects. The implementing agencies will be free to decide the capacity and other specifications of systems to be installed in the area and would also ensure that an annual maintenance contract for five years is included in the total cost of the system.

Financial support is one of the mechanisms under the Demonstration and Promotion Scheme for promoting the use of solar photovoltaic devices and systems in urban areas. For this purpose, the Demonstration and Promotion Scheme includes various financial provisions, including those pertaining to financial support guarantees to programmes under the scheme such as seminars, conferences, and public awareness programmes. Further, there is a system provided for electricity conservation where the support is limited up to 1 kW SPV Panel with details as provided in the scheme. A system of abatement of fuel and other diesel oil is provided with a support limit to 100 KW power.

#### GENERAL GOI SUPPORT AND INCENTIVES FOR SOLAR ENERGY

#### The Jawaharlal Nehru National Solar Mission

The Jawaharlal Nehru National Solar Mission (the "Mission"), based on the National Action Plan on Climate Change was introduced in November 2009 by the Union Cabinet. It is being launched under the brand name "Solar India" at an estimated cost of Rs. 4,337,00 Lacs. The Mission anticipates achieving grid parity by 2022 and parity with coal-based thermal power by 2030. It seeks to establish India as a global leader in solar energy, by creating the policy conditions for its diffusion across the country as quickly as possible. The basic idea is to create a policy and regulatory environment which will provide a predictable incentive structure that enables rapid and large-scale capital investment in solar energy applications and encourages technical innovation and lowering of costs. It shall also encourage aggressive research and development department to reduce the cost and improve the overall performance of this field.

The Mission recommends an installed capacity of 20,000 MWp by the end of the 13th Plan in 2022. The Mission will adopt a 3-phase approach, spanning the remaining period of the 11th Plan and first year of the 12th Plan (up to 2012-13) as Phase I ("Phase I"), the remaining four years of the 12th Plan (2013-17) as Phase II and the 13th Plan (2017-22) as Phase III. At the end of each plan, and mid-term during the 12th and 13th Plans, there will be an evaluation of progress, review of capacity and targets for subsequent phases, based on emerging cost and technology trends, both domestic and global. The aim would be to protect the Government from subsidy exposure in case expected cost reduction does not materialize or is more rapid than expected.

#### Ajay Shankar Committee Recommendations

The Ajay Shankar Committee ("Committee") was set up to recommend a policy framework under the Mission to encourage domestic production of raw materials and components by recommending the minimum indigenous content required for solar power projects, both solar thermal and photovoltaic.

The Committee on promotion of the domestic content in the implementation of the Mission has mandated that for Phase I, all deployment in grid connected solar power plants be done using both photovoltaic cells and modules manufactured in India. It has also recommended the mandatory use of Power Conditioning Units (PCUs) made in India, and suggested a review for possible extension to wafers and silicon made in India.

The final recommendations of the Committee are yet to be made and once finalized; the same would be incorporated in the guidelines for the Mission.

# RENEWABLE ENERGY CERTIFICATES MECHANISM

Under the powers vested in the **CERC** under sub-section (1) of Section 178 and Section 66 read with clause (y) of sub-section (2) of Section 178 of the Electricity Act, 2003, the CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 ("**REC Regulation**") was enacted which governs the mechanism of the issuance of the Renewable Energy Certificates ("**REC**") and their transferability and salebility in India.

The CERC designates an agency as the Central Agency which performs the following functions:



- 1. Registration of eligible entities;
- 2. Issuance of certificates;
- 3. Maintaining and settling accounts in respect of certificates; and
- 4. Repository of transactions in certificates.

The Central Agency also issues the procedure for registration of eligible entities, verification of generation of electricity, issuance of certificates and incidental matters.

The RECs are of two categories:

- 1. Solar certificates issued to eligible entities for generation of electricity based on solar as renewable energy source, and
- 2. Non-solar certificates issues to eligible entities for generation of electricity based on renewable energy sources other than solar.

These RECs are sold to the obligated entities to enable them to meet their renewable purchase obligation for solar and non-solar purchase obligations. A generating company engaged in generation of electricity from renewable energy sources is eligible to apply for registration for issuance of and dealing in RECs and must fulfill the conditions enumerated in the REC Regulation. The Central Agency also holds powers to revoke the registration in accordance with the procedure laid down in the REC Regulation. The eligible entities are required to apply to the Central Agency for RECs within 3 months after corresponding generation from eligible renewable energy projects and the application for issuance of RECs must be made on a fortnightly basis thereafter. These RECs are issued to the eligible entity on the basis of the units of electricity generated from renewable energy sources and injected into the grid. The process of certifying the energy injection is stipulated in the detailed procedures that are issued by the Central Agency.

Each REC issued represents one Megawatt hour of Electricity generated from renewable energy source and injected into the grid. The REC Regulation mandates that the RECs must be dealt only through the Power Exchange and not in any other manner. The RECs issued by the Central Agency must be placed for dealing in any of the Power Exchanges as the REC holder may so deem appropriate and such RECs shall be available for dealing in accordance with the rules of such Power Exchange. These Power Exchanges must obtain prior approval of the CERC on the rules and its byelaws including the mechanism for discovery of price of the RECs in the Power Exchange. These RECs once issued shall remain valid for a period of 365 days from the date of the issuance of such REC. The REC remains valid for the said period even though the entity who was issued the REC fails to maintain its accreditation criteria on a later date. Once the REC has been exchanged by way of sale and purchase in the Power Exchange, it shall be deemed to have been extinguished. The CERC shall levy one-time registration fee, annual fee and transaction fee along with charges for the issuance and dealing in the REC.

# **REGULATIONS FOR FOREIGN INVESTMENT**

# FEMA Regulations

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 are required from the Reserve Bank of India, for Foreign Direct Investment 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. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for foreign direct investment ("FDI") under the automatic route within the specified sectoral caps.

# LAWS APPLICABLE TO OUR MANUFACTURING UNITS



# The Factories Act, 1948

The Factories Act, 1948 (the "Factories Act") seeks to regulate labour employed in factories and makes provisions for the safety, health and welfare of the workers. The Factories Act defines a 'factory' to cover any premises, which employs ten or more workers and in which manufacturing processes are carried on with the aid of power, and to cover any premises, where there are at least 20 workers who may or may not be engaged in an electrically aided manufacturing process. Each State Government has set out rules in respect of the prior submission of plans and its approval for the establishment of factories and registration and licensing of factories. The Factories Act also provides for the mechanisms for safety of certain equipment used in factories, procedures for periodic examination of equipment such as pressure vessels and lifting tackles, regulation of working conditions within the factories and includes specific provisions applicable to women and children employed in factories.

# The Explosives Act, 1884

The Explosives Act, 1884 (the "**Explosives Act**") has been enacted to regulate the manufacture, possession, use, sale, transport and importation of explosives. Further, no person shall import, export, transport, manufacture, possess, use or sell any explosive which is not an authorised explosive. The Explosives Act also prescribes safety standards and qualifications required in order to obtain a license for the manufacture, use, possession, sale etc., of explosives.

# Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 ("CLRA Act") requires establishments that employ or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour. The CLRA Act places an obligation on the principal employer of an establishment to which the CLRA Act applies to make an application for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA Act applies is required to obtain a licence and not to undertake or execute any work through contract labour except under and in accordance with the licence issued.

To ensure the welfare and health of contract labour, the CLRA Act imposes certain obligations on the contractor including the establishment of canteens, rest rooms, washing facilities, first aid facilities, provision of drinking water and payment of wages. In the event that the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. A person in contravention of the provisions of the CLRA Act may be punished with a fine or imprisonment, or both.

# The Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("EPF Act")

The EPF Act provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above. Further, the employer is required to maintain records and submit periodic returns with regard to the implementation of the Act and Schemes.

# Employees State Insurance Act, 1948 (the "ESI Act")

The ESI Act provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. It applies to, *inter alia*, seasonal power using factories employing ten or more persons and non-power using factories employing 20 or more persons. Every factory or establishment to which the ESI Act applies is required to be registered in the manner prescribed in the ESI Act.

# The Workmen's Compensation Act, 1923

The Workmen's Compensation Act, 1923 (the "**WC Act**") aims at providing financial protection to employees (for their dependants in the event of fatal accidents) by means of payment of compensation by the employers, if personal injury is caused to them by accidents arising out of and in the course of



their employment. The WC Act makes it obligatory for the employers brought within the ambit of the Act to furnish, to the State Governments/Union Territory Administrations, annual returns containing statistics relating to the average number of workers covered under the Act, number of compensated accidents and the amount of compensation paid.

# The Payment of Wages Act, 1936

The Payment of Wages Act, 1936 (the "Act") is enacted to regulate the period and payment of wages, overtime wages and deductions from wages and also to regulate the working hours, overtime, weekly holidays of certain classes of employed persons. The Act contains provisions as to the minimum wages that are to be fixed by the appropriate governments for the employees, entitlement of bonus of the employees, fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.

# The Maternity Benefit Act, 1961

The Maternity Benefit Act, 1961("**Maternity Benefit Act**") provides that a woman who has worked for at least 80 days in the 12 months preceding her expected date of delivery is eligible for maternity benefits. Under the Maternity Benefit Act, a woman working in a factory may take leave for six weeks immediately preceding her scheduled date of delivery and for this period of absence she must be paid maternity benefit at the rate of the average daily wage. The maximum period during which a woman shall be paid maternity benefit is 12 weeks. Women titled to maternity benefit are also titled to medical bonus of Rs. 250. Contravention of the Maternity Benefit Act is punishable by imprisonment up to one year and/ or a fine up to Rs. 5,000.

# The Minimum Wages Act, 1948

The State Governments may stipulate the minimum wages applicable to a particular industry. The minimum wages generally consist of a basic rate of wages, cash value of supplies of essential commodities at concession rates and a special allowance, the aggregate of which reflects the cost of living index as notified in the Official Gazette. Workers are to be paid for overtime at overtime rates stipulated by the appropriate State Government.

Workmen are required to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term of up to six months or a fine up to Rs. 500 or both.

# State specific Shops and Commercial Establishments Acts as applicable

Under various state laws dealing with shops and establishments, any shop or commercial establishment has to obtain a certificate of registration from the supervising inspector and has to comply with certain rules laid down therein. These statutes and rules and regulations framed thereunder regulate the opening and closing hours of shops and commercial establishments, daily and weekly work hours, closing dates and holidays, health and safety of persons working in shops and commercial establishments, payment of wages, maintenance of records and registers by the employers, among others.

# ENVIRONMENTAL LAWS APPLICABLE

# **Environmental Regulations**

The real estate sector is also subject to central, state and local regulations which are designed to protect the environment. Among other things, these laws regulate the environmental impact of construction and development activities, emission of air pollutants and discharge of chemicals into surrounding water bodies. These various environmental laws give primary environmental oversight authority to the Ministry of Environment and Forest ("MoEF"), the Central Pollution Control Board (the "CPCB") and the respective State Pollution Control Boards. The MoEF is the key national regulatory agency responsible for policy formulation, planning and co-ordination of all issues related to environmental protection. The CPCB is the law enforcing body at the national level. It enforces environmental legislation, coordinates the activities of State Pollution Control Committees, establishes environmental standards and plans and executes a nationwide programme for the prevention, control and abatement of pollution.



The Environment Impact Assessment Notification S.O. 60(E), issued on 27<sup>th</sup> January 1994 (the "1994 notification") under the provisions of the Environment (Protection) Act, 1986, as amended (the "EPA"), prescribes that new construction products that have an investment of more than Rs.500 million require prior environmental clearance of the MoEF. The environmental clearance must be obtained from the MoEF according to the procedure specified in the 1994 Notification. No construction work, preliminary or other, relating to the setting up of a project can be undertaken until such clearance is obtained.

The application to the MoEF is required to be accompanied by a project report which should include, inter alia, an Environmental Impact Assessment Report and an Environment Management Plan. The Impact Assessment Authority evaluates the report and plan submitted. Such assessment is required to be completed within a period of 90 days from receipt of the requisite documents from the project developer/manager. Thereafter, a public hearing has to be completed and a decision conveyed within 30 days.

The clearance granted is valid for a period of five years from the commencement of the construction or operation of the project. The project developer/manager concerned is required to submit a half yearly report to the Impact Assessment Authority to enable it to monitor effectively the implementation of the recommendations and conditions subject to which the environmental clearance has been given. If no comments from the Impact Assessment Authority are received within the time limits outlined above, the project will be deemed to have been approved by the project developer/manager.

On 14<sup>th</sup> September 2006 the Environmental Impact Assessment Notification S.O. 1533 (the "2006 Notification") was issued in supersession of the 1994 Notification. Under the 2006 Notification, the environmental clearance process for new projects consists of four stages – screening, scoping, public consultation and appraisal. After completion of public consultation, the applicant is required to make appropriate changes in this Draft Environment Impact Assessment Report and the Environment Management Plan. The final Environment Impact Assessment Report has to be submitted to the concerned regulatory authority for appraisal. The regulatory authority is required to give its decision within 105 days of the receipt of the final Environment Impact Assessment Report.

# TAX LAWS AS APPLICABLE

#### Customs Duties

The Customs Act, 1962 (the "**Customs Act**") is to consolidate and amend the laws related to customs. The Custom Act provides that all importers must file a bill of entry or a cargo declaration, containing the prescribed particulars for a customs clearance. Additionally, a series of other documents relating to the cargo are to be filed with the appropriate authority. After registration of the bill of entry, it is forwarded to the concerned appraising group in the custom house. This is followed by an assessment by the assessing officer in order to determine the duty liability which is on the basis of statement made in the entry relating thereto and the documents produced and information furnished by the importer or exporter. Further, all imported goods are examined for verification of correctness of description given in the bill of entry. Post- assessment, the importer may seek delivery of the goods from the custodians.

#### **Central Excise**

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Additionally, the Central Excise Tariff Act, 1985 prescribes the rates of excise duties for various goods.

#### Value Added Tax

Value Added Tax ("**VAT**") is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period.



# Sales Tax

The tax on sale of movable goods within India is governed by the provisions of the Central Sales Tax Act, 1956 or relevant state law depending upon the movement of goods pursuant to the relevant sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the Central Sales Tax Act, 1956. On the other hand, when the taxability of an arrangement of sale of movable goods which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/VAT legislations in place within such state.

# Laws relating to Intellectual Property

The Trademarks Act, 1999, The Patents Act 1970 and the Copyright Act, 1957 *inter alia* govern the law in relation to intellectual property, including patents, copyrights, trademarks, service marks, brand names, trade names and research works.



#### HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was originally incorporated as M AND B Switchgears Private Limited on June 09, 1999 under the Companies Act, 1956 by converting partnership firm M AND B Switchgears under Part IX of the Companies Act, 1956. Subsequently, our Company was converted into a public limited company and a fresh certificate of incorporation was issued on November 19, 2010 following the change of name to "M AND B Switchgears Limited". Our Company has been allocated Corporate Identification Number U31200MP1999PLC013571.

Our Company is promoted by Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra. Our Company is engaged in manufacture and distribution of transformers including power transformers, furnace transformers, rectifier transformers and special purpose transformers. Initially one of our promoter, Mr. Shyam Sunder Mundra had started the transformer business in 1979 as a sole proprietorship concern in the name of M & B Switchgears. Thereafter the proprietorship concern was converted into a partnership concern in April 1, 1995 and further into a corporate entity under the name M AND B Switchgears Private Limited on June 9, 1999. Our Company was subsequently converted into a public limited company and a fresh certificate of incorporation was issued on November 19, 2010.

Our Company is having two manufacturing units, one situated at 2 - D/2, Sector D, Sanwer Road Industrial Area, Indore spread across 6,247.67 sq.ft and the other situated at Survey No. 211/1, Opposite Sector-C and Metalman, Sanwer Road, Industrial Area, Indore (M.P.) spread across 92,610 sq. ft aggregating to 98,857.67 sq. ft. In addition our Company is in the process of setting up 2MWp solar power project over a land area of 4.06 hectare at Survey No 13/1/1 Village Gagorni, Tehsil and District, Rajghar, Madhya Pradesh. We also propose to use the proceeds of the Issue in setting up 4MWp solar power project over a total land area of 14.467 hectares at Survey No. 13/1/1, 13/2, 20, 23, 24, 25, 27, 28, 30, 37 and 38 Village Gagorani, District Rajgarh, Madhya Pradesh. Our manufacturing units are equipped to manufacture various transformers with a capacity ranging up to 25,000 KVA at 132 KV. For details related to our business and various types of transformers manufactured by our Company, refer to chapter titled "*Our Business*" beginning on page 111 of this Red Herring Prospectus.

				( <i>Rs</i> .	in Lacs)
		March 31			
Particulars	2007	2008	2009	2010	2011
Sales	1,618.51	1,987.68	2,658.12	3,750.42	3,528.26
Profit before taxation	34.49	40.49	62.96	125.63	121.77
Net profit after tax	21.29	28.73	40.95	92.14	77.48

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

#### **Changes in Registered Office of our Company**

At the time of incorporation our registered office was situated at 2/D-2, Sector- 'D', Sanwer Road Industrial Area, Indore, Madhya Pradesh. Subsequently our registered office was shifted to Survey No. 211/1, Opposite Sector – C and Metalman, Sanwer Road, Industrial Area, Indore 452 015, Madhya Pradesh with effect from October 25, 2010.

#### Major Events:

DATE	KEY EVENTS		
June 09, 1999	Conversion from a partnership firm to a private limited company.		
	Addition of new products namely Power Transformers and Core Coil		
June 21, 1999	Assembly.		
	Increase in manufacturing capacity from 250 KVA to 315 KVA of Distribution		
	Transformers.		
November 13, 2003 Order from Asian Development Bank funded project.			
July 13, 2005	Increase in manufacturing capacity from 10 KVA to 500 KVA of Distribution		
	Transformers and 630 KVA to 5,000 KVA of Power Transformers with an		



DATE	KEY EVENTS	
	annual quantitative capacity increased to 744 Distribution Transformers and 48 Power Transformers.	
August 15, 2007	Addition of new products namely Dry Type Transformer, Unitised substation/Transportable substation and Flame Proof Tran switch unit with an annual quantitative capacity of 45 units each.	
	Increase in manufacturing capacity to 10,000 KVA of Power Transformers with an annual quantitative capacity increased to 135 units.	
	Increase in annual quantitative capacity of Distribution Transformers to 1575 units	
January 22, 2010	Issue of ISO-9001 2008 certification by Alberk QA International Technical Control and Certification Limited for design, development, manufacturing, erection and commissioning of power and distribution of transformers.	
May 03, 2010	Increase in annual quantitative capacity of Distribution Transformers, Power Transformers, Dry Type Transformer, Unitised substation/Transportable substation and Flame Proof Tran switch unit to 2,880, 240 and 48 units respectively. With this expansion our annual capacity increased to the current level of 5,109 number of transformers per. Annum and the same is in line with DIC certification.	
	Addition of new products namely Booster Transformers and Furnace Transformers with qualitative capacity of 5 MVA and 25 MVA respectively and an annual quantitative capacity of 48 units each.	
December 04, 2010	Issue of ISO 14001:2004 certification by QA Certification Services Private Limited for manufacturing, erection and commissioning of power and distribution of transformers.	

# Main Objects of our Company:

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

- 1. To carry on the business as manufacturers, repairers, importers, exporters, suppliers of selling agents, distributing agents, intermediaries, representatives for and dealers in transformers, power and distribution transformers, potential and current transformers, metering sets, voltage stabilisers high and low tension switchgears, motors, pumps, furnaces, ovens, heating chambers, control equipments, transmission towers, overhead fittings mining equipment and electrical sub station equipment.
- 2. To engage, deal, generate, receive, produce, improve, buy, sell, resale, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, consult, supply, captively consume and to act as agent, broker, representative, consultant, collaborator or otherwise to deal in power/electricity in all its branches at such place or places in India or abroad as may be permitted by the appropriate Government, Non-government authorities by establishment of wind power plants, solar power plants, thermal power plants, hydraulic power plant, atomic power plants and any other type of power generation plants using conventional and/or non conventional energy sources in use and as may be developed/invented in future where the use of Transformers, electrical substations, switchgears plays integral and critical part in operations and to acquire concessions, facilities or licenses from electricity board, governments, semi government or local authorities for generation, distribution, production, transmission or use of such power/electricity and to takeover along with all movables and immovable properties, the exiting facilities on mutually agreed terms from aforesaid authorities.

Date of shareholder's approval	Changes in the Memorandum of Association
December 16, 2004	Alteration in capital clause following increase in authorised share capital
	Clause V of our Memorandum was amended to incorporate the change in the authorized share capital of our Company. The authorised share capital of our Company was increased from Rs. 60,00,000 divided into 60,000 Equity Shares of Rs. 100 to Rs. 95,00,000 divided into 95,000 equity shares of Rs. 100 each.
January 1, 2005	Alteration in Other Object Clause

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



Date of	Changes in the Memorandum of Association
shareholder's approval	Changes in the Memorandum of Association
	The "Other Objects" Clause of our Memorandum was amended by insertion of new Clause III (C) 37 stating as follows"
	"To carry on the business of trading in agricultural products, metals including precious metals, precious stones, diamonds, petroleum and energy products and all other commodities and securities, in spot market, futures and commodity exchanges and all kinds of derivatives of all the above commodities and securities".
June 14, 2010	Alteration in Other Object Clause
	The "Other Objects" Clause of the Memorandum was amended by insertion of new Clause III (C) 38 stating as follows"
	"To engage, deal, generate, receive, produce, improve, buy, sell, resale, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, consult, supply, captively consume and to act as agent, broker, representative, consultant, collaborator or otherwise to deal in power/electricity in all its branches at such place or places in India or abroad as may be permitted by the appropriate Government, Non-government authorities by establishment of wind power plants, solar power plants, thermal power plants, hydraulic power plant, atomic power plants and any other type of power generation plants using conventional and/or non conventional energy sources in use and as may be developed/invented in future where the use of Transformers, electrical substations, switchgears plays integral and critical part in operations and to acquire concessions, facilities or licenses from electricity board, governments, semi government or local authorities for generation, distribution, production, transmission or use of such power/electricity and to takeover along with all movables and immovable properties, the exiting facilities on mutually agreed terms from aforesaid authorities."
	Alteration in the name clause of MoA
	Change in the name of our Company from M AND B Switchgears Private Limited to M AND B Switchgears Limited.
	Alteration in capital clause following increase in authorised share capital
	Clause V of our Memorandum was amended to incorporate the change in the authorized share capital of our Company. The authorised share capital of our Company was increased from Rs. 95,00,000 divided into 95,000 equity shares of Rs. 100 to Rs. 25,00,000 of 25,00,000 Equity Shares of Rs. 100 each.
October 15,	Alteration in capital clause following sub-division of face value of equity shares
2010	Clause V of our Memorandum was amended to incorporate the change in the face value of the equity shares issued by our Company. Equity Shares of nominal value of Rs. 100 each in the share capital of our Company was divided into ten equity shares of Rs. 10 each.
	Clause V of our Memorandum was amended to incorporate the change in the face value of Equity Shares issued by the Company. The authorised share capital of Rs. 25,00,000 of 25,00,000 Equity Shares of Rs. 100 each was amended to authorised share capital of Rs. 25,00,000 divided into 2,50,00,000 Equity Shares of Rs. 10 each.
	Alteration in Main Object and Other Object Clause
	Clause 38 of Part III (C) in the "Other Objects" of our Memorandum was shifted to the "Main Objects" as Clause 2 of III (A) after the existing Clause 1.

#### Holding company

Our Company does not have any holding company.

# **Corporate profile of our Company**

For details relating to our corporate profile, our business operations, technology, capacity build up, managerial competence, market products, approvals related to our business operations, please refer to chapter titled "*Our Business*" and "*Government and Other Approvals*" beginning on page 111 and 222 of this Red Herring Prospectus.

#### Shareholders of our Company



For details relating to shareholders of our Company refer to chapter titled "*Capital Structure*" beginning on page 62 of this Red Herring Prospectus.

#### Injunction or restraining orders

For details related to litigation or notices issued against our Company refer to chapter titled "Outstanding Litigation and Material Developments" beginning on page 214 of this Red Herring Prospectus.

#### Shareholders Agreements

Our Company does not have any subsisting shareholder's agreement as on the date of this Red Herring Prospectus.

# Collaborations

Our Company has not entered into any collaboration with any third party as per Clause (VIII) (B) (1) (c) of Part A, Schedule VIII of the SEBI ICDR Regulations.

#### Material agreements

Apart from letter of intents, project proposals received and purchase orders issued to the Company by various purchasers, there are no specific agreement related to its business as on the date of this Red Herring Prospectus.

#### Acquisitions and mergers

Except for Autopal Trade Impex Private Limited the wholly owned subsidiary of our Company, from which our Company disassociated itself, w.e.f. May 15, 2010 due to commercial reasons, our Company has not made any acquisition of business/undertakings, mergers, acquisition, amalgamation or revaluation of assets.

# Joint Ventures

Our Company does not have any joint ventures as on the date of this Red Herring Prospectus.

#### Strategic Partners

Our Company does not have any strategic partners as on date of this Red Herring Prospectus.

#### **Financial Partners**

Our Company does not have any financial partners as on date of this Red Herring Prospectus.

#### **Our Subsidiary**

# Proximo Energy Concept Private Limited ("PECPL")

Date of Incorporation	PECPL is the wholly owned subsidiary of the Company, incorporated as a private limited company and certificate of incorporation has been issued on August 23, 2011. The authorised share capital of PECPL is Rs. 5,00,000 divided into 50,000 equity shares of Rs. 10 each.		
Registration No ( CIN)	U29299MP2011PTC026618		
Registrar Registrar of Companies, Gwalior, Madhya Pradesh and Chattisgarh			
Registered Office	13/2 and 13/1/1, Village Gagorani, Village Rajgarh, Madhya Pradesh		
Nature of Activities	PECPL is incorporated with the object to deal, manufacture, erect, generate, receive, produce, improve, buy, sell etc in all types of energy equipment and to carry on, manage, supervise and control the business of transmitting, manufacturing, supplying, generating, distributing, dealing and trading in energy, power, electricity and all forms of energy and power generated. Further, to provide all types of consultancy services in the matter of Energy Generation including establishment, commissioning and to act as agent broker etc.		
Present Activities	As on date PECPL has not commenced any business operations.		



# Board of Directors as on the date of this Red Herring Prospectus

- 1. Mr. Anurag Mundra; and
- 2. Mr. Vikalp Mundra.

#### Shareholding pattern

Sr. No.	Name of directors of GEIPL	Number of Shares of face value Rs. 10	Percentage of share capital (%)
1.	M AND B Switchgears Limited	49,999	99.99
2.	Mr. Anurag Mundra (on behalf of M AND B Switchgears Limited)	1	Negligible
	Total	50,000	100.00

There has been no change in the capital structure in the last six months from the date of the Red Herring prospectus.

#### **Financial information**

As PECPL has been incorporated on August 23, 2011 and is yet to commence any business operations, hence the financial information is not available. As on date of this Red Herring Prospectus there has been no amount of accumulated profits or losses of PECPL that is not accounted for by the Company.



# OUR MANAGEMENT

Under our Articles, our Company is required to have not less than three directors and not more than twelve directors, subject to Section 252 and 259 of the Companies Act. As on the date of this Red Herring Prospectus, our Company is managed by Board of Directors comprising of six Directors. In compliance with the requirements of clause 49 of the Listing Agreement, our Company has three executive Directors and three independent Directors.

# **OUR DIRECTORS**

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

Sr. No.	Full Name, Age, Father's, Address, Designation, Status, Occupation, DIN and Nationality	Date of Appointment and Terms of Office	Other Directorships/Partnership/H UF/Trusts	Details of current and past directorship(s) in listed companies
1.	Mr. Shyam Sunder Mundra 66 Years S/o Mr. Gendalal Mundra 191, Opposite Dr. Bansal, Saket Nagar, Indore (M.P.) Designation: Chairman and Managing Director Occupation: Business DIN: 00113199 Nationality: Indian	Since incorporation, appointed as First Director Appointed as Managing Director on September 01, 2001 Appointed as Chairman and Managing Director with effect from October 15, 2010 Term of office: 5 years with effect from October 15, 2010. Not liable to retire by rotation	<ul> <li>Companies</li> <li>Indore Transformers Private Limited</li> <li>C. S. Steels Private Limited</li> <li>HUF</li> <li>G.J. Mundra HUF</li> <li>S.G. Mundra HUF</li> <li>Trusts (acting as trustee)</li> <li>SVA Family Welfare Trust (Trustee)</li> </ul>	Whose shares have been/were suspended from being traded on the BSE/NSE: <b>NIL</b> Which have been/were delisted from the stock exchange(s): <b>NIL</b>
2.	<ul> <li>Mr. Vikalp Mundra 40 Years S/o Mr. Shyam Sunder Mundra</li> <li>191, Opposite Dr. Bansal, Saket Nagar, Indore (M.P.)</li> <li>Designation: Wholetime Director</li> <li>Occupation: Business DIN: 00113145 Nationality: Indian</li> </ul>	Since incorporation, appointed as First Director Appointed as Wholetime Director on September 01, 2001 Re-appointed as Wholetime Director on October 15, 2010 Term of office: 5 years with effect from October 15, 2010. Not liable to retire by rotation	<ul> <li>Companies</li> <li>Ambika Conductors Private Limited</li> <li>C. S. Steels Private Limited</li> <li>Proximo Energy Concept Private Limited</li> <li>Partnership Firm</li> <li>M/s Agartala Electricals LLP</li> <li>HUF</li> <li>Vikalp Mundra HUF</li> <li>Trusts (acting as trustee)</li> <li>Pravyga Family Trust</li> <li>Pratyush Family Trust</li> <li>SVA Family Welfare Trust</li> <li>Shri Ramchandra Maharaj Trust</li> </ul>	Whose shares have been/were suspended from being traded on the BSE/NSE: <b>NIL</b> Which have been/were delisted from the stock exchange(s): <b>NIL</b>
3.	Mr. Anurag Mundra 34 Years S/o Mr. Shyam Sunder Mundra 191, Opposite Dr. Bansal, Saket Nagar, Indore (M.P.) Designation: Wholetime Director	Since incorporation, appointed as First Director Appointed as Wholetime Director on September 01, 2001 Re-appointed as Wholetime Director on October 15, 2010 Term of office: 5 years with effect	<ul> <li>Ambika Conductors Private Limited</li> <li>Geeta Electricals Indore Private Limited</li> <li>Proximo Energy Concept Private Limited</li> </ul>	Whose shares have been/were suspended from being traded on the BSE/NSE: <b>NIL</b> Which have been/were delisted from the stock exchange(s): <b>NIL</b>



-			1	
		from October 15, 2010.		
	Occupation: Business		<ul> <li>Anurag Mundra HUF</li> </ul>	
	<b>DIN:</b> 00113172	Not liable to retire by rotation		
	Nationality: Indian		Trusts (acting as trustee)	
			Ayush Family Trust	
			<ul> <li>SVA Family Welfare Trust</li> </ul>	
4.	Ms. Aarti Jhaveri	Appointed as Additional,	Companies	Whose shares have been/were
	40 Years	Independent Director on		suspended from being traded
	D/o Late Dr. Laxman Parolkar	November 19, 2010	Samaj Paper Private	on the BSE/NSE: NIL
			Limited	
	Parishram 43, Keshar Bagh Road,			Which have been/were
	Indore (M.P.)	Liable to retire by rotation		delisted from the stock
				exchange(s): NIL
	Designation:			
	Independent Director			
	Occupation: Business			
	<b>DIN:</b> 00851063			
	Nationality: Indian			
5.	Mr. Narendra Beli	Appointed as Additional	Partnership firms	Whose shares have been/were
5.	37 Years		r arthership mins	suspended from being traded
	S/o Mr. Lalchand Beli	Independent Director on November 19, 2010	<ul> <li>M/s Beli Sharma &amp; Co</li> </ul>	on the BSE/NSE: <b>NIL</b>
	5/0 MI. Laichand Bell	November 19, 2010		on the BSE/NSE. INIL
	302, Premashram Appartment, 12/7-			Which have been/were
	E, South Tukoganj, Indore (M.P.)	Liable to retire by rotation		delisted from the stock
	E, South Tukoganj, Indole (W.I.)	Endoic to retire by rotation		exchange(s): NIL
	Designation:			exchange(s). IT
	Indexed and Discords			
	Independent Director			
	Occupation: Business			
	<b>DIN:</b> 03326551			
	Nationality: Indian			
6.	Mr. Nilesh Rathi	Appointed as Additional	Nil	Whose shares have been/were
	40 Years	Independent Director on		suspended from being traded
	S/o Mr. S.C. Rathi	November 19, 2010		on the BSE/NSE: NIL
	78/3, Dravid Nagar, Indore(M.P.)			Which have been/were
		Liable to retire by rotation		delisted from the stock
	Designation:			exchange(s): NIL
	Independent Director			
	Occupation: Business			
	<b>DIN:</b> 03329897			
	Nationality: Indian			

Note: None of the above mentioned Directors is on the RBI List of wilful defaulters as on the date of this Red Herring Prospectus.

None of the Promoters, Promoter Group, Group Companies, Directors or persons in control of our Company, has been (i) prohibited from accessing the capital market under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

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.

As on the date of this Red Herring Prospectus, there are no service contracts entered into by and between our Directors and our Company whereby benefits would be provided upon termination of employment.

# **Brief Profile of our Directors**



*Mr. Shyam Sunder Mundra*, aged 66 years, is the founder promoter, Chairman and Managing Director of our Company. He was appointed as the Chairman and Managing Director of our Company with effect from October 15, 2010 for a period of five years. He holds a degree in Bachelor of Science in Engineering (Electrical), a Masters degree in Electronics and Servomechanism from Indore University. He has also completed a Masters degree in Business Administration from Indore University. Mr. Shyam Sunder Mundra has over 42 years of experience in the power industry and specifically 34 years in the manufacturing of transformers. Previously he had worked for the Madhya Pradesh Electricity Board for 8 years, before venturing into the transformer business independently. In 1976, he started a proprietorship firm in the name of M AND B Switchgears, which over a period has grown into a corporate entity. Mr. Shyam Sunder Mundra's core competency lies in the field of power and transformers which has given the company an operational benefit through cost, quality and variety. As the Chairman and Managing Director of our Company he is actively involved in strategies relating to operations and manufacturing.

*Mr. Vikalp Mundra*, aged 40 years, is the promoter and Wholetime Director of our Company. He was appointed as the Wholetime Director with effect from October 15, 2010 for a period of five years. He holds a degree in Bachelor of Engineering (Electrical) from Rani Durgavati Vishwa Vidhyalaya, Jabalpur and a Masters degree in Management Science from Devi Ahilya Vishwa Vidhyalaya, Indore. He has an overall experience spanning 17 years in the transformer sector. He provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, production planning, improvement of production processes, etc.

*Mr. Anurag Mundra*, aged 34 years, is the promoter and Wholetime Director of our Company. He was appointed as a Wholetime Director with effect from October 15, 2010 for a period of five years. Mr. Anurag Mundra holds a degree in Bachelor of Commerce from Devi Ahilya Vishwa Vidhyalaya, , Indore and has completed his Post-Graduation Diploma in Business Administration (PGDBA) and Chartered Financial Analyst from Institute of Chartered Financial Analysts of India, Hyderabad. He joined our Company in 1999 after completing his education. Mr. Anurag Mundra has over 11 years experience in our Company which is in the business of manufacture of transformers.

**Ms.** Aarti Jhaveri, aged 40 years, is the Independent Director of our Company with effect from November 19, 2010 and was re-appointed as Director subject to the approval of Members in the ensuing General Meeting *vide* a board resolution dated June 23, 2011. She holds a degree in Bachelor of Engineering (Electrical) from Jiwaji University, Gwalior. She is also associated with Samaj Paper Private Limited as a director since April 2001. Ms. Jhaveri has over 9 years experience in handling corporate affairs and consultancy services.

*Mr. Narendra Beli*, aged 37 years, is the Independent Director of our Company with effect from November 19, 2010 and was re-appointed as Director subject to the approval of Members in the ensuing General Meeting *vide* a board resolution dated June 23, 2011. He is a practicing Chartered Accountant with offices in Mumbai and Indore and holds a degree in B.Sc from Maharshi Dayanand University and is a Fellow Chartered Accountant. Mr. Beli has handled financials of various companies/entities in the course of his profession and brings vast knowledge and an experience of 16 years, in all the matters relating to finance, taxation, audit, corporate affairs, capital market etc.

*Mr. Nilesh Rathi*, aged 40 years, is an Independent Director of our Company and was appointed as an Independent Director on November 19, 2010 and was re-appointed as Director subject to the approval of Members in the ensuing General Meeting *vide* a board resolution dated June 23, 2011. He holds a degree in Bachelor of Commerce from Devi Ahilya Vishwa Vidhyalaya, Indore and has been running his own business since the last 15 years. Mr. Rathi adds to our core strategic and financial planning.

#### Family relationship between Directors

Except as disclosed below none of our directors are related to each other as defined under Companies Act and SEBI ICDR Regulations:

Name	Designation	Relationship with other Directors
Mr. Shyam Sunder Mundra	Chairman and Managing Director	Father of Mr. Vikalp Mundra and
		Mr. Anurag Mundra
Mr. Vikalp Mundra	Wholetime Director	Sons of Mr. Shyam Sunder



# BORROWING POWERS OF BOARD OF DIRECTORS

The borrowing powers of our Company are governed under the Companies Act. The Board of Directors of our Company has power to borrow up to Rs. 1000 crores as per the members' resolution passed in the Extraordinary General Meeting of our Company held on October 15, 2010.

For further details of the provisions of our Articles of Association regarding borrowing powers, refer to the chapter titled "*Main Provisions of the Articles of Association*" beginning on page 278 of this Red Herring Prospectus.

# **REMUNERATION AND BENEFITS TO DIRECTORS**

Except as disclosed below, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Name of the Director	Designation	April 01, 2010 – October 31, 2010 (before conversion into public limited company)	November 01, 2010- March 31, 2011 (total remuneration actually drawn after conversion to public limited company)	( <i>Rs.</i> ) Gross Salary paid for the FY 2010 - 11
Mr. Shyam Sunder Mundra	Chairman and Managing Director	24,50,000	7,50,000*	32,00,000
Mr. Vikalp Mundra	Whole Time Director	21,00,000	7,50,000*	28,50,000
Mr. Anurag Mundra	Whole Time Director	21,00,000	7,50,000*	28,50,000
Mr. Nilesh Rathi	Independent Director	-	2,000	2,000
Mr. Narendra Beli	Independent Director	-	2,000	2,000
Mrs. Aarti Jhaveri	Independent Director	-	3,000	3,000

\*Vide resolution dated June 21, 2011 passed by the Remuneration Committee, payment of remuneration to Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra ("Executive Directors") for the period November 01, 2010 till March 31, 2011 has been fixed to Rs. 1,25,000 per month (As per the extraordinary general meeting held on October 15, 2010, the Executive Directors could draw up to Rs. 5,00,000 per month, however, the Executive Directors had actually drawn Rs. 1,50,000 per month between November 1, 2010 to March 31, 2011). The Remuneration Committee is authorised to adjust the excess of remuneration drawn by the Executive Directors in the GY 2010-11 (November 1, 2010 to March 31, 2011) with the remuneration drawn by the Executive Directors in the current FY 2011-12. The resolution dated June 21, 2011 fixes the remuneration of the Executive Directors for the remaining period unless amended.

# 1. Remuneration of Mr. Shyam Sunder Mundra, Chairman and Managing Director is as follows:

Mr. Shyam Sunder Mundra was one of the subscribers to the Memorandum of Association of our Company and has been appointed as Chairman and Managing Director with effect from October 15, 2010. The details of his remuneration are as follows:

CATEGORY	PARTICULARS
Basic Salary	Up to maximum Rs. 5,00,000/- per month
Derguicites and Allowanges	Madical Deimburgement: Deimburged during
Perquisites and Allowances	<ul> <li>Medical Reimbursement: Reimbursed during the year subject to a ceiling of one month's salary.</li> <li>Leave Travel Concession: Reimbursed once</li> </ul>
	<ul> <li>in a year subject to a maximum of one month's salary.</li> <li>Our Company shall provide free use of a car with a driver.</li> </ul>
	<ul> <li>Free telephone facility at residence.</li> </ul>



	<ul> <li>Payment of one Club's fees including life membership fees.</li> <li>Reimbursement of entertainment expenses actually and properly incurred in the course of business of our Company shall be reimbursed.</li> <li>Reimbursement of all actual expenses incurred for discharging the duty/work of the Company.</li> </ul>	
Others	10% incentive of net profit subject to minimum of Rs. 6,00,000/- per annum	

# 2. Remuneration of Mr. Vikalp Mundra, Whole Time Director is as follows:

Mr. Vikalp Mundra was one of the subscribers to the Memorandum of Association of our Company and has been appointed on the Board of Directors of our Company as per the Articles of Association. He was appointed as a Wholetime Director on October 15, 2010.

The details of his remuneration are as follows:

CATEGORY	PARTICULARS
Basic Salary	Up to maximum Rs. 5,00,000/- per month
Perquisites and Allowances	<ul> <li>Medical Reimbursement: Reimbursed during the year subject to a ceiling of one month's salary.</li> <li>Leave Travel Concession: Reimbursed once in a year subject to a maximum of one month's salary.</li> <li>Our Company shall provide free use of a car with a driver.</li> <li>Free telephone facility at residence.</li> <li>Payment of one Club's fees including life membership fees.</li> <li>Reimbursement of entertainment expenses actually and properly incurred in the course of business of our Company shall be reimbursed.</li> <li>Reimbursement of all actual expenses incurred for discharging the duty/work of the Company.</li> </ul>
Others	10% incentive of net profit subject to minimum of Rs. 6,00,000/- per annum

# 3. Remuneration of Mr. Anurag Mundra, Whole Time Director is as follows:

Mr. Anurag Mundra was one of the subscribers to the Memorandum of Association of our Company and has been appointed on the Board of Directors of our Company as per the Articles of Association. He was appointed as a Wholetime Director on October 15, 2010. The details of remuneration are as follows:

CATEGORY	PARTICULARS
Basic Salary	Up to maximum Rs. 5,00,000/- per month
Perquisites and Allowances	<ul> <li>Medical Reimbursement: Reimbursed during the year subject to a ceiling of one month's salary.</li> <li>Leave Travel Concession: Reimbursed once in a year subject to a maximum of one month's salary.</li> <li>Our Company shall provide free use of a car with a driver.</li> <li>Free telephone facility at residence.</li> <li>Payment of one Club's fees including life membership fees.</li> <li>Reimbursement of entertainment expenses actually and properly incurred in the course of business of our Company shall be reimbursed.</li> <li>Reimbursement of all actual expenses incurred for discharging the duty/work of the Company.</li> </ul>
Others	10% incentive of net profit subject to minimum of Rs. 6,00,000/- per annum



## 4. Sitting fees payable to Independent Directors

Currently, the sitting fees payable by our Company to our independent directors is Rs. 1,000/- for every meeting of the Board attended by them, as approved *vide* Board resolution dated November 19, 2010. Other than sitting fees, we do not provide any compensation to any of our non-executive independent Directors.

# 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.

Ms. Toshiba Sugandhi, Company Secretary and Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

#### SHAREHOLDING OF DIRECTORS

As per our 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 this Red Herring Prospectus:

Sr.	Name of the Directors	No of Equity Shares	Percentage (%) of holding
No.		held	in our Company
1.	Mr. Shyam Sunder Mundra	55,51,588	37.01
2.	Mr. Vikalp Mundra	7,69,584	5.13
3.	Mr. Anurag Mundra	9,39,612	6.26
	Total	72,60,784	48.40

For details of payments or benefits paid to our Executive Directors, please refer to paragraph '*Remuneration and Benefits to Directors*' in the chapter titled "*Our Management*" beginning on page 142 of this Red Herring Prospectus.

None of our Directors or Key Managerial Personnel is appointed pursuant to any arrangement or understanding with major shareholders, customers or suppliers.

#### **Interest of Directors**

Our executive Directors Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra are also promoters of our Company. Except for Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra, none of our Directors has any interest in the promotion of our Company. All our executive Directors may be deemed to be interested to the extent of remuneration payable to them for their services as executive directors of our Company and all our non executive independent Directors may be deemed to be interested to be interested to the extent of remuneration graphene Directors may be deemed to be interested to be interested to the extent of remuneration graphene Directors may be deemed to be interested to be interested to the extent of remunerating meetings of the Board. All our Directors may be deemed to be interested to be interested to the extent of remuneration graphene of expenses payable to them under our Articles of Association. All our executive 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.

All our Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with other company in which they hold directorships, or any partnership firms in which they are partners or any proprietary concerns of which they are proprietors as declared in their respective declarations.

Further, save and except as stated otherwise in the chapters titled "Our Business", "Our Promoters and their Background" and "Financial Statements" beginning on pages 111, 156 and 174, respectively, of this Red Herring Prospectus, our Directors do not have any other interests in our Company as on the date of this Red Herring Prospectus.



Our Directors have no interest in any property acquired by our Company within two years from the date of this Red Herring Prospectus, or proposed to be acquired by our Company.

# CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Save and except as mentioned below, only 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	Remarks
		Resignation	
Ms. Aarti Jhaveri	November 19, 2010	-	Appointment
Mr. Narendra Beli	November 19, 2010	-	Appointment
Mr. Nilesh Rathi	November 19, 2010	-	Appointment

None of our Director has been selected as Director or member of senior management pursuant to any agreement or understanding with major shareholders, customers or others.

#### CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with BSE and NSE 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 particularly those relating to composition of Board, constitution of the Committees such as Shareholders/Investors Grievance Committee, Audit Committee, Remuneration Committee and IPO Committee.

Further, our Company undertakes to take all necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

# 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 6 Directors out of which 3 are independent directors in accordance with the requirement of clause 49 of the Listing Agreement of the Stock Exchanges.

Name of the Director	Designation	Category
Mr. Shyam Sunder Mundra	Chairman cum Managing	Executive and Non Independent
	Director	
Mr. Vikalp Mundra	Wholetime Director	Executive and Non Independent
Mr. Anurag Mundra	Wholetime Director	Executive and Non Independent
Ms. Aarti Jhaveri	Director	Non Executive and Independent
Mr. Narendra Beli	Director	Non Executive and Independent
Mr. Nilesh Rathi	Director	Non Executive and 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
- 4. IPO 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 November 19, 2010. The Audit Committee is responsible for effective supervision of the financial operations and ensuring that financial, accounting activities and operating controls are exercised as per the laid down policies and procedures.



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

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Narendra Beli	Chairman	Independent Director and Non-Executive
2.	Mr. Nilesh Rathi	Member	Independent Director and Non-Executive
3.	Ms. Aarti Jhaveri	Member	Independent Director and Non-Executive

Our Company Secretary, Ms. Toshiba Sugandhi will act as the secretary of the Committee.

#### Details of Audit Committee meetings held till date

Date of Meeting	Particulars		
March 30, 2011	Discussion on closure of books & accounts		
	Financial Year 2010-11;		
	Preparation of Trial Balance Sheet and Balance		
	Sheet;		
	Conducting Statutory Audit; and		
	Finalization of Balance Sheet		
June 20, 2011	Consideration And Recommendation to the Boar		
	Of Directors, the Balance Sheet as at March 31		
	2011 and the Profit and Loss account for the year		
	ended along with notes on accounts And Cash		
	Flow Statement		
	Recommendation of Appointment of M/S. Ashok		
	Khasgiwala & Co., Chartered Accountants, as		
	statutory auditors in the ensuing annual general		
	meeting		

#### Powers of the Audit Committee

The audit committee is granted with all the general powers to perform its duties relating to finance management, taxation, audit, inspection and investigation etc.

- 1. To investigate any activity within its terms of reference;
- 2. To seek information from any employee;
- 3. To obtain outside legal or other professional advice; and
- 4. To secure attendance of outsiders with reasonable expertise, if considered necessary

#### 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 this 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 isadopted 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.
- xix. Any other matter as delegated by the board of directors time to time;

# **REMUNERATION COMMITTEE**

The constitution of the Remuneration Committee was approved at a meeting of the Board of Directors held on November 19, 2010 in accordance with the provision of Article 206 of Article of Association of the Company.

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.	Ms. Aarti Jhaveri	Chairman	Independent Director and Non-Executive
2.	Mr. Narendra Beli	Member	Independent Director and Non-Executive
3.	Mr. Nilesh Rathi	Member	Independent Director and Non- Executive

Our Company Secretary, Ms. Toshiba Sugandhi will act as the secretary of the Committee.

## Details of Remuneration Committee meetings held till date

Date of Meeting	Particulars
June 21, 2011	Remuneration to Executive Directors of the Company for the Financial Year 2010-11:
	In accordance with the provisions of Sections 198, 269, 302, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956, and as per the terms



and conditions of the appointment of Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra, the remuneration committee has approved the payment of remuneration for the period November 2010 till March 2011 of Rs. 1,25,000.
approved the payment of remuneration for the period
Mr. Narendra Beli and Ms. Aarti Jhaveri are
authorised to adjust the excess of remuneration drawn by the Executive Directors in the FY 2010-11
with the remuneration drawn by the Executive Directors in the current FY 2011-12.

# 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' GRIEVANCE COMMITTEE

The Shareholders' / Investors' Grievance Committee has been constituted by the Board of Directors at the meeting held on November 19, 2010 in compliance with Clause 49 of the Listing Agreement for looking into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet etc.

Sr. No.	Name	Designation	Nature of Dire	ctorship		
1.	Mr. Nilesh Rathi	Chairman	Independent	Director	and	Non-
			Executive			
2.	Mr. Narendra Beli	Member	Independent	Director	and	Non-
			Executive			
3.	Ms. Aarti Jhaveri	Member	Independent	Director	and	Non-
			Executive			

The Shareholders' / Investors' Grievance Committee has been constituted with the following Directors:

Our Company Secretary, Ms. Toshiba Sugandhi will act as the secretary of the Committee.

# Details of Shareholders' / Investors' Grievance Committee meetings held till date

Date of Meeting	Particulars	
March 24, 2011	Note on dematerialization of equity shares by receipt of electronic connectivity from CDSL and NSDL, ISIN Number being INE899L0104;	
	Ms. Aarti Jhaveri and Mr. Anurag Mundra authorized to inform the present shareholders of the activation of electronic connectivity	



June 20, 2011	Note on Investor Grievance: The committee was informed that no Investor grievance had been received by the company from any of the Investors, shareholders or any other person.
	Note on dematerialization of equity shares: Mrs. Aarti Jhaveri placed before the committee BENPOSE showing details of shares which is converted and held into electronic mode. The Committee, on being informed that process of Dematerialization of Equity Shares of the company is still under process, resolved to issue a reminder letter to remaining physical shareholder informing to dematerialize their shares

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

To allot the Equity Shares of the Company;

- 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.
- vii. To approve transfer/transmission of share/debenture/bonds of the company;
- viii. To issue certificate of share/debenture/bonds on allotment thereof and split/consolidation/ renewal thereof;
- ix. To issue duplicate certificates under the seal of the Company.
- x. Matters as delegated by board time to time.

# In addition we have constituted the following committee:

# IPO COMMITTEE

The IPO Committee has been constituted by the Board of Directors at the meeting held on November 19, 2010 in accordance with the provision of Article 206 of the Article of Association of the Company and for smooth and effective working of Initial Public Offer (IPO) of the company.

The IPO Committee has been constituted with the following Directors:

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Shyam Sunder Mundra	Chairman	Non Independent and Executive Director
2.	Mr. Vikalp Mundra	Member	Non Independent and Executive Director
3.	Mr. Anurag Mundra	Member	Non Independent and Executive Director

Our Company Secretary, Ms. Toshiba Sugandhi will act as the secretary of the Committee

#### Details of IPO Committee meetings held till date

Date of Meeting	Particulars
January 17, 2011	Review of the working progress of the IPO

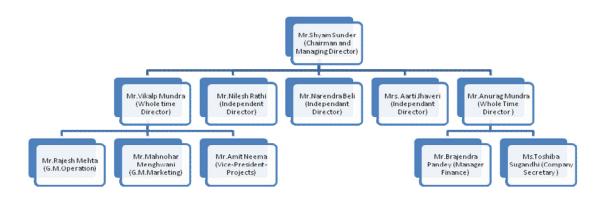


March 02, 2011	Confirmation of the minutes of the previous meetings;	
	Observation Letter issued from SEBI placed	
June 20, 2011	before committee for discussionTaking note on working of Initial Public Offer:Mr. Anurag Mundra, Director of the Company	
	informed the committee that the Draft Red Herring Prospectus of the company was duly filed on Lanuary 10, 2011 with SEPL and SEPL after	
	on January 19, 2011 with SEBI and SEBI, after analyzing all facts and figure and after issuing observation letters had approved the Draft Red	
	Herring Prospectus. The committee was informed that drafting of the Red Herring Prospectus is in	
	process. Further, the company had received various proposals from many banks to act as a banker to	
	the issue and a list of banks & proposal form was placed before the committee for discussion for the same.	

# The terms of reference of our IPO Committee are given below:

- i. Appointment of Merchant Banker, Legal Advisor, Registrar and Share Transfer Agent etc. and to coordinate with them and to ensure proper working
- ii. To consult with various authorities including Government, Semi Government and private institutions including bank etc.
- iii. To provide all documents, papers etc required for the purpose of IPO,
- iv. To sign, seal, execute etc. any paper, document, deed etc as and when required,
- v. To file necessary documents as and when required to various authorities viz. SEBI, ROC, Stock Exchange etc.
- vi. To ensure proper compliance of various act, guideline, rule and regulation, agreements etc.
- vii. To ensure smooth and timely working of all proceedings,
- viii. Matters as delegated by board time to time."

# ORGANISATIONAL CHART OF OUR COMPANY





# KEY MANAGERIAL PERSONNEL

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

Name	Designation	
Mr. Manohar Menghwani	G.M. – Marketing	
Mr. Amit Neema	Vice President – Projects	
Mr. Rajesh Mehta	G.M. – Operations	
Mr. Brajendra Pandey	Manager – Finance	
Ms. Toshiba Sugandhi	Company Secretary and Compliance Officer	

**Mr. Manohar Menghwani** aged 40 years is the G.M. (Marketing) of our Company with an overall responsibility of marketing of power and distribution transformers manufactured by our Company, brand building with our customers, develop channel partners, control sales force etc. He has been associated with our Company since October 20, 2009. He holds a degree in Bachelor of Engineering (Electrical) from Government Engineering College University, Ujjain, M.P. and a Diploma in Electrical Engineering from Shri. Vaishnav Polytechnic, Indore. With an experience of 15 years in marketing of electrical products, Mr. Menghwani has previously worked as a Branch manager in BCH Electric Limited, New Delhi from January 2002 to September 2009. Gross remuneration paid to Mr. Menghwani for the FY 2010-11 was Rs. 4,04,055.

**Mr. Amit Neema** aged 40 years is the Vice President (Projects) in our Company. He joined our Company on April 01, 2010. He holds a degree in Bachelor of Engineering (Electrical) from Rani Durgavati University, Jabalpur. Previously, he was engaged in electrical contractual work in Empire Electrical and Refrigeration and has worked in the electrical industry for over 13 years. Gross remuneration paid to Mr. Neema for the FY 2010-11 was Rs. 6,00,000.

**Mr. Rajesh Mehta** aged 38 years is the GM (Operations) in our Company. He has completed his Bachelors degree in Engineering (Electrical) from Government Engineering College, Rewa and holds a Diploma in Electrical Engineering from Shri. Vaishnav Polytechnic, Indore. Mr. Mehta has an overall experience of 16 years in the switchgears and transformers sector. He has previously worked with M & B Switchgears, when it was a partnership firm, Gajra Gears Limited, Dewas as a Junior Engineer, and has been associated with our Company since its incorporation on June 09, 1999. Gross remuneration paid to Mr. Rajesh Mehta for FY 2010-11 was Rs. 4,36,260.

**Mr. Brajendra Pandey** aged 36 years is the Manager (Finance) of our Company. He holds Bachelor and Masters Degrees in Science from Kanpur University and has completed his CA Intermediate from ICAI, New Delhi. Mr. Pandey has a career spanning 10 years in Accounts, Audits, Taxation and Finance. He has previously worked with Caps and Seals Indore Private Limited and Samta Foods Limited, as Manager - Accounts. He has been with our Company since January 01, 2007. Gross remuneration paid to Mr. Brajendra Pandey for FY 2010-11 was Rs. 3,33,395.

**Ms. Toshiba Sugandhi,** aged 24 years is the Company Secretary and Compliance Officer of our Company. She is a qualified Company Secretary from Institute of Company Secretaries of India. She has also completed her Masters in Commerce from Devi Ahilya Vishwa Vidhyalaya, Indore. Before joining our Company on November 19, 2010 Ms. Sugandhi had previously worked with Flexituff International Limited, Kalani Group, Indore. She has an experience of 2 year in the field of secretarial compliances and RoC related matters. As Ms. Sugandhi was appointed as an employee of our Company w.e.f. November 2010, Ms. Toshiba Sugandhi was paid, from the month of November to March for the FY 2010-11, a remuneration of Rs. 98,210.

#### 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 Promoters/Directors of our Company have any relationship whatsoever with any of our Key Managerial Personnel.



#### **Shareholding of Key Managerial Personnel**

Except as set out in the table herein below, none of our key managerial personnel holds any Equity Shares in our Company as on date of this Red Herring Prospectus.

Name and designation	No. of Equity Shares	% of pre issue Equity
		Share capital
Mr. Amit Neema	62,040	0.41
Vice President – Projects		

### 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**

Save and except as mentioned below, there had been no changes in Key Managerial Personnel of our Company that are not in the normal course of employment, during the last three (3) years:

Name of the Key Management Person	Date of Appointment	Date of Resignation	Reason for Change
Mr. Manohar Menghwani	October 01, 2009	-	Appointment
Mr. Nitin Bansal	December 03, 2010	February 19, 2011	Resignation
Mr. Amit Neema	April 01, 2010	-	Appointment
Ms. Toshiba Sugandhi	November 15, 2010	-	Appointment

#### Employees

For details of the Employees/ Manpower of our Company, please refer to the paragraph titled "Manpower" on page 123 under chapter "*Our Business*" beginning on page 111 of this Red Herring Prospectus.

#### **Employees Stock Option Scheme**

Presently, our Company does not have any Employee Stock Option Scheme/Employee Stock Purchase Scheme or other similar scheme (ESOP/ESPS) 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 this Red Herring Prospectus, nor is such amount or benefit intended to be paid or given to any officer as on the date of this Red Herring Prospectus.



# **OUR PROMOTERS AND THEIR BACKGROUND**

#### **Our Promoters**

The following individuals are the Promoters of our Company:

- 1. Mr. Shyam Sunder Mundra
- 2. Mr. Vikalp Mundra
- 3. Mr. Anurag Mundra

## **Details of our Individual Promoters:**



#### Mr. Shyam Sunder Mundra

Address: 191, Saket Nagar, Indore, Madhya Pradesh, India

Mr. Shyam Sunder Mundra, aged 66 years, is the founder promoter, Chairman and Managing Director of our Company. He was appointed as the Chairman and Managing Director of our Company with effect from October 15, 2010 for a period of five years. He holds a degree in Bachelor of Science in Engineering (Electrical), a Masters degree in Electronics and Servomechanism from Indore University. He has also completed a Masters degree in Business Administration from Indore University. Mr. Shyam Sunder Mundra has over 42 years of experience in the power industry and specifically 34 years in the manufacturing of transformers sector. Previously he had worked for the Madhya Pradesh Electricity Board for 8 years, before venturing into the transformer business independently. In 1976, he started a proprietorship firm in the name of M AND B Switchgears, which over a period has grown into a corporate entity. Mr. Shyam Sunder Mundra's core competency lies in the field of power and transformers which has given the company an operational benefit through cost, quality and variety. As the Chairman and Managing Director of our Company he is actively involved in strategies relating to operations and manufacturing.

PAN: ACVPM0080H Passport: E0867872 Driving License No.: MP09R-2010-0011564 Voter's ID: WMZ8561813



# Mr. Vikalp Mundra

Address: 191, Saket Nagar, Indore, Madhya Pradesh, India

*Mr. Vikalp Mundra*, aged 40 years, is the promoter and Wholetime Director of our Company. He was appointed as the Wholetime Director with effect from October 15, 2010 for a period of five years. He holds a degree in Bachelor of Engineering (Electrical) from Rani Durgavati Vishwa Vidhyalaya, Jabalpur and a Masters degree in management science from Devi Ahilya Vishwa Vidhyalaya, Indore. He has an overall experience spanning 17 years in the transformer sector. He provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, production planning, improvement of production processes, etc.

PAN: ACVPM0079N Passport: E9607734 Driving License No.: MP09R-2009-0466806 Voter's ID: WMZ8561839



# Mr. Anurag Mundra



*Mr. Anurag Mundra*, aged 34 years, is the promoter and Wholetime Director of our Company. He was appointed as a Wholetime Director with effect from October 15, 2010 for a period of five years. Mr. Anurag Mundra holds a degree in Bachelor of Commerce from Devi Ahilya Vishwa Vidhyalaya, Indore and has completed his Post-Graduation Diploma in Business Administration (PGDBA) and Chartered Financial Analyst from Institute of Chartered Financial Analysts of India, Hyderabad. He joined our Company in 1999 after completing his education. Mr. Anurag Mundra has accumulated a thorough experience of 11 years experience in finance and administration of our Company, which is in the business of manufacture of transformers.

Address: 191, Saket Nagar, Indore, Madhya Pradesh, India

PAN: ABZPM2347L Passport: E4997540 Driving License No.: MP09R-2009-0183539 Voter's ID: WMZ8561854

# Undertaking

We confirm that the personal details of our Individual Promoters viz., Permanent Account Numbers, bank account numbers and passport numbers will be submitted to BSE and NSE on which our securities are proposed to be listed, at the time of filing this Red Herring Prospectus with such Stock Exchanges.

# Change in Promoter

Our Promoters are the original promoters of the Company

# Experience of the Promoters in the business of our Company

Our Promoters have an experience of 62 years in our current lines of business. Our Promoters are assisted by a team of highly qualified professionals to manage the operations of our Company. Our Company is proposing to set up a 4MWp Solar Power Plant along with its 2MWp Solar Power Plant, which is currently under execution. However our Promoters do not have any experience in the solar power plant industry. For details on risk related to this point, please refer to chapter titled "*Risk Factors*" beginning on page 16 of this Red Herring Prospectus.

# Interest of Promoters

Our Promoters are also Directors of our Company. Except for remuneration received as directors and equity shares issued to them, our Promoters do not have any interest:

- Other than in the promotion of our Company
- In any property acquired by our Company within a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired our Company as on the date of filing this Red Herring Prospectus with SEBI.
- Where the interest of such a director or promoter consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company, in connection with the promotion or formation of the issuer.
- In any transaction in acquisition of land, construction of building and supply of machinery, etc. with full details of the transaction and the amount involved



Our Promoters do not have any other interests in our Company as on the date of this Red Herring Prospectus except as stated otherwise under the sub heading titled '*Property*' on page 126 in the chapter titled "*Our Business*" beginning on page 111, and under the sub-heading titled '*Shareholding of our Directors*' on page 147 and '*Interest of Directors*' on page 147 in the chapter titled "*Our Management*" beginning on page 142 of this Red Herring Prospectus, in the chapter titled "*Financial Statements- Annexure- XV - Related Party Disclosure in accordance with AS-18*" on page 174 of this Red Herring Prospectus. Further, our Promoters have given certain personal guarantees in relation to loan facilities availed by our Company. For details, refer chapter titled "*Financial Indebtedness*" beginning on page 205 of this Red Herring Prospectus.

# 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 this Red Herring Prospectus except as mentioned / referred to in this chapter and in the chapter titled "*Our Management*" and "*Financial Statements*" beginning on page 142 and 174 respectively, of this Red Herring Prospectus. Further, as on the date of this Red Herring Prospectus, there is no bonus or profit sharing plan for our Promoters.

# Other Confirmations

Our Company has neither made any payments in cash or otherwise to the Promoters or to firms or companies in which our Promoters are interested as members, directors or promoters nor have our Promoters been offered any inducements to become directors or otherwise to become interested in any firm or company, in connection with the promotion or formation of our Company.

Our Promoters and Promoter Group, including relatives of the Promoters have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority. Further, there are no violations of securities laws committed by our Promoters and Promoter Group in the past or are pending against them.

# Our Promoter Group

# A. Individuals forming part of our Promoter Group

The natural persons who are part of our Promoter Group (being the immediate relatives of our individual Promoters), apart from our Promoters mentioned above, are as follows:

Relationship	Mr. Shyam Sunder	Mr. Vikalp Mundra	Mr. Anurag Mundra
	Mundra		
Father	Late Mr. Gendalal Ji Mundra	Mr. Shyam Sunder Mundra	Mr. Shyam Sunder Mundra
Mother	Ms. Sushila Devi Mundra	Ms. Geeta Mundra	Ms. Geeta Mundra
Spouse	Ms. Geeta Mundra	Ms. Vandana Mundra	Ms. Sarita Mundra
Brother	Dr. Ishwar Lal Mundra	Mr. Anurag Mundra	Mr. Vikalp Mundra
Sister	-	-	-
Sons	Mr. Vikalp Mundra and	Master Pratyush Mundra	Master Ayush Mundra
	Anurag Mundra	(Minor)	(Minor)
Daughter	-	Miss Pravgya Mundra	-
		(Minor)	

# Summary of Promoter Group entities

Sr. No.	Name of the Company	Relationship
1.	C. S. Steels Private Limited	Promoter Group / Associate Company
2.	Ambika Conductors Private Limited	Promoter Group / Associate Company
3.	Geeta Electricals Indore Private Limited	Promoter Group / Associate Company
4.	Indore Transformers Private Limited	Promoter Group / Associate Company
5.	Autopal Trade Impex Private Limited **	Subsidiary Company
6.	Proximo Energy Concept Private Limited***	Subsidiary Company



Sr. No.	Name of partnership firm	Relationship
1.	M/s Agartala Electricals LLP	Promoter Group
2.	M/s Vibrant Technologies	Promoter Group

Sr. No.	Name of HUFs	Relationship
1.	G. J. Mundra HUF	Promoter Group
2.	S. G. Mundra HUF	Promoter Group
3.	Vikalp Mundra HUF	Promoter Group
4.	Anurag Mundra HUF	Promoter Group

Sr. No.	Name of trusts	Relationship	
1.	SVA Family Welfare Trust	Promoter Group	
2.	Shri Ramchandra Maharaj Trust	Promoter Group	
3.	Pravgya Family Trust	Promoter Group	
4.	Pratyush Family Trust	Promoter Group	
5.	Ayush Family Trust	Promoter Group	

Sr. No.	Name of proprietary concerns	Relationship
1.	Alternate Engineering Company	Promoter Group
2.	Daffodils – proprietor Geeta Mundra*	Promoter Group

Proprietorship concern has been discontinued with effect from March 31, 2009.
 \*\* Our Company has sold its entire holding in Autopal Trade Impex Private Limited on May 15, 2010.
 \*\*\* Proximo Energy Concept Private Limited has been incorporated as the wholly owned subsidiary of the Company on August 23, 2011.



# **OUR GROUP ENTITIES**

The SEBI ICDR Regulations defined Group Companies to mean companies, firms, ventures etc. promoted by the promoters of the issuer, irrespective of whether such entities are covered under Section 370(1)(b) of the Companies Act, 1956 or not. As on the date of this Red Herring Prospectus the companies promoted by our Promoters comprising our Group Entities are the following:

# **Companies:**

- 1. Geeta Electricals Indore Private Limited
- 2. Ambika Conductors Private Limited
- 3. C. S. Steels Private Limited
- 4. Indore Transformers Private Limited
- 5. Proximo Energy Concept Private Limited

#### Partnership Concerns:

- 1. M/s Agartala Electricals LLP
- 2. M/s Vibrant Technologies

## Trusts:

- 1. SVA Family Welfare Trust
- 2. Shri Ramchandra Maharaj Trust
- 3. Pravgya Family Trust
- 4. Pratyush Family Trust
- 5. Ayush Family Trust

#### Hindu Undivided Family:

- 1. G.J. Mundra HUF
- 2. S. G. Mundra HUF
- 3. Vikalp Mundra HUF
- 4. Anurag Mundra HUF

# **Proprietary concern**

1. Alternate Engineering Company

# COMPANIES

# Five largest group entities

The top four Group Companies based on their turnover are as follows:

# 1. Geeta Electricals Indore Private Limited ("GEIPL")

Date of Incorporation	GEIPL was formed by conversion of a partnership firm M/s. Geeta Electricals,	
	Indore into a private company as per the provisions of Part IX of the Companies	
	Act, 1956 on June 09, 1999	
Registration No ( CIN)	U31200MP1999PTC013570	
Registrar	Registrar of Companies, Gwalior, Madhya Pradesh and Chattisgarh	
Registered Office	222 - Sector 'E', Sanwer Industrial Area, Indore, Madhya Pradesh 452 001	
Nature of Activities	GEIPL was incorporated with the object of manufacturing, repairing, importing, exporting and supplying various types of transformers, metering sets, voltage stabilizers, high and low tension switchgears pumps, furnaces, ovens, heating chambers, control equipments, transmission towers, overhead fitting, mining equipments and electrical sub-station equipments.	
Present Activities	Presently GEIPL is engaged in trading of Iron & Steel and Electrical Items	

#### Board of Directors as on the date of this Red Herring Prospectus



Sr. No.	Name of directors of GEIPL	Number of Shares of face value Rs. 100	Percentage of share capital (%)
3.	Ms. Geeta Mundra	26,240	49.52
4.	Mr. Anurag Mundra	15,739	29.69
5.	Mr. Sanat Kumar Mandovara	8,000	15.09
	Total	49,979	94.30

# Shareholding pattern

The shareholding pattern of GEIPL as on the date of this Red Herring Prospectus:

Sr. No.	Name of Shareholders	Number of Shares of face value Rs. 100	Percentage of share capital (%)
1.	Ms. Geeta Mundra	26,240	49.52
2.	Mr. Anurag Mundra	15,739	29.69
3.	Mr. Sanat Kumar Mandovara	8,000	15.09
4.	Mr. Vikalp Mundra	10	0.02
5.	Ms. Vandana Mundra	10	0.02
6.	Ms. Sarita Mundra	3,001	5.66
	Total	53,000	100.00

There has been no change in the capital structure in the last six months from the date of the Red Herring prospectus.

#### **Financial information**

		(	Rs. In Lacs)
	For the period ended March 31,		31,
Particulars			
	2009	2010	2011
Equity Capital			
	53.00	53.00	53.00
Reserves and Surplus (except revaluation reserve)			
	45.69	42.94	43.86
Total Income			
	800.97	759.76	239.00
Profit / (Loss) after tax			
	8.23	-2.75	0.92
Earnings per share (Rs.)			
	15.53	-5.19	1.73
Diluted Earnings per share (Rs.)			
	15.53	-5.19	1.73
Net Asset Value Per Share (Rs.)			
	186.21	181.02	182.75

# Other disclosures:

The equity shares of GEIPL are not listed on any of the stock exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against GEIPL by any stock exchange or SEBI.

GEIPL is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further GEIPL is not under winding up, and does not have a negative net worth. There are no defaults in meeting any statutory/bank/institutional dues and has not been declared as a wilful defaulter as per Reserve Bank of India. Further GEIPL has not been declared as a defunct company under Companies Act.

# 2. Ambika Conductors Private Limited ("ACPL")



Date of	July 14, 2005	
Incorporation		
Registration	U31104TN2005PTC056916	
No ( CIN)		
Registrar	Registrar of Companies, Tamilnadu	
Registered	No. 20, Phase – V, SIDCO Industrial Estate, Gumidipoondi, Chennai - 600099	
Office		
Nature of	In the business of manufacturing and carrying on the business of AAC, AAAC, ACSR and all	
Activities	types of conductors, aluminium wires, stay wire, light and heavy engineering fabrications, bus	
	and truck body buildings, sheet light fittings, electrical, sanitary household fittings and PVC	
	wires, copper wires, XLPE and tropoder cables, steel wiring drawing, wire nails, GI wires, GI	
	Hardware, stay sets, barbed wires, ferrous and non ferrous wires and cables of all kinds, A.B.	
	switch, nut bolts, metering sets, voltage stabilizers, high and low tension switchgears, motors,	
	pumps, furnaces, ovens, heating chambers, control equipments, transmission towers, overhead	
	mining equipments and electrical sub station equipments, transformers of all kinds including	
	instrument transformers, and to manufacture, assemble, market, fabricate, lease, supply,	
	distribute, buy, sell, import, export, design, manipulate, exchange, alter, improve, prepare,	
	install, maintain, repair, or otherwise deal in any or all types of electric equipments and their	
	parts, components or sub-assemblies thereof for commercial, industrial or domestic uses	
Present	Presently ACPL is engaged in manufacturing of AAC, AAAC, ACSR and types of conductors	
Activities		

# Board of Directors as on the date of this Red Herring Prospectus

Sr. No.	Name of directors of ACPL	Number of Shares of	Percentage of share
		face value Rs. 100	capital (%)
1.	Mr. Anurag Mundra	7,000	28.00
2.	Mr. Vikalp Mundra	8,500	34.00
	Total	15,500	62.00

# Shareholding pattern

The shareholding pattern of ACPL as on the date of this Red Herring Prospectus:

Sr. No.	Name of Shareholders	Number of Shares of face value Rs. 100	Percentage of share capital (%)
1.	Mr. Anurag Mundra	7,000	28.00
2.	Mr. Vikalp Mundra	8,500	34.00
3.	SVA Family Welfare Trust	6,000	24.00
4.	Ramchandra Maharaj Trust	3,000	12.00
5.	Vikalp Mundra HUF	500	02.00
	Total	25,000	100.00

There has been no change in the capital structure in the last six months from the date of the Red Herring prospectus.

# **Financial information**

			(Rs. In Lacs)
Particulars	For the period ended March 31,		
	2008	2009	2010
Equity Capital	25.00	25.00	25.00
Reserves and Surplus (excluding revaluation	16.09	17.47	19.55
reserve)			
Total Income	686.75	398.20	412.59
Profit / (Loss) after tax	6.33	1.38	2.08
Earnings per share (Rs.)	25.34	5.53	8.33
Diluted Earnings per share (Rs.)	25.34	5.53	8.33
Net Asset Value Per Share (Rs.)	162.66	168.44	178.20

Note: No audit has been done for the period ended March 31, 2011

# Other disclosures:

The equity shares of ACPL are not listed on any of the stock exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against ACPL by any stock exchange or SEBI.



ACPL is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further ACPL is not under winding up, and does not have a negative net worth. There are no defaults in meeting any statutory/bank/institutional dues and has not been declared as a wilful defaulter as per Reserve Bank of India. Further ACPL has not been declared as a defunct company under Companies Act.

3.	C. S. Steels	<b>Private Limited</b>	("CSSPL")
----	--------------	------------------------	-----------

Date of	June 17, 1982
	Julie 17, 1762
Incorporation	
Registration	U28931MP1982PTC001996
No ( CIN)	
Registrar	Registrar of Companies, Gwalior, Madhya Pradesh and Chattisgarh
Registered	109 - B Sector, Sanwer Road Industrial Area, Indore, Madhya Pradesh
Office	
Nature of	In the manufacture of transformer and transformer parts; with the object of manufacturing,
Activities	fabricating, importing, exporting, buying and selling all types of ferrous and non ferrous steel,
	alloy steel, stainless steel, brass, aluminium or of any other metal utensils, pipes wires, wire
	products, nails, screws, expanded metal, hinges, hinge plates etc. and to manufacture and deal
	in any other engineering products.
Present	Presently CSSPL is engaged in trading of Iron & Steel
Activities	

# Board of Directors as on the date of this Red Herring Prospectus

Sr. No.	Name of directors of CSSPL	Number of Shares of face value Rs. 100	Percentage of share capital (%)
1.	Mr. Shyam Sunder Mundra	110	2.20
2.	Mr. Vikalp Mundra	1000	20.00
	Total	1,110	22.20

# Shareholding pattern

The shareholding pattern of CSSPL as on the date of this Red Herring Prospectus:

Sr. No.	Name of Shareholders	Number of Shares of face value Rs. 100	Percentage of share capital (%)
1.	Ms. Geeta Devi Mundra	220	4.40
2.	Mr. Shyam Sunder Mundra	110	2.20
3.	Mr. Vikalp Mundra	1000	20.00
4.	Mr. Shrevan Kumar Beli	300	6.00
5.	G. J Mundra HUF	940	18.80
6.	S. G Mundra HUF	300	6.00
7.	Ms. Sarita Mundra	746	14.92
8.	Mr. Anurag Mundra	250	5.00
9.	Vikalp Mundra Huf	30	0.60
10.	Ms. Vandana Mundra	500	10.00
11.	Anurag Mundra HUF	200	4.00
12.	Ayush Family Trust	101	2.02
13.	Pratyush Family Trust	101	2.02
14.	Pravgya Family Trust	101	2.02
15.	SVA Family Welfare Trust	100	2.00
16.	Shri Ramchandra Maharaj Trust	01	0.02
	Total	5,000	100.00



There has been no change in the capital structure in the last six months from the date of the Red Herring prospectus.

## **Financial information**

		(	Rs. In Lacs)
	For the period ended March 31,		
Particulars			
	2009	2010	2011
Equity Capital	5.00	5.00	5.00
Reserves and Surplus (except revaluation reserve)	25.41	36.80	36.98
Total Income	453.06	183.34	8.79
Profit / (Loss) after tax	11.07	11.39	0.18
Earnings per share (Rs.)	221.40	227.80	3.62
Diluted Earnings per share (Rs.)	221.40	227.80	3.62
Net Asset Value Per Share (Rs.)	608.11	835.99	839.62

Other disclosures:

The equity shares of CSSPL are not listed on any of the stock exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against CSSPL by any stock exchange or SEBI.

CSSPL is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further CSSPL is not under winding up, and does not have a negative net worth. There are no defaults in meeting any statutory/bank/institutional dues and has not been declared as a wilful defaulter as per Reserve Bank of India. Further CSSPL has not been declared as a defunct company under Companies Act.

# 4. Indore Transformers Private Limited ("ITPL")

Date of Incorporation	April 09, 1986
Registration No ( CIN)	U31102MP1986PTC003357
Registrar	Registrar of Companies, Gwalior, Madhya Pradesh and Chattisgarh
Registered Office	5 – Kanungo Bakhal, Indore, Madhya Pradesh
Nature of Activities	The company was incorporated with the object of business of manufacturing, repairing, importing, exporting, supplying various types of transformers, metering sets, voltage stabilizers, high and low tension switchgears pumps, furnaces, ovens, heating chambers, control equipments, transmission towers, overhead fitting, mining equipments and electrical sub-station equipments.
Present Activities	Presently ITPL is engaged in job work of repair and maintenance of electrical items such as electrical control panels, sub stations and switchyards etc.

# Board of Directors as on the date of this Red Herring Prospectus

Sr. No.	Name of directors of ITPL	Number of Shares of face value Rs.100	Percentage of share capital (%)
1.	Mr Shyam Sunder Mundra	105	10.00
2.	Ms. Vandana Mundra	20	1.91
	Total	125	11.91

#### Shareholding pattern

The shareholding pattern of ITPL as on the date of this Red Herring Prospectus:



Sr. No.	Name of Shareholders	Number of Shares of face value Rs.100	Percentage of share capital (%)
1.	Ms. Mamta Shukla	22	1.09
2.	Mr Shyam Sunder Mundra	105	10.00
3.	Mr. Shankar Rao	10	0.95
4.	Shyam Sunder Mundra HUF	282	26.88
5.	Mr. Vikalp Mundra	100	9.53
6.	Ms. Geeta Mundra	80	7.63
7.	Ms. Vandana Mundra	20	1.91
8.	Mr. Anurag Mundra	180	17.17
9.	G.J. Mundra HUF	250	23.84
	Total	1,049	100.00

There has been no change in the capital structure in the last six months from the date of the Red Herring prospectus.

### **Financial information**

		(	Rs. In Lacs)
Particulars	For the period 2009		
	2009	2010	2011
Equity Capital	1.05	1.05	1.05
Reserves and Surplus (except revaluation reserve)	2.36	2.41	2.43
Total Income	0.75	0.32	0.27
Profit / (Loss) after tax	0.42	0.05	0.02
Earnings per share (Rs)	40.50	4.51	2.06
Diluted Earnings per share (Rs)	40.50	4.51	2.06
Net Asset Value Per Share (Rs.)	325.00	329.52	331.58

Other disclosures:

The equity shares of ITPL are not listed on any of the stock exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against ITPL by any stock exchange or SEBI.

ITPL is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further ITPL is not under winding up, and does not have a negative net worth. There are no defaults in meeting any statutory/bank/institutional dues and has not been declared as a wilful defaulter as per Reserve Bank of India. Further ITPL has not been declared as a defunct company under Companies Act.

# 5. Proximo Energy Concept Private Limited ("PECPL")

Date of Incorporation	PECPL is the wholly owned subsidiary of the Company, incorporated as a private
	limited company and certificate of incorporation has been issued on August 23,
	2011. The authorised share capital of PECPL is Rs. 5,00,000 divided into 50,000
	equity shares of Rs. 10 each.
Registration No ( CIN)	U29299MP2011PTC026618
Registrar	Registrar of Companies, Gwalior, Madhya Pradesh and Chattisgarh
Registered Office	13/2 and 13/1/1, Village Gagorani, Village Rajgarh, Madhya Pradesh
Nature of Activities	PECPL is incorporated with the object to deal, manufacture, erect, generate,
	receive, produce, improve, buy, sell etc in all types of energy equipment and to



	carry on, manage, supervise and control the business of transmitting,
	manufacturing, supplying, generating, distributing, dealing and trading in energy,
	power, electricity and all forms of energy and power generated. Further, to provide
	all types of consultancy services in the matter of Energy Generation including
	establishment, commissioning and to act as agent broker etc.
Present Activities	As on date PECPL has not commenced any business operations.

#### Board of Directors as on the date of this Red Herring Prospectus

- 1. Mr. Anurag Mundra; and
- 2. Mr. Vikalp Mundra.

## Shareholding pattern

The shareholding pattern of PECPL as on the date of this Red Herring Prospectus:

Sr. No.	Name of directors of PECPL	Number of Shares of face value Rs. 10	Percentage of share capital (%)
1.	M AND B Switchgears Limited	49,999	99.99
2.	Mr. Anurag Mundra (On behalf of M AND B Switchgears Limited	1	Negligible
	Total	50,000	100.00

There has been no change in the capital structure in the last six months from the date of the Red Herring prospectus.

#### Financial information

As PECPL has been incorporated on August 23, 2011 and is yet to commence any business operations, hence the financial information is not available.

#### PARTNERSHIP CONCERN

#### 1. M/s Agartala Electricals LLP

Date of Partnership Deed	M/s Agartala Electricals LLP is a limited liability partnership firm constituted <i>vide</i> a Limited Liability Partnership Deed dated June 08, 2010
Registered Office	60, Central Road, PO Agartala, Agartala, Tripura 799 001.
Nature of Activities	The firm is constituted with an object of doing a business of manufacturing of Electrical Transformers, cables, conductors, execution of electrical turnkey projects.

#### Partners and their share in the firm as on the date of this Red Herring Prospectus

Name of Partner	Profit/Loss Sharing %
Mr. Kanak Jain	30.00
Mr. Vikalp Mundra	70.00
Total	100.00

#### **Financial Information**

Financial information for the FY 2010-11 is not available as the firm has not yet commenced its operations.

For further information on PECPL please refer to chapter titled "*History and Certain Corporate Matters*" beginning on page 137 of this Red Herring Prospectus.

# Other disclosures:

Further the firm has not become bankrupt and does not have a negative net-worth. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the firm.



# 2. M/s Vibrant Technologies

Date of	October 28, 2009
Partnership Deed	
Registered Office	M/2, Vardhman Towers, Russel Crossing, Jabalpur, Madhya Pradesh
Nature of	The firm is constituted with an object of doing a business of providing training
Activities	of Multimedia, Animation and other IT related works.

### Partners and their share in the firm as on the date of this Red Herring Prospectus

Name of Partner	Profit/Loss Sharing %
Mr. Anand Parmar	50.00
Ms. Vandana Mundra	50.00
Total	100.00

# Financial Information

	(Rs. In Lacs)
Particulars	Fiscal 2011
Income	17.20
Profit/Loss after tax	0.52
Assets and Liabilities	23.41

# Other disclosures:

Further the firm has not become bankrupt and does not have a negative net-worth. There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the firm.

# PRIVATE TRUSTS

#### 1. SVA Family Welfare Trust

Date of creation	May 24, 2006
Settlors	Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra
Registered Office	191, Saket Nagar, Indore 452 001, Madhya Pradesh
Trustees	Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra

# **Objects:**

The Trust has been created exclusively for the purpose of maintenance, education, marriage, medical relief, household and personal expenses, tours and travels as well as spiritual welfare expenses for the benefit of existing as well as future family members of Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra and Mr. Anurag Mundra.

#### Financial information:

For the Financial Years 2008-09, 2009-10 and 2010-11 the Gross Total Income of the Trust is Rs. 97,063, Rs. 1,04,037 and Rs. 1,51,000 respectively.

The corpus of the trust as on March 31, 2011 is Rs. 35,57,000 made up of trust fund and accumulated fund.

# 2. Shri Ramchandra Maharaj Trust

Date of creation	May 21, 2006
Settlors	Mr. Vikalp Mundra and Ms. Vandana Mundra
Registered Office	191/3, Opposite Dr. Bansal, Saket Nagar, Indore 452 001, Madhya Pradesh.
Trustees	Mr. Vikalp Mundra and Ms. Vandana Mundra

#### **Objects:**



Shri Ramachandra Maharaj Trust was established by a religious trust deed dated May 21, 2006 between Mr. Vikalp Mundra and Ms. Vandana Mundra, both referred to as **"Settlors"**. The registered office of the Trust is situated at 191/3, Opposite Dr. Bansal, Saket Nagar, Indore 452 001, Madhya Pradesh. The name Shri Ramchandra Maharaj has been selected from the name of their personal deity Ramchandra Maharaj.

# **Objects:**

To establish a temple of their personal deity or god "Ramchandra Maharaj" at 191/3, Saket Nagar, Indore for the private worship, *daridranarayan seva*, *bhandara*, *jagran* and the welfare of the poor by the settler, his family and friends and relatives.

## Financial information:

For the Financial Years 2008-09, 2009-10 and 2010-11 the Gross Total Income of the Trust is Rs.1,40,620, Rs.1,40,062 and Rs. 1,81,000 respectively.

The corpus of the trust as on March 31, 2011 is Rs. 30,30,000 made up of trust fund and accumulated fund.

#### 3. Pravgya Family Trust

Date of creation	April 17, 2005
Settlors	Mr. Vikalp Mundra
Registered Office	191/3, Saket Nagar, Opposite Dr. Bansal, Indore 452 018, Madhya Pradesh
Trustees	Mr. Vikalp Mundra and Ms. Vandana Mundra

#### Objects

To hold the trust properties for the maintenance, education, marriage, medical relief of and for the absolute use, benefit and enjoyment of the sole beneficiary i.e., Miss Pravgya Mundra (Minor) until after she has attained the age of 18 years.

#### Financial information

For the Financial Years 2008-09, 2009-10 and 2010-11 the Gross Total Income of the Trust is Rs. 2,27,093, Rs. 2,73,910 and Rs. 3,54,000 respectively.

The corpus of the trust as on March 31, 2011 is Rs. 46,30,000 made up of trust fund and accumulated fund.

#### 4. Pratyush Family Trust

Date of creation	April 19, 2005
Settlor	Mr. Vikalp Mundra
Registered Office	191/3, Saket Nagar, Opposite Dr. Bansal, Indore 452 018, Madhya Pradesh.
Trustees	Mr. Vikalp Mundra and Ms. Vandana Mundra

#### Objects

To hold the trust properties for the maintenance, education, marriage, medical relief of and for the absolute use, benefit and enjoyment of the sole beneficiary i.e., Master Pratyush Mundra (Minor) until after he has attained the age of 18 years.

#### **Financial information**

For the Financial Years 2008-09, 2009-10 and 2010-11 the Gross Total Income of the Trust is Rs. 2,22,709, Rs. 2,79,113 and Rs. 3,94,000 respectively.

The corpus of the trust as on March 31, 2011 is Rs. 49,88,000 made up of trust fund and accumulated fund.



# 5. Ayush Family Trust

Date of creation	April 11, 2005
Settlor	Mr. Anurag Mundra
Registered Office	191/2, Saket Nagar, Opposite Dr. Bansal, Indore 452 018, Madhya Pradesh
Trustees	Mr. Anurag Mundra and Ms. Sarita Mundra

## Objects

To hold the trust properties for the maintenance, education, marriage, medical relief of and for the absolute use, benefit and enjoyment of the sole beneficiary i.e., Master Ayush Mundra (Minor) until after he has attained the age of 18 years.

#### **Financial information**

For the Financial Years 2008-09, 2009-10 and 2010-11 the Gross Total Income of the Trust is Rs. 2,26,920, Rs. 2,73,331 and Rs. 4,59,000 respectively.

The corpus of the trust as on March 31, 2011 is Rs. 42,57,000 made up of trust fund and accumulated fund.

# HINDU UNDIVIDED FAMILY

# 1. G.J. Mundra HUF ("GJMHUF")

GJMHUF is an ancestral HUF with Mr. Shyam Sunder Mundra as its Karta.

## Members as on the date of this Red Herring Prospectus

The members of GJMHUF are Mr. Shyam Sunder Mundra, Dr. Ishwar Lal Mundra, Ms. Sushila Devi Mundra, Ms. Geeta Mundra, Mr. Vikalp Mundra, Mr. Anurag Mundra, Master Pratyush Mundra (Minor) and Master Ayush Mundra (Minor)

# Financial information:

GJMHUF has no business and operation of its own, and thus there are no financials.

# 2. S. G. Mundra HUF ("SGMHUF")

SGMHUF was formed on June 24, 1982, with Mr. Shyam Sunder Mundra as its Karta.

# Members as on the date of this Red Herring Prospectus

The members of SGMHUF are Mr. Shyam Sunder Mundra, Ms. Geeta Mundra, Mr. Vikalp Mundra, Ms. Vandana Mundra, Master Pratyush Mundra (Minor), Miss Pravgya Mundra (Minor), Mr. Anurag Mundra, Ms. Sarita Mundra and Master Ayush Mundra (Minor)

#### **Financial information**

SGMHUF has no business and operation of its own, and thus there are no financials.

# 3. Vikalp Mundra HUF("VMHUF")

VMHUF was formed on December 24, 1999, with Mr. Vikalp Mundra as its Karta.

#### Members as on the date of this Red Herring Prospectus

The members of VMHUF are Mr. Vikalp Mundra, Ms. Vandana Mundra, Master Pratyush Mundra (Minor) and Miss Pravgya Mundra (Minor)

#### Financial information:



VMHUF has no business and operation of its own, and thus there are no financials.

# 4. Anurag Mundra HUF ("AMHUF")

AMHUF was formed on August 05, 2004 with Mr. Anurag Mundra as its Karta.

## Members as on the date of this Red Herring Prospectus:

The members of AMHUF are Mr. Anurag Mundra, Ms. Sarita Mundra and Master Ayush Mundra (Minor)

# Financial information:

AMHUF has no business and operation of its own, and thus there are no financials.

## PROPRIETARY CONCERN

#### 1. Alternate Engineering Company ("AEC")

#### AEC

AEC is a sole proprietary concern of Vikalp Mundra HUF. It is currently engaged in commission income and contracted job work. AEC has its office at 191, Saket Nagar, Indore, Madhya Pradesh.

# Financial information

The unaudited revenues sales figures of AEC for fiscals 2009, 2010 and 2011 are Rs. 17.40 Lacs, Rs. 20.56 lacs and Rs. 14.18 lacs. As the total turnover of the firm is below the audit limit, no separate audit has been done by AEC.

#### Common Pursuits

Except as disclosed below, none of our Group Companies are in a similar line of business as our Company.

- 1. Geeta Electricals Indore Private Limited
- 2. Indore Transformers Private Limited
- 3. C. S. Steels Private Limited
- 4. M/s Agartala Electricals LLP
- 5. Proximo Energy Concepts Private Limited (wholly owned subsidiary of our Company)

## **Business interest of Group Companies**

Except as stated in this chapter and chapter titled *"Financial Statements-Annexure-XV - Related Party Disclosure in accordance with AS-18"* beginning on page 174 of this Red Herring Prospectus, none of our Group Companies/associate companies has any business interest in our Company.

#### **Related Party Transactions**

For details pertaining to our related party transactions please refer to 'Annexure XV' beginning on page 20 in the chapter titled "Financial Statements" beginning on page 174 of this Red Herring Prospectus.

# Sales or Purchases between Company and the Group Companies

For details of sales and purchased between Company, Promoter Group and Group Companies please refer to chapter titled "Annexure- XV - Related Party Disclosure in accordance with AS-18" on page 20in the chapter titled "Financial Statements" beginning on page 174 of this Red Herring Prospectus.

#### Disassociated companies



Except for Autopal Trade Impex Private Limited the wholly owned subsidiary of our Company, from which our Company disassociated itself, w.e.f. May 15, 2010 due to commercial reasons, our Company has not disassociated from any of its Group Companies in the past three years.

## Previous Public or Rights Issues by the Group companies

None of our Group Companies/Entities are listed on any stock exchanges.

## Sick Companies

None of our Group companies is a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, as amended, or is under winding up or has any BIFR proceedings initiated against it. None of our Group Companies has been struck off as a defunct company by any registrar of companies in India or has a negative net worth.

# Loss making companies

Except for Geeta Electricals Private Limited which has incurred loss during the fiscal 2010 none of our Group Companies has made a loss in the preceding 3 years. For risks related to loss making group companies please refer to chapter titled "*Risk Factors*" beginning on page 16 of this Red Herring Prospectus.



# **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, general financial conditions, capital requirements and surplus, results of operations, contractual obligations and overall financial position, applicable Indian legal restrictions, our Articles of Association and other factors considered relevant by the Board of Directors.

In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements we may enter into to finance our various projects and also the fund requirements for our projects. Further, pursuant to the terms of the term loans obtained by our Company, prior written consent of the lenders of our Company is required to pay any dividends. The Board may also, from time to time, pay interim dividend. All dividend payments are made in cash to the shareholders of our Company. Our Company has not declared any dividends since its incorporation.



# **RELATED PARTY TRANSACTION**

For details of related party transaction, refer to heading "*Related Party Transactions*" in chapter titled "*Financial Statements*" beginning on page 174 of this Red Herring Prospectus.



# SECTION V – FINANCIAL INFORMATION

# FINANCIAL STATEMENTS

# AUDITORS REPORT AND FINANCIAL INFORMATION

To, The Board of Directors, M AND B Switchgears Limited, Survey No. 211/1, Opp. Sector – C & Metalman, Sanwer Road Industrial Area, Indore (M. P.) -452015 Subject: Financial Information of M AND B Switchgears Ltd.

Dear Sir,

We have examined the financial information of M AND B Switchgears Limited annexed to this report, initiated by us for identification, which has been prepared in accordance with the requirements of:

- I. Paragraph B, of Part II of Schedule II of the Companies Act, 1956 (the Act"), and the amendments thereof
- II. The Securities and Exchange Board of India (Issue of Capital & Disclosure Requirement Regulation) 2009 issued by the Securities and Exchange Board of India ("SEBI") and amendments made thereto from time to time in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992; and
- III. Our engagement with the Company requesting us to examine the financial information referred to above and proposed to be included in the offer document of the Company in connection with its Proposed Public Issue.
- IV. The Proposed public issue will be for a fresh issue by the company of 50,00,000 equity shares of Rs. 10 each, at such premium ,by way of book building process, as may be decided by the Board of Directors (referred to as 'the issue'). The Offer is made through the 100 percent book building process.
- V. Financial Information of the Company

We have examined:

- 1. The attached summary statement of Restated Assets & Liabilities of the Company as at March 31 2007, 2008, 2009, 2010 and 2011 as prepared by the management. (Annexure I).
- 2. The accompanying summary statement of Restated Profits & Losses of the Company for the financial years ended March 31 2007, 2008, 2009, 2010 and 2011 as prepared by the management. (Annexure II)
- The accompanying summary statement of cash flow of the company for the financial year ended March 31 2007, 2008, 2009, 2010 and 2011 as prepared by the management. (Annexure – III)

These statements reflect the Assets and Liabilities and Profit and Losses for each of the relevant years as extracted from the balance sheet and profit and loss account for those years. For our examination, we have placed reliance on the financial statements audited by our self for the financial year 2007, 2008, 2009, 2010 and 2011. These financial statements for



all the years have been approved by the Board of Directors of the Company and adopted by the members of the Company for the respective years. The Restated financial statements have been made after making such adjustments and regroupings and after incorporating material amounts and auditor's qualification requiring adjustments as in our opinion are appropriate and are described fully in the Notes appearing in Annexure V to this report.

- VI. Based on our examination of these summary statements we confirm that the restated financial information has been made in accordance with the provisions of sub-clause (B) of clause (IX) of Part A of Schedule VIII of the SEBI ICDR Regulations, and after incorporating:
  - a. Adjustments suggested in paragraph 9 of sub-clause (B) of clause (IX) of Part A of Schedule VIII of the SEBI ICDR Regulations,
  - b. The prior period items which are required to be adjusted are properly restated.,
  - c. There are no extra-ordinary items that need to be disclosed separately in the accounts.
  - d. The accounting policies applied for each of the years ended March 31, 2007, 2008, 2009, 2010 and 2011 is materially consistent with the existing Accounting Standards. (Annexure IV)
  - e. The Restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regrouping as in our opinion are appropriate in the year to which they are related as described in restated Financial Statement.
  - f. There was no qualification in the audit reports issued by us for the respective years which would require adjustment in these Restated Financial Statements
  - g. Other Financial information

We have also examined the following financial information relating to the Company prepared by the management for the purpose of inclusion in the Offer Document :-

- i. Statement of Other Income as appearing in Annexure VI to this report.
- ii. Statement of Accounting & Other Ratios as appearing in Annexure VII to this report.
- iii. Statement of Capitalization of the company as appearing in Annexure VIII to this report.
- iv. Statement of Tax Shelters as appearing in Annexure IX to this report.
- v. Statement of Secured Loans as appearing in Annexure X to this report.
- vi. Statement of Unsecured Loans as appearing in Annexure XI to this report.
- vii. Statement of Sundry Debtors as appearing in Annexure XII to this report.
- viii. Statement of Loans and Advances as appearing in Annexure XIII to this report.
- ix. Statement of Contingent Liabilities as appearing in Annexure XIV to this report.
- x. Statement of Related Party Transaction as appearing in Annexure XV to this report.
- xi. Statement of Dividend paid as appearing in Annexure XVI to this report
- xii. Statement of Long Term Investment as appearing Annexure XVII to this report.
- xiii. Statement of Expenditure incurred on the proposed Public Issue as appearing Annexure XVIII to this report.
- xiv. Details of Qualification in Auditors Report as Appearing in Annexure XIX to this report
- xv. Details of Changes in significant Accounting Policies as Appearing in Annexure XX to this report
- xvi. Material Developments after last Balance sheet date i.e. March 31, 2011 in Annexure XXI.
- VII. In our opinion, the above financial information of the Company read with Significant Accounting Policies & Notes to Accounts attached in Annexure IV & V to this report, after making adjustments and regrouping as considered appropriate has been prepared in accordance with Part II of the Schedule II of the Act and the SEBI (ICDR) Regulations issued by SEBI, as amended from time to time subject to and read with other notes.
- VIII. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion



on any of the financial statements referred therein.

IX. This report is intended solely for your information and for inclusion in the Offer document in connection with the public issue of Equity shares of the Company and is not be used, referred to or distributed for any other purpose without our written consent.

Thanking you

For Ashok Khasgiwala and Co. Chartered Accountants (Firm Reg. No. 0743C)

CA Avinash Baxi Partner M. No. 79722 Date : August 18, 2011 Place : Indore



# Annexure-I

Statement of Assets and Liabilities, as Restated

Statement of Assets and Liabilities, as Restated (Rs. In Lac)								
		For the Year Ended March 31						
Sr No	Particulars	2007	2008	2009	2010	2011		
A.	Fixed Assets							
	Gross block	110.93	139.87	781.47	918.44	1011.61		
	Less: Depreciation	34.13	42.22	53.00	81.84	115.50		
	Total	76.80	97.65	728.47	836.60	896.11		
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00		
	NET BLOCK	76.80	97.65	728.47	836.60	896.11		
	CAPITAL Work -in-Progress	0.00	0.00	0.00	0.00	136.29		
	TOTAL - FIXED ASSETS							
	(A)	76.80	97.65	728.47	836.60	1032.40		
n		0.00	0.00	0.00	5.00	0.00		
В.	Investments (B)	0.00	0.00	0.00	5.00	0.00		
C.	Current assets, loans and advances:							
0.	Inventories	297.18	375.60	500.20	357.12	498.11		
	Receivables	624.72	493.59	858.60	1684.69	814.21		
	Cash and bank balances	90.05	89.06	95.35	105.18	116.28		
	Loans and advances	141.13	129.33	148.21	203.19	471.65		
	Deferred Tax Assets	0.00	0.92	0.00	0.00	0.00		
	Other Current Assets	0.00	0.00	0.00	0.00	0.00		
	Total (C)	1153.08	1088.51	1602.36	2350.19	1900.25		
	Total assets (A + B + C)	1229.88	1186.16	2330.83	3191.79	2932.65		
D.	Liabilities and provisions							
	Secured loans	290.74	195.19	995.28	1305.51	1059.30		
	Unsecured loans	0.00	0.20	15.00	137.27	0.00		
	Deferred Tax Liability	1.69	0.00	10.34	16.00	26.58		
	Current liabilities	309.79	336.40	578.83	556.40	187.37		
	Provisions	32.54	30.51	41.26	69.10	103.40		
	Total Liabilities (D)	634.76	562.30	1640.72	2084.26	1376.65		
Е	Share Application Money (E)	0.00	0.00	25.3	56.54	0.00		
<b>F</b>		505.10	(22.0)	((1.01	10.50.00	1556.00		
F.	Net worth (A+B+C-D-E)	595.12	623.86	664.81	1050.98	1556.00		
G.	Represented by							
5	Share capital							
	-Equity Share Capital	76.03	76.03	76.03	85.83	1500.00		
	-Preference Share Capital							
	Less:- Call in Arrears							
	Total(a)	76.03	76.03	76.03	85.83	1500.00		
	Reserves and surplus	519.10	547.83	588.78	965.16	112.00		
	Less: Revaluation Reserve		0	0	0	0		
	TOTAL(b)	519.10	547.83	588.78	965.16	112.00		
	Less: Miscellaneous Expenditure	0	0	0	0	56.00		
	(To the extent not written off)					0.00		



Net Worth (a+b-c)	595.13	623.86	664.81	1050.98	1556.00
Total(c)	0.00	0.00	0.00	0.00	56.00

# Annexure - II

# Summary Statement of Profit and Loss, as Restated

	Summary Statement of Profit and Loss, as Restated (Rs. in Lacs)							
Sr		]	For the year ended March 31					
N	Particulars	2007	2008	2000	2010	2011		
0		2007	2008	2009	2010	2011		
A	Income							
	Sales of Products Manufactured by the	1298.4	1427.2	2648.1	3672.0	3365.4		
	Company	6	2	0	8	2		
	Sales of Products Traded by the Company	429.13	635.20	126.14	455.00	338.18		
	Less Excise Duty	187.14	222.74	294.58	303.97	304.89		
		1540.4	1839.6	2479.6	3823.1	3398.7		
	Net Sales	5	8	6	1	1		
	Job work Income	4.56	9.71	8.30	3.79	2.64		
	Delivery Charges	15.33	27.01	27.24	50.42	48.00		
	Other Income	33.95	32.87	18.31	16.18	79.73		
	Profit On Sales Of Assets	0.00	0.00	0.00	0.00	0.00		
			<b>5</b> 0.44	101.11	-	0.02		
	Increase/(Decrease) in Inventories	24.22	78.41	124.61	143.08	-0.82		
	Total (A)	1618.5 1	1987.6 8	2658.1 2	3750.4	3528.2 6		
	Total (A)	1	0	4	4	0		
В	Expenditure							
D	Expenditure	1304.3	1622.6	2195.8	2927.9	2730.6		
	Materials consumed	8	1022.0	2175.0	8	2750.0		
	Wages and Staff Costs	66.98	89.73	119.00	180.64	188.77		
	Other manufacturing expenses	0.00	0.00	0.00	0.00	0.00		
	Administrative, selling and distribution	0.00	0.00	0.00	0.00	0.00		
	expenses	162.18	170.31	205.15	281.52	266.39		
	Loss on sales of Fixed assets	0.00	0.00	0.00	0.00	0.00		
		1533.5	1882.7	2520.0	3390.1	3185.7		
	Total (B)	4	0	3	4	8		
С	Profit Before Interest, Depreciation and Tax	84.97	104.98	138.09	360.28	342.48		
	Depreciation	6.13	8.09	10.78	28.84	33.65		
D	Profit Before Interest and Tax	78.84	96.89	127.32	331.44	308.83		
	Financial Charges	44.35	56.40	64.35	205.81	187.06		
Е	Profit after Interest and Before Tax	34.49	40.49	62.96	125.63	121.77		
	Preliminary Expenses & Def. Exp. W/o	0.00	0.00	0.00	0.00	0.00		
F	Profit before Taxation	34.49	40.49	62.96	125.63	121.77		
	Provision for Taxation	12.43	12.90	8.50	27.00	32.00		
	Provision for Deferred Tax	-0.41	-2.61	11.27	5.65	10.58		
	Provision for FBT	0.76	1.17	1.17	0.00	0.00		
	Add/Less Tax adjustment	0.00	0.00	0.00	0.00	0.00		
	Total	12.78	11.46	20.93	32.65	42.58		
	Profit After Tax but Before Extra ordinary							
G	Items	21.71	29.03	42.03	92.98	79.19		
	Impact of material restatement - Gratuity	0.42	0.20	1.00	0.04	1 7 1		
	provision	0.42	0.30	1.08	0.84	1.71		
Η	Net Profit after adjustments	21.29	28.73	40.95	92.14	77.48		
	Balance brought forward from the previous	49.68	70.97	99.70	140.65	232.79		
	year Appropriations	+7.00	10.97	<i>3</i> 7.70	140.03	232.19		
	Capitalisation of profits by issue of Bonus	0.00	0.00	0.00	0.00	210.02		
	Capitalisation of profits by issue of Bonds	0.00	0.00	0.00	0.00	210.02		



	shares					
	Net Profit / (Loss) carried over to Balance					
Ι	Sheet	70.97	99.70	140.65	232.79	100.25

# Annexure – III

# Summary Statement of Cash Flow, as Restated

Summary Statement of Cash Flow, as Restated (Rs in Lacs)								
Sr.		For the year ended March 31						
No.	Particulars —	2007	2008	2009	2010	2011		
	Cash Flow from Operating							
A	Activities							
	Profit before tax, as restated after	34.07	40.19	61.88	124.79	120.06		
	adjustment	51.07	10.17	01.00	12	120.00		
	Adjustments for							
	Depreciation	6.13	8.09	10.78	28.84	33.65		
	Interest Received	-32.33	-32.25	-18.24	-15.85	18.15		
	Financial Exp.	31.70	43.51	48.60	177.52	156.30		
	Provision for Gratuity	0.00	0.00	0.00	0.00	1.71		
	Operating Income before	39.57	59.55	103.03	315.31	329.87		
	working capital changes							
	Adjustments for:							
	Decrease/(Increase) in Trade &	-119.76	131.14	-365.01	-826.10	870.49		
	Other Receivables	24.22	70.41	124 (1	142.00	140.00		
	Decrease/(Increase) in Inventories	-24.22	-78.41	-124.61	143.08	-140.98		
	Decrease/(Increase) in Loans & Advances	68.42	13.41	-4.32	-2.64	-234.35		
	Decrease/(Increase) in Misc. Exp							
	not w/off	0.00	0.00	0.00	0.00	0.00		
	Increase/(decrease) in Trade							
	Payables & Provisions	130.14	26.91	243.52	-21.60	-366.72		
	Cash Generated from							
	Operations	94.14	152.59	-147.39	-391.95	458.31		
	Direct Taxes (Net)	-11.30	-18.02	-14.56	-52.34	-34.12		
	Net Cash Flow from Operating							
	Activities	82.84	134.57	-161.95	-444.29	424.19		
	Cash Flow from Investing							
B	Activities							
	Purchase of Fixed Assets &							
	CWIP	(5.42)	(28.94)	(641.60)	(136.97)	(229.46)		
	Investments Made	-	_	-		0.00		
					(5.00)			
	Investments Sold	-	-	-	-	5.00		
	Interest Received			10.04				
		32.33	32.25	18.24	15.85	(18.15)		
	Public Issue Expenses	-	-	-		(56.00)		
	-					(56.00)		
	Net Cash used from Investing Activities	26.91	3.31	(623.36)	(126.12)	(298.62)		
	Activities	20.91		(023.30)	(120.12)	(290.02)		
	Cash Flow from Financing							
С	Activities							
C								
	- Share Capital	-	-	-	9.80	470.08		
					2.00			
	- Share Premium	-	-	-	284.23	11.75		
	- Share Application Money	-	-	25.30	31.24	56.54		
			I		1			



- Loans Receipt (Net)	(53.43)	(95.35)	814.89	432.49	(383.47)
- Interest Paid	(31.70)	(43.51)	(48.60)	(177.52)	(156.30)
Net Cash Flow from Financing					
Activities	(85.13)	(138.86)	791.59	580.24	(114.48)
Net Increase/(Decrease) in Cash					
& Cash Equivalents (A+B+C)	24.63	(0.99)	6.28	9.83	11.09
Cash & Cash Equivalents at					
Beginning of the Year	65.42	90.05	89.06	95.35	105.18
Cash & Cash Equivalents at					
End of the Year	90.05	89.06	95.35	105.18	116.27

Notes:

- 1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard -3 'Cash Flow Statement'.
- 2. Previous year's figures have been regrouped / rearranged /recasted wherever necessary to make them comparable with those of current year.

### Annexure-IV

# SIGNIFICANT ACCOUNTING POLICIES

# 1. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP), Accounting Standards Issued by the Institute of Chartered Accountants of India, as applicable, and the relevant provisions of the Companies Act, 1956.

### 2. USE OF ESTIMATES:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates and difference between actual results and estimates are recognized in the period in which the results are known/materialize.

### 3. VALUATION OF INVENTORIES (AS-2)

Inventories are valued at lower of cost or market value on FIFO basis. Cost of inventory is generally comprise of cost of purchase, cost of conversion and other cost incurred in bringing the inventory to their present location and condition. The finished goods are valued at cost or realisable value whichever is less. Work in progress is valued at cost and goods in transit stated at cost.

# 4. **DEPRECIATION (AS-6)**

- Depreciation on fixed assets is being provided on straight line method as the rates prescribed in schedule XIV of the companies Act, 1956.
- Depreciation on assets added/disposed off during the year has been provided on pro-rata basis with reference to the month of addition/disposal.

# 5. <u>**REVENUE RECOGNITION (AS-9)</u>**</u>

The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.



# 6. FIXED ASSETS (AS-10)

Fixed assets are stated at cost of acquisition, net of tax/duty credit availed if any, including any cost attributable for bringing the assets to its working condition for its intended use; less accumulated depreciation.

# 7. INVESTMENTS (AS-13)

Investments are stated at cost. No provision is made for Diminution in the value of investments, if any, since the same is considered by Board as temporary, while investments are of long-term in nature.



### 8. EMPLOYEE BENEFITS (AS-15)

#### a) Post- employment benefit plans:

**Defined Contribution Plan** - Contributions to provident fund and Family Pension Fund are accrued in accordance with applicable statute and deposited with appropriate authorities.

**Defined Benefit Plan** - The company has carried out actuarial valuation of gratuity using Projected Unit Credit Method as required by Accounting Standard 15 "Employee Benefits" (Revised 2005) and the liability as per actuarial valuation as at year end is recognized in profit and loss account and balance sheet. The Company makes the provision for leave encashment at the year end as per the Factories Act 1948, which is being paid in subsequent year.

# b) Short term employment benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employees renders the services. These benefits include compensated absence also.

# 9. BORROWING COST (AS-16)

Borrowing costs attributable to acquisitions and construction of assets are capitalized as a part of the cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are charged to Profit & Loss Account.

#### 10. EARNING PER SHARE (AS-20)

The Company reports basic and diluted Earning Per Share (EPS) in accordance with Accounting Standard (AS) – 20 on "Earning Per Share". The basic EPS is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive. Here, as the financial statements are prepared for the quarter, the annualized EPS is calculated and disclosed on the face of Profit & Loss A/c.

#### 11. TAXES ON INCOME (AS-22)

- Current tax is the amount of tax payable on taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.
- Deferred Tax is recognized on timing difference between taxable income and accounting income that originate in one period and are capable of reversal on one or more subsequent period.
- Deferred Tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### 12. IMPAIRMENT OF ASSETS (AS-28)

An asset is impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior period is reversed if there has been a change in the estimate of recoverable amount.

#### 13. SALES

Sales are net of trade discount/ rebate.



# **ANNEXURE -V**

# NOTES ON ACCOUNTS

# 1. Contingent Liabilities :

				( <b>R</b> s.	In Lacs)		
Particulars	For the year ended March 31						
rarucuars	2007	2008	2009	2010	2011		
Outstanding Bank Guarantee	0.00	153.72	240.71	212.74	249.91		
Corporate Guarantee on behalf of others	0.00	100.00	100.00	100.00	100.00		
Income Tax Demand (Net of tax Deposited)	0.00	0.00	0.00	79.48	49.48		
Total	0.00	253.72	340.71	392.22	399.39		

- 2. In the opinion of the Board of Directors, Current Assets Loans & Advances have value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet and that the provision for known liabilities is adequate and reasonable.
- 3. Previous years figures have been re-grouped or re-arranged wherever considered necessary.
- 4. Some of the balances of creditors, debtors, deposits and advances are not confirmed.
- 5. Sundry Creditors does not include any amount due to small-scale industrial undertakings. Information is based on details provided to us by the company.
- 6. The company is engaged mainly manufacturing of transformer and as such is the only reportable segment as per Accounting Standard on segment reporting AS-17 issued by the Institute of Chartered Accountants of India. Hence segment is not reported.

Sr. No.	Particulars	For the year ended March 31						
110.		2007	2008	2009	2010	2011		
(a)	Net Profit/(Loss) after tax (Rs. In Lacs)	21.29	28.73	40.95	92.14	77.48		
(b)	Weighted Average Number of Equity Shares (in Nos.)	9123120	9123120	9123120	9200907	11599998		
(c)	Nominal Value of Per ordinary Share	10	10	10	10	10		
(d)	Basic Earning Per Share	0.23	0.31	0.45	1.00	0.67		
(e)	Diluted Earning Per Share	0.23	0.31	0.44	0.94	0.67		

#### 7. EARNING PER SHARE (EPS)

### Note:

- 1. Basic Earnings per share (Rs.) = Profit available to equity shareholders / Weighted Average no. of shares outstanding at the end of the year
- 2. Diluted Earnings Per Share (Rs) = Adjusted Profit available to equity shareholders / Adjusted Weighted Average no. of shares outstanding at the end of the year
- 3. Basic and Diluted EPS is restated from Financial year ended on 31<sup>st</sup> March 2007 to 31<sup>st</sup> March 2010 for Sub-division (From Face value per equity shares of Rs.100 to Rs.10) on 15th October, 2010 and Bonus issue (11 equity shares for each equity shares held) on 25th October, 2010 in accordance with AS-20 issued by Institute of Chartered Accountant of India.



# 8. Directors & Auditors Remuneration

(Rs. In Lacs)

Sr.	Particulars	For the year ended March 31						
No		2007	2008	2009	2010	2011		
a)	Directors Remuneration							
	Salary & Allowances	53.40	33.40	38.40	78.00	89.00		
	Directors Incentive	0.00	39.37	50.40	50.40	0.00*		
b)	Auditors Remuneration							
	Audit Fees (Including Service Tax)	0.12	0.19	0.19	0.18	0.95		

\*Pursuant to the members resolution dated October 15, 2010, the Directors are entitled for an incentive at the rate of 10% on net profit, subject to minimum amount of Rs.600,000 /- per annum, However in view of Inadequate Profit and based on written consent received from Directors, they have agreed to waive off their incentives for financial year 2010-11. The same has been taken on record in the board meeting dated 31<sup>st</sup> March, 2011 and hence the same has not been provided in the accounts for the financial year 2010-11.

# 9. MATERIAL ADJUSTMENTS RELATED TO PREVIOUS YEAR/ PERIOD

						(Rs in Lacs)	
Sr. No	Particulars	For the year ended March 31					
		2007	2008	2009	2010	2011	
a)	Profit After Tax but Before Extra ordinary Items	21.71	29.03	42.03	92.98	79.19	
b)	Provision for Gratuity	0.42	0.30	1.08	0.84	1.71	
c)	Net Profit after adjustments	21.29	28.73	40.95	92.14	77.48	

10. Additional Information where applicable pursuant to the provisions of paragraph 4c of part II of Schedules VI of the Company Act 1956, is as under:-

### A) Annual Licensed Capacity:

Licensed Capacity (As per DIC)	Number of Transformer
Transformers	5109

#### **B)** Annual Installed Capacity:

Installed Capacity	Number of Transformer
Transformers	5109

#### (Quantity in Number of Transformer)

	For the year ended March 31					
Sales	2007	2008	2009	2010	2011	
Installed –Transformers	1449	1449	1449	2516*	5109	
Production – Transformers	338	427	714	1675	1757	
Percentage of Capacity Utilisation	23.33%	29.47%	49.28%	67%	34.39%	



**Note:** Installed capacity is on the basis of Certificate from Department of Industries. The above data being a technical matter has been relied upon by the auditor as per the representation from the Management.

**Note \*:** The installed capacity is calculated on the weighted average basis for the machines installed during the year were available for utilization for the part of the outstanding period only.

## Raw Material Consumed

(Rs. In Lacs)

Sr.	Particulars	For the year ended March 31						
No.	T at tictual s	2007	2008	2009	2010	2011		
(a)	Raw Material							
	(A) Imported	0	0	0	0	0		
	(B) Indigenous	1039.84	1186.75	2195.22	2712.65	2391.27		
(b)	FOB Value of Exports during the year	0	0	0	0	0		
Ι	Value of Imports during the year (on CIF Basis)	0	0	0	0	0		
(d)	Expenditure in Foreign Currency	0	0	0	0	0		

#### Annexure – VI

							(Rs in Lacs)
Particulars		For the y	ear ende	Related/Not Related to Business Activity	Nature		
	2007	2008	2009	2010	2011		
Interest Received	32.33	32.25	18.24	15.85	18.15	Related	Recurring
Others							
Sales Tax/ Entry Tax Refund	0	0	0	0.18	50.43	Related	Non- recurring
Sundry Dr/ Cr Balances W/ off	1.62	0.63	0.07	0.15	10.90	Related	Non- recurring
Reimbursement Of ISO Certification Exp.	0.00	0.00	0.00	0.00	0.25	Related	Non- recurring
Total	33.95	32.87	18.31	16.18	79.73		
Net Profit after tax, as per Summary statement of Profits and Losses , as restated	21.29	28.73	40.95	92.14	77.48		
Percentage of Other Income	159.46	114.41	44.71	17.56	100.68		

# ANNEXURE- VII

# **Statement of Accounting and Other Ratios**

	For the year ended March 31				
Particulars	2007	2008	2009	2010	2011
Net Profit as restated (Rs. in Lacs)	21.29	28.73	40.95	92.14	77.48



Net Worth (Rs. in Lacs)	595.13	623.86	664.81	1050.98	1556.00
Return on Net worth (%)	3.58	4.41	6.16	8.77	4.98
Share at the end of year (in Nos.)	76026	76026	76026	85827	15000000 *
(Face Value Rs. 100)					
*(Face Value Rs. 10)					
Weighted No of Equity Shares	9123120	9123120	9123120	9200907	11599998
Adjusted Weighted No of Equity Shares	9123120	9123120	9369949	9752517	11599998
Basic Earnings per Share (in Rs.)	0.23	0.31	0.45	1.00	0.67
Diluted Earnings Per Shares (in Rs.)	0.23	0.31	0.44	0.94	0.67
Net Asset Value/Book Value per share (in Rs.)	78.28	82.06	87.45	122.45	10.37

Note:-

- 1. Basic Earnings per share (Rs.) = Profit available to equity shareholders / Weighted Average no. of shares outstanding at the end of the year.
- 2. Diluted Earnings Per Share (Rs) = Adjusted Profit available to equity shareholders / Adjusted Weighted Average no. of shares outstanding at the end of the year.
- 3. Basic and Diluted EPS is restated from Financial year ended on 31<sup>st</sup> March 2007 to 31<sup>st</sup> March 2010 for Sub-division (From Face value of Rs.100 to Rs.10) on 15th October, 2010 and Bonus issue(11 equity shares for each equity shares held) on 25th October, 2010 in accordance with AS-20 issued by Institute of Chartered Accountant of India.
- 4. Return on Net worth (%) = Restated Profit after taxation / Net worth x 100.
- 5. Net asset value/Book value per share (Rs.) = Net worth / No. of equity shares.
- 6. NAV per share from 31<sup>st</sup> March 2007 to 31<sup>st</sup> March 2010 is restated due to Sub-division of shares on 15<sup>th</sup> October, 2010.
- 7. The Company does not have any revaluation reserves or extra-ordinary items.

### Annexure – VIII

# **Capitalization Statement**

- up - un -		(Rs. In Lacs)
Particulars	Pre Issue As at 31.03.2011	Post Issue*
Debt :		
Secured		
Short term debt	698.34	[•]
Long term debt	360.96	[•]
Unsecured		
Short term debt	0.00	[•]
Total Debt	1059.30	[•]
Shareholders Funds		
Equity Share Capital	1500.00	[•]
Reserves and Surplus	112.00	[•]
Less: Revaluation Reserves		
Less: Misc. Expenditure		
Total Shareholders' Funds	1612.00	[•]
Long Term Debt/ Shareholders' Funds	0.22	[•]
Total Debt / Shareholders Fund	0.66	[•]

\* Post issue calculations can be done only on the conclusion of the book building process.



# Annexure – IX

# Statement of Tax Shelter

(Rs. In Lacs)

Particulars	F	'or the y	ear ende	d March	31
	2007	2008	2009	2010	2011
	34.0	40.1	61.89	124.7	120.0
Profit Before Tax after restatement adjustment	7	9	01.69	9	6
Tax rate					
	33.6	30.9	30.90	30.90	30.90
Normal Tax rate	6	0			
Minimum Alternate Tax	11.2	10.3 0	10.30	15.45	18.54
	11.4	12.4			
Notional Tax at normal rates (A)	7	2	19.12	38.56	37.10
Permanent differences					
Other adjustments	0.00	0.00	0.00	0.00	0.00
Disallowances	0.42	0.80	1.09	0.98	2.30
Total (B)	0.42	0.80	1.09	0.98	2.30
Timing Differences					
Depreciation as per Books	6.13	8.09	10.78	28.84	33.65
Depreciation as per Income Tax	4.93	7.46	56.61	69.62	62.82
Difference between tax depreciation and book	1.20	0.63	-	-40.78	-29.17
depreciation			45.83		
Other adjustments	0.00	0.00	0.00	0.00	0.00
Foreign income included in the statement	0.00	0.00	0.00	0.00	0.00
Total ©	1.20	0.63	- 45.83	-40.78	-29.17
Net Adjustments (B+C)	1.62	1.43	- 44.74	-39.81	-26.87
Tax expense/(savings) thereon (D)	0.55	0.44	13.82	-12.30	-8.30
Total Taxation (E = A+D)	12.0 1	12.8 6	5.30	26.26	28.80
Brought forward losses set off (Depreciation)	0.00	0.00	0.00	0.00	0.00
Tax effect on the above (F)	0.00	0.00	0.00	0.00	0.00
	12.0	12.8	5.30	26.26	28.80
Net tax for the year/period (E+F)	1	6			
Tax payable as per MAT	3.82	4.14	6.37	19.28	22.26
Tax expense recognised	11.8 7	12.7 7	6.37	26.26	32.00
Tax as per return of income	12.0 1	12.8 6	6.49	26.26	28.80

Tax payable as per computation made for provision for tax.

Annexure – X

# Statement of Secured Loans

					(Rs. in Lacs)	
Particulars	For the year ended March 31					
raruculars	2007	2008	2009	2010	2011	
Term loan from Banks	11.50	20.92	457.90	432.80	360.96	
Working Capital / Cash Credit from Banks	279.24	174.27	525.74	870.17	698.34	
Deposit Loans	0.00	0.00	0.00	0.00	0.00	
Others	0.00	0.00	11.65	2.54	0.00	



Total	290.74	195.19	995.28	1305.51	1059.30
-------	--------	--------	--------	---------	---------

Name of the lender	Facility	Sanctioned Amount (Rs. In Lacs)	Amount Outstanding as on 31.03.11 (Rs. In Lacs)	Rate of Interest	Repayment Schedule
State Bank of India	Term Loan	500.00	360.96	5.25% above BR, present effective rate being i.e. 13.50% p.a. with reset option after every two years (interest has been reset <i>vide</i> sanction letter dated March 25, 2011) ( Variable/ Floating)	27 Quarterly Instalments starting from June 2009

# Securities offered -

*Primary security: Exclusive charge:* On fixed assets of the Company by way of equitable mortgage of immovable assets and hypothecation of movable assets at properties situated at 2-D/2, Sector D, Sanwer Road, Industrial Area, Indore and Survey No. 211/1 Opposite Sector-C and Metalman, Sanwer Road, Industrial Area, Indore.

# Collateral security:

- <u>Second charge</u>: Over the entire current assets of the Company
- <u>First pari passu charge on the following assets by way of equitable mortgage:</u> property situated at 191/1, 191/2, 191/3, 191/4, Saket Nagar, Indore in the name of Ms. Geeta Mundra, Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra respectively; Flat no. 504-Varsha Apartment, 10/1, South Tukoganj, Indore in the name of Mr. Shyam Sunder Mundra;
- STDR of Rs. 25 Lacs in the name of the Company duly discharged in bank's favour.

State Bank of IndiaCash Credit450.001.160.50% above BPLR i.e. @ 13.50 p.a.12 month (floating/vari able
---

# Securities offered -

*Primary security:* First *pari passu* charge with Axis Bank Limited by way of charge over the entire current assets of the Company.

# Collateral security:

- *First pari passu charge with Axis Bank Limited by way of equitable mortgage on the following assets:* Property situated at 191/1, 191/2, 191/3, 191/4, Saket Nagar, Indore in the name of Ms. Geeta Mundra, Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra respectively;
- Flat no. 504-Varsha Apartment, 10/1, South Tukoganj, Indore in the name of Mr. Shyam Sunder Mundra;
- STDR of Rs. 25 Lacs in the name of the Company duly discharged in bank's favour.
- <u>Second pari passu charge along with Axis Bank Limited by way of equitable mortgage for:</u> 2-D/2. Sector D, Sanwer Road, Industrial Area, Indore and Survey No. 211/1, Opposite Sector-



C and Met	alman, Sanwer R	oad, Industrial A	Area, Indore.		
State Bank Of India	Letter of Credit #	400.00	124.39	Charge as per bank norms (variable)	Period of Issuance: maximum 120 days
Securities offered -	_	-			
<i>Primary security:</i> BL/RRs/MTRs/AW			· ·		title to goods, materials/stores;

Collateral security (Movable and Immovable): as applicable to cash credit limit.

extension of charge over current assets; application cum indemnity letter.

State Bank Of India	Bank Guarantee #	500.00	249.91	Charge as per bank norms (variable)	Tenor: BGs favouring State Electricity Boards – 60 months including claim period; Other BGs- 36 months including claim period Validity of Sanction: 12 months
---------------------------	------------------------	--------	--------	---	--

<u># Note LC & BG Limits sanctioned by SBI to the Company are interchangeable to the extent of maximum of upto Rs.300 Lacs.</u>

# Securities offered -

*Primary security:* Counter Guarantee of the Company; Extension of charge over current assets to the Bank; Other security as applicable to Cash Credit Limit

Collateral security: as applicable to cash credit limit

Name of the lender	Facility	Sanctioned Amount (Rs. In Lacs)	Amount Outstanding as on 31.03.11 (Rs. In Lacs)	Rate of Interest	Repayment Schedule
Axis Bank	Cash Credit	600.00*	572.79	Base Rate +4.25% i.e. 12.25% p.a. chargeable (Base rate= 8.00%) monthly (Variable/ Floating) Commission for LC and BG are as per Banks regular charges	For CC- 1 year from the date of sanction; Usance for LC- maximum 120 days; for BG- maximum upto 36 months inclusive of claim period

Sub limit to Cash Credit Limits

- a. Inland Letter of Credit for Rs. 100 Lacs\*
- b. Bank Guarantee of Rs. 100 Lacs\*

\*Vide Renewal Letter AXISB/WZ/SMECENTRE/IND/10-11/M&B dated December 31, 2010, Axis Bank had enhanced the cash credit limit from Rs. 600.00 Lacs to Rs. 800.00 Lacs; the LC limit and bank guarantee limit were enhanced to Rs. 200 Lacs respectively within the overall cash credit limit. To avail of this enhancement, the Company had to arrange for reduction in limits from Rs. 450.00 Lacs to Rs. 250.00 Lacs with State Bank of India and had to submit a proof for the same to be submitted to



# Axis Bank by February 28, 2011.

As on date, State Bank of India has not reduced the limits to Rs. 250.00 Lacs and thus the loan amount from Axis Bank continues to be only Rs. 600.00 Lacs.

# Commission for ILC and BG

**ILC**-50% of banks' standard rate plus service tax **BG**-1.75% p. a. plus service tax the same shall be revised as per RBI and Central office circulars/instructions from time to time

# Securities offered -

<u>For CC</u> – *Primary security: Pari passu* charge with State Bank of India on entire current assets (present and future) by way of hypothecation.

# Collateral security:

First pari passu charge with State Bank of India by way of equitable mortgage on the following assets:

 Property situated at 191/1, 191/2, 191/3, 191/4, Saket Nagar, Indore in the name of Ms. Geeta Mundra,

Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra respectively;

- Flat no. 504-Varsha Apartment, 10/1, South Tukoganj, Indore;
- FDR of Rs. 25 Lacs in the name of the Company.
- Second *pari passu* charge with State Bank of India for the entire fixed assets (present and future) (other than vehicles financed by other banks as on 31.03.2010) of the Company by way of equitable mortgage of land and building and other immovable assets and hypothecation of plant and machineries and other movable assets at factory situated at 2-D/2. Sector D, Sanwer Road, Industrial Estate, Indore and Factory premises at 211/1, Opposite Sector-C, Sanwer Road, Sukhlia, Indore.
- Exclusive charge over life insurance policy with Sum assured of Rs.150.00 lacs in the name of directors of the company.

For BG: as applicable to CC limit and counter guarantee of the Company

### Guarantee for both Banks

Both the loans by State Bank of India Limited and Axis Bank Limited are guaranteed by Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra, Mr. Anurag Mundra in their personal capacity and by Ms. Geeta Mundra as third-party guarantee.

	0			
Total Secured		2450.00	1059.30	
Loans				

### Annexure – XI

### Statement of Unsecured Loans

.

			•	(Rs. 11	Lacs)
	Fo	r the ye	ar ende	d March	31
Particulars	200 7	200 8	2009	2010	201 1
From Promoters / Directors					
Anurag Mundra	0.00	0.00	0.00	0.35	0.00
S.S. Mundra	0.00	0.00	0.00	10.39	0.00
G.J. Mundra HUF	0.00	0.20	0.00	0.00	0.00
Vikalp S. Mundra HUF	0.00	0.00	0.00	4.06	0.00
S.G. Mundra HUF	0.00	0.00	0.00	0.00	0.00
Sarita Mundra	0.00	0.00	0.00	0.00	0.00
Vikalp mundra	0.00	0.00	5.00	1.65	0.00



Anurag S. Mundra HUF	0.00	0.00	0.00	0.00	0.00
			10.0		
Geeta Mundra	0.00	0.00	0	0.83	0.00
Sub – Total (a)	0.00	0.20	15.0 0	17.27	0.00
From other shareholders					0.00
Preeti Neema	0.00	0.00	0.00	0.00	0.00
S.K. Bali	0.00	0.00	0.00	0.00	0.00
S.K. Mandowara	0.00	0.00	0.00	0.00	0.00
Sub – Total (b)	0.00	0.00	0.00	0.00	0.00
From group company/subsidiaries and material associate					
company	0.00	0.00	0.00	0.00	0.00
Sub – Total ©	0.00	0.00	0.00	0.00	0.00
From Others/Corporate Bodies					0.00
Dharmawat Merchandise Ltd.	0.00	0.00	0.00	35.00	0.00
Sita Shree Food Products Ltd.	0.00	0.00	0.00	20.00	0.00
Sunitee Chemicals Ltd	0.00	0.00	0.00	15.00	0.00
Syncom Healthcare Ltd.	0.00	0.00	0.00	50.00	0.00
Autopal Trade Impex Private Limited **	0.00	0.00	0.00	0.00	0.00
				120.0	
Sub – Total (d)	0.00	0.00	0.00	0	0.00
			15.0	137.2	
Total (a + b + c + d)	0.00	0.20	0	7	0.00

\*\* The company has ceased to be a subsidiary w.e.f. May 15, 2010.

Note: - All of the above Unsecured Loans are repayable on demand basis and there is no fixed repayment schedule. As on the date of signing of this audit report all the above outstanding loan has been repaid.

# Annexure – XII

# **Statement of Sundry Debtors**

					(Rs. i	n Lacs)	
	For the year ended March 31						
Particulars	2006	200 7	2008	2009	2010	2011	
Outstanding for the period exceeding Six		85.2				292.1	
months	30.46	0	28.07	3.45	32.89	5	
		539.	465.5	855.1	1651.8	522.0	
Other Debts	474.50	53	2	5	0	5	
		624.	493.5	858.6	1684.6	814.2	
Total	504.96	72	9	0	9	0	

Note:- There are no debtors related to the directors or promoters of M AND B Switchgears Limited, except stated herein below:
(Rs in Lacs)

				(4	as in Lucs)	
Doutionlong	For the year ended March 31					
Particulars	2007	2008	2009	2010	2011	
C S Steels Private Limited	186.55	87.89	3.95	0.00	0.00	
Geeta Electricals Indore Private Limited	12.64	83.10	1.68	192.62	0.00	
TOTAL	199.19	170.99	5.63	192.62	0.00	

Annexure – XIII



# Statement of Loans & Advances

				(]	Rs. In Lacs)
	For the year ended March 31				
Particulars	2007	2008	2009	2010	2011
Advances recoverable in Cash or in Kind	106.30	84.09	68.30	61.33	133.38
Deposits	34.83	45.25	79.91	141.87	338.27
Total	141.13	129.33	148.21	203.19	471.65

Note: - There are no loans & advances related to the directors or promoters of M AND B Switchgears Limited

# Annexure – XIV

# Statement of Contingent Liabilities

The details of the contingent liability of the company are as follows:

	1			(1	Rs. In Lacs)	
Particulars	For the year ended March 31					
	2007	2008	2009	2010	2011	
Outstanding Bank Guarantee	0.00	153.72	240.71	212.74	249.91	
Corporate Guarantee on behalf of others	0.00	100.00	100.00	100.00	100.00	
Income Tax Demand (Net of tax Deposited)	0.00	0.00	0.00	79.48	49.48	
Total	0.00	253.72	340.71	392.22	399.39	

#### Annexure - XV

### Related party disclosure in accordance with AS - 18

The company has entered into following related party transactions during financial year ended March 31, 2007, 2008, 2009, 2010 and 2011. Such parties and transactions are identified as per accounting standard 18 issued by Institute of Chartered Accountants of India.

### **List of Related Parties**

Sr. No.	Name of the Promoters	Relationship
1.	Mr. Shyam Sunder Mundra	Promoter
2.	Mr. Vikalp Mundra	Promoter
3.	Mr. Anurag Mundra	Promoter

Sr. No.	Name of the Company	Relationship
4.	G J Mundra (HUF)	Promoter Group
5.	S G Mundra (HUF)	Promoter Group
6.	Vikalp S Mundra (HUF)	Promoter Group
7.	Anurag S Mundra (HUF)	Promoter Group
8.	Geeta Mundra	Promoter Group
9.	Sushiladevi Mundra	Promoter Group
10.	Sarita Mundra	Promoter Group
11.	Daffodils – proprietor Geeta Mundra*	Promoter Group

Sr. No.	Name of the Company	Relationship
12.	C S Steels Private Limited	Group / Associate Company
13.	Geeta Electricals Indore Private Limited	Group / Associate Company
14.	Indore Transformer Private Limited	Group / Associate Company
15.	Autopal Trade Impex Private Limited **	Subsidiary Company



\*Proprietorship concern is discontinued with effect from March 31, 2009. \*\* Our company has sold its entire holding in Autopal Trade Impex Private Limited on May 15, 2010.

Details of the transactions with our Related Parties

	(Rs. In Lacs) For the year ended March 31						
Particulars	2007	2008	2009	2010	2011		
Job Work Expenses							
C S Steels Pvt Ltd	15.24	19.97	21.87	0.80	0.00		
Geeta Electricals Indore Pvt Ltd	4.10	13.96	11.08	3.52	0.00		
Indore Transformer Private Limited	0.00	0.27	0.00	0.00	0.00		
Job Work Income							
C S Steels Pvt Ltd	0	0	0.00	0.00	0.00		
Geeta Electricals Indore Pvt Ltd	2.72	0.60	0.00	1.20	0.90		
Purchase of goods							
C S Steels Pvt Ltd	0.00	267.15	0.00	6.59	3.89		
Geeta Electricals Indore Pvt Ltd	143.22	168.71	12.26	279.97	16.44		
Sale of goods							
C S Steels Pvt Ltd	67.43	24.45	0.00	0.00	0.00		
Geeta Electricals Indore Pvt Ltd	169.33	267.34	0.00	248.44	227.99		
Remuneration paid							
S.S. Mundra	21.00	31.02	37.20	46.80	32.00		
Vikalp Mundra	9.00	13.12	16.80	40.80	28.50		
Anurag Mundra	23.40	28.62	34.80	40.80	28.50		
Interest Received							
C S Steels Pvt Ltd	15.16	24.22	4.18	1.16	0.23		
Geeta Electricals Indore Pvt Ltd	8.94	3.07	8.22	2.94	3.74		
Interest Paid							
S.S. Mundra	0.00	0.00	0.00	1.21	1.27		
Vikalp Mundra	0.07	0.00	0.00	0.88	0.50		
Anurag Mundra	0.03	0.00	0.00	0.79	0.26		
Anurag S Mundra (HUF)	0.00	0.00	0.00	0.00	0.20		
Sushiladevi Mundra	0.00	0.00	0.00	0.00	0.00		
Sarita Mundra	0.00	0.00	0.00	0.08	0.00		
S G Mundra (HUF)	0.09	0.00	0.00	0.00	0.00		
G J Mundra (HUF)	0.17	0.02	0.01	0.00	0.25		
Vikalp S Mundra (HUF)	0.02	0.00	0.00	0.27	0.12		
Geeta Mundra	0.00	0.00	0.00	1.02	1.68		
Commission paid							
S.S. Mundra	0.00	0.00	0.00	0.00	0.00		
Vikalp Mundra	0.00	0.00	0.00	0.00	0.00		
Anurag Mundra	0.00	0.00	0.00	0.00	0.00		
Rent Paid							
Indore Transformer Private Limited	0.72	0.72	0.75	0.00	0.00		
Accounting charges Paid							
Daffodils	1.35	1.95	0.50	NA	NA		
Investment made							
Autopal Trade Impex Pvt. Ltd.	NA	NA	NA	5.00	NA		
Unsecured Loan Received	11/1	11/1	1 1/ 1	5.00	11/1		



S.S. Mundra	0.00	0.00	0.00	34.12	35.00
Vikalp Mundra	0.00	0.00	5.00	11.22	20.00
Anurag Mundra	0.53	0.00	0.00	33.74	31.87
C S Steels Pvt Ltd	203.31	470.04	291.43	568.61	5.06
Geeta Electricals Indore Pvt Ltd	53.71	58.50	510.80	408.84	30.81
S G Mundra (HUF)	0.00	0.00	0.00	0.00	0.00
G J Mundra (HUF)	3.95	0.18	0.00	0.00	4.00
Vikalp S Mundra (HUF)	0.00	0.00	0.00	35.59	15.98
Geeta Mundra	0.00	0.00	10.00	19.37	15.00
Anurag Mundra HUF	0.00	0.00	0.00	0.00	3.50
Unsecured Loan given / repayment					
S.S. Mundra	0.00	0.00	0.00	24.59	46.65
Vikalp Mundra	0.80	0.00	0.00	15.37	22.14
Anurag Mundra	0.56	0.00	0.00	34.00	32.47
C S Steels Pvt Ltd	326.56	374.01	204.31	568.84	22.46
Geeta Electricals Indore Pvt Ltd	102.00	126.25	433.11	408.84	74.20
Sushiladevi Mundra	0.00	0.00	0.00	0.00	0.00
Vikalp S Mundra (HUF)	1.07	0.00	0.00	31.70	22.14
Sarita Mundra	0.00	0.00	0.00	0.00	0.00
G J Mundra (HUF)	7.67	0.00	0.21	0.00	4.25
Geeta Mundra	0.00	0.00	0.00	19.45	36.36
Anurag Mundra HUF	0.00	0.00	0.00	0.00	3.69
Outstanding					
Unsecured Loan					
Anurag Mundra	0.00	0.00	0.00	0.35	0.00
S.S. Mundra	0.00	0.00	0.00	10.39	0.00
G.J. Mundra HUF	0.00	0.20	0.00	0.00	0.00
Vikalp S. Mundra HUF	0.00	0.00	0.00	4.06	0.00
S.G. Mundra HUF	0.00	0.00	0.00	0.00	0.00
Sarita Mundra	0.00	0.00	0.00	0.00	0.00
Vikalp Mundra	0.00	0.00	5.00	1.65	0.00
Anurag S. Mundra HUF	0.00	0.00	0.00	0.00	0.00
Geeta Mundra	0.00	0.00	10.00	0.83	0.00

Annexure –XVI

# Statement of Dividend paid

Particulars	For the Year Ended March 31						
	2007	2008	2009	2010	2011		
Equity shares (nos.)	76026	76026	76026	85827	15000000		
Face value (Rs.)	100	100	100	100	10		
Rate of Dividend %	0	0	0	0	0		
Amount of Dividend	0	0	0	0	0		

Annexure - XVII

# Schedule of Investments



	For the Year Ended March 31						
Particulars	2007 2008 2009 2010 201						
LONG TERM (AT COST)							
IN SHARES (UNQUOTED)							
Autopal Trade Impex Pvt. Ltd.	NA	NA	NA	5.00	0.00		
Short Term	0.00	0.00	0.00	0.00	0.00		
Total	0.00	0.00	0.00	5.00	0.00		

# Annexure – XVIII

The Company has incurred Rs. 126.47 Lacs as expenditure up to March 31, 2011 on the Proposed Project for which public issue has been intended.

#### Annexure – XIX

There were no qualifications in the Auditors' report for the year ending on March 31, 2007, 2008, 2009, 2010 and 2011

#### Annexure – XX

# Changes in the Significant Accounting Policies.

There were no changes in the Significant Accounting Policies for the past 5 years except as specified in Annexure V changes made to comply with Accounting Standard – 15 Employee Benefits.

#### Annexure - XXI

Material Developments after last Balance sheet date i.e. March 31, 2011: Nil



#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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 chapter titled "*Risk Factors*" beginning on page 16 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 manufacture of distribution transformers, power transformers, furnace transformers and special purpose transformers. Our Promoters jointly are in the business of manufacturing transformers for more than 62 years and are preferred and regular suppliers of quality transformers. We have consolidated our position through continuous modernisation and expansion and by acquiring latest and sophisticated technology and processes.

We started with a capacity to manufacture 550 numbers of transformers PA and have grown gradually to a capacity to manufacture 5,109 numbers transformers PA

Our existing annual production capacity is in terms of KVA is 75,000 KVA of transformer per month on single shift basis. Our annual aggregate capacity is 9,00,000 KVA per annum.

Our company has developed fully equipped quality control and an in-house R & D department. Our Company has already developed technology in the field of manufacturing, upgrading, rehabilitation, and life extension of transformers.

Our Company manufacture following different types of transformers for varied applications:-

- Power & distribution transformers,
- Rectifier Transformers,
- Furnace Duty Transformers [ Arc Furnace & Induction Furnace],
- Dry type transformers,
- Fire Proof transformers
- Potential Transformers,
- Convertor and Special purpose transformers.

We have the capability to manufacture Transformers confirming to Indian & International standards such as IS:2026, IS;1180, BS:171, IEC:76, ASA-C57 etc.

In view of a substantial gap in the demand – supply of power, our Company is now diversifying into business of Generation of Solar Power.

We are currently engaged in setting up a power project to generate 2 MWp through Solar PV Cells. The project is being executed at a plot area of 7.028 hectare at Survey No. 13/2, Village Gagorni, Tehl & Distt. Rajghar, MP.

We have conducted Technical Evaluation of the site in order to execute Solar Power Operation. The said project will be commissioned by Tata BP Solar India Limited on turnkey basis. Tata BP Solar India Limited is a renowned TATA group Company providing Solar Solutions.

For further details please refer to the section titles "Our Business" and "Objects of the Issue" beginning on page 111 and 73 respectively of this Red Herring Prospectus.

## Significant developments subsequent to the last financial year:

Material Developments after last Balance sheet date i.e. March 31, 2011:



Company has accepted unsecured inter corporate deposits aggregating to Rs. 4,490 Lacs from various non related companies and out of which, Rs. 3,648.90 Lacs has already been deployed towards objects of the issue for which public issue has been intended.

For details related to the objects of the proposed initial public offer and unsecured inter corporate deposits please refer to chapter titled "Objects of the Issue" beginning on page 73 and "Financial Indebtedness- Details of Unsecured Borrowings of our Company" on page 209 of this Red Herring Prospectus.

Further we have incorporated a fully owned Subsidiary, Proximo Energy Concept Private Limited and have received the certificate of incorporating on August 23, 2011. For details related to our Subsidiary please refer to chapter titled *"History and certain Corporate Matter"* and *"Our Group Entities"* beginning on pages 137 and 160 of this Red Herring Prospectus.

#### Key factors affecting the results of operation:

Our Company's future results of operations could be affected potentially by the following factors:

*General economic and business conditions:* The demand for our products and services is dependent on general economic conditions in the country. Our operations would be affected by any adverse change in the Government Policies, Rules & Regulations.

**Demand**: The prospects and earnings growth of the customers and transformer and power sector in general will have an impact on our ability to generate revenues.

*Competition:* Selling prices of our services and products may be affected if competition intensifies. Further, as a result of increase in scale of operations, adoption of aggressive pricing strategies by our competitors in order to gain market share or new competitors entering the markets, may adversely affect our operations and financial results.

#### Interest Rate Risk:

Increase in operations would require additional working capital. If we are required to finance our operations by raising working capital borrowings, at fixed /floating rates of interest our cost of servicing such debt will increase, thereby adversely impacting our results of operations, planned capital expenditures and cash flows. Our profits will also be impacted by interest rate variation.

#### Sundry Debtors /Recovery of receivables:

Any delay in the recovery of outstanding receivables, may affect our results of operation, as we may then have to resort to increased borrowings for our working capital requirements, which may further exert pressure on outgo towards interest thereby reducing our profits.

#### Other factors include:

- Non-receipt of pending approvals.
- Prevailing trends in the industry in which we operate.
- 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 and 2011.

# OUR SIGNIFICANT ACCOUNTING POLICIES

For Significant accounting policies please refer to 'Significant Accounting Policies, "Annexure – IV' beginning on page 180 under chapter titled "Financial Statements" beginning on page 174 of this Red Herring Prospectus.

### BREAK-UP OF OUR REVENUES



# Vertical wise Break-up of our Standalone revenues:

vertical wise Dreak-u	J OI OUI Stand		ucs.			
					(	Rs. Lacs)
Type of Transformers	Year ended 20		Year ended 20		Year ended 20	,
Up to 100KVA	334.23	12.05%	802.86	19.45%	722.61	19.51%
101 KVA - 1000 KVA	1170.31	46.69%	1265.50	30.40%	990.51	26.74%
Above 1001 KVA	1143.56	41.22%	1603.72	38.86%	1652.30	44.61%
Repairing, Trading &						
Others	126.14	0.04%	455.00	11.29%	338.18	9.14%
Total	2774.24	100.00%	4127.08	100.00%	3703.60	100.00%

# **RESULTS OF OUR OPERATIONS (STANDALONE)**

(Rs. In Lacs)

	For the year ended 31st March						
Particulars	31-Mar- 07	31-Mar- 08	31-Mar- 09	31-Mar- 10	31-Mar- 2011		
Turnover	1,727.59	2,062.42	2,774.24	4,127.08	3703.60		
Increase/(Decrease)%	8.32%	19.38%	34.51%	48.76%	(10.26)%		
Less Excise Duty	1 87.14	222.74	294.58	303.97	304.89		
<b>Total Operating Income</b>	1,540.45	1,839.68	2,479.66	3,823.11	3398.71		
Increase/(Decrease)%	4.22%	19.43%	34.79%	54.18%	(11.10)%		
Miscellaneous / Other Income	53.84	69.59	53.85	70.39	130.37		
Increase/(Decrease) in Inventory	24.22	78.41	124.61	(143.08)	(0.82)		
Total Income	1,618.51	1,987.68	2,658.13	3,750.42	3528.26		
Expenditure							
Material Consumed	1,304.38	1,622.67	2,195.88	2,927.98	2730.62		
Increase/(Decrease)%	1.77%	24.40%	35.33%	33.34%	(6.74)%		
% to Turnover	75.50%	78.68%	79.15%	70.95%	73.73%		
Personnel Cost	66.98	89.73	119.00	180.64	188.77		
Increase/(Decrease)%	(3.94)%	33.96%	32.62%	51.80%	4.50%		
% to Turnover	3.88%	4.35%	4.29%	4.38%	5.10%		
Administrative, Selling and Distribution Expenses	162.18	170.31	205.15	281.52	266.39		
Increase/(Decrease)%	23.71%	5.01%	20.46%	37.23%	(5.38)%		
% to Turnover	9.39%	8.26%	7.39%	6.82%	7.19%		
<b>Total Operating Expenses</b>	1,533.54	1,882.70	2,520.03	3,390.14	3185.78		
Increase/(Decrease)%	3.43%	22.77%	33.85%	34.53%	(6.03)%		
% to Turnover	88.77%	91.29%	90.84%	82.14%	86.02%		
PBDIT	84.97	104.98	138.09	360.28	342.48		
Increase/(Decrease)%	14.62%	23.55%	31.54%	160.90%	(4.94)%		
% to Turnover	4.92%	5.09%	4.98%	8.73%	9.25%		
Less: Depreciation	6.13	8.09	10.78	28.84	33.65		
Increase/(Decrease)%	2.17%	31.97%	33.25%	167.53%	16.67%		
% to Turnover	0.35%	0.39%	0.39%	0.70%	0.91%		
PBIT	78.84	96.89	127.32	331.44	308.83		
Increase/(Decrease)%	15.72%	22.89%	31.41%	160.32%	(7.32)%		
% to Turnover	4.56%	4.70%	4.59%	8.03%	8.34%		
Less: Finance Cost	44.35	56.40	64.35	205.81	187.06		
Increase/(Decrease)%	9.37%	27.18%	14.10%	219.81%	(9.11)%		
% to Turnover	2.57%	2.73%	2.32%	4.99%	5.05%		
PBT	34.49	40.49	62.96	125.63	121.76		
Increase/(Decrease)%	25.05%	17.40%	55.50%	99.54%	(3.08)%		



% to Turnover	2.00%	1.96%	2.27%	3.04%	3.29%
Taxation Impact	12.78	11.46	20.93	32.65	42.58
Increase/(Decrease)%	17.14%	-10.33%	82.64%	56.00%	30.41%
% to Turnover	0.74%	0.56%	0.75%	0.79%	1.15%
Profit After Tax	21.71	28.73	40.95	92.14	77.48
Increase/(Decrease)%	30.16%	33.72%	44.78%	121.22%	(15.92)%
% to Turnover	1.26%	1.41%	1.52%	2.25%	2.09%

### Comparison of FY 2011 with FY 2010:

#### Turnover

The turnover for the FY 2011 was Rs. 3703.60 Lacs as compared to Rs. 4127.08 Lacs during the FY 2010 showing decrease of 10.26%. This decrease is mainly due to downturn in Power Sector. Total Income decreased from Rs. 3823.11 Lacs for FY 2010 to Rs. 3398.71 Lacs for FY 2011 showing a decrease of 11.10%. This is mainly due to negative growth in turnover.

#### Expenditure:

#### Material Consumed

Material consumed decreased to Rs. 2730.62 Lacs for FY 2011 from Rs. 2927.98 Lacs for FY 2010 showing a decrease of 6.74%. The raw materials consumption cost was 73.73% of total turnover during FY 2011 as against that of 70.95% during FY 2010. This is mainly due to increased Raw Material cost.

#### Personnel Cost

Personnel Cost increased from Rs. 180.64 Lacs for FY 2010 to Rs. 188.77 Lacs for FY 2011 showing an increase of 4.50%. This increase was mainly due to marginal increase in number of employees. Personnel cost stood at 5.10 % and 4.38% of turnover for FY 2011 and FY 2010 respectively.

#### Administrative, Selling and Distribution Expenses

Administrative, Selling and Distribution Expenses decreased from Rs. 281.52 Lacs for FY 2010 to Rs. 266.39 Lacs for FY 2011 showing decrease of 5.38%. This decrease was mainly due to decrease in selling expenses & Business Promotion as our company recorded negative growth of sales During FY 2011. The Administrative, Selling and Distribution Expenses is 7.19 % of turnover as against 6.82% during FY 2010.

#### Profit before Depreciation, Interest and Tax (PBDIT)

PBDIT decreased from Rs. 360.28 Lacs for FY 2010 to Rs. 342.48 Lacs for FY 2011 showing the decrease of 4.94%, mainly on account of decrease in turnover and increase in consumption of raw materials& operational cost. During FY 2011, our Company recorded PBDIT of 9.25 % of the turnover as against 8.73% during FY 2010.

#### Interest and Financial Charges

Interest and Financial Charges decrease from Rs. 205.81 Lacs for FY 2011 to Rs.187.06 Lacs for the FY 2010 showing the decrease of 9.11%. Interest and Financial expenses mainly includes interest and bank charges, which accounted for 5.05% of turnover during FY 2011 as against 4.99% in the year 2010. The absolute decrease is attributed to decrease in the utilisation of working capital due to decrease in operations. Working capital loans outstanding as on March 31, 2011 stood at Rs. 698.34 Lacs and as on March 31, 2010 it stood at Rs. 870.17 Lacs.

### Depreciation

Depreciation on fixed assets was 0.91% of turnover during FY 2011 as compared to 0.70% during FY 2010. The total depreciation during FY 2011 was Rs.33.65 Lacs and during FY 2010 it was Rs. 28.84 Lacs. This increase was mainly due to additions to fixed assets during FY 2011. The gross block of assets in FY 2010 was Rs. 918.44 Lacs, which increased to Rs. 1011.61 Lacs in FY 2011.



#### Profit after Tax

PAT decreased from Rs. 92.14 Lacs for the FY 2010 to Rs. 77.48 Lacs in FY 2011 showing an decrease of 15.92%. This decrease was due to decrease in turnover, increase in Material consumption& Operational Cost. During FY 2011,our Company recorded PAT margin of 2.09% as against 2.25%% for FY 2010. Decrease in PAT was also due to the other reasons as detailed above.

#### Comparison of FY 2010 with FY 2009:

#### Turnover

The turnover for the FY 2010 was Rs. 4127.08 Lacs as compared to Rs. 2774.24 Lacs during the FY 2009 showing increase of 48.76%. This increase is mainly attributable to increase in revenue from sale of Power Transformer to MPMKVV Co. Ltd. Bhopal, 22 KV Transformers to TNEB and other Private Industries. Total Income increased from Rs. 2658.13 Lacs for FY 2009 to Rs. 3750.42 Lacs for FY 2010 showing an increase of 41.09%. This was mainly due decrease in inventory during FY 2010 by Rs. 143.08 Lacs.

### Expenditure:

#### Material Consumed

Material consumed increased to Rs. 2927.98 Lacs for FY 2010 from Rs. 2195.88 Lacs for FY 2009 showing a increase of 33.34%. The raw materials consumption cost was 70.95% of total turnover during FY 2010 as against that of 79.15% during FY 2009. Our Company could improve the raw material consumption pattern due to economies of scale and because of efficient use of raw materials in the production operations.

#### Personnel Cost

Personnel Cost increased from Rs. 119.00 Lacs for FY 2009 to Rs. 180.64 Lacs for FY 2010 showing an increase of 51.80%. This increase was mainly due to increase in salaries and wages due to increased production. Personnel cost stood at 4.29% and 4.38% of turnover for FY 2009 and FY 2010 respectively.

#### Administrative, Selling and Distribution Expenses

Administrative, Selling and Distribution Expenses increased from Rs. 205.15 Lacs for FY 2009 to Rs. 281.52 Lacs for FY 2010 showing increase of 37.23%. This increase was mainly due to increase in travelling, conveyance expenses, printing and stationery expenses. Further, the increase in selling expenses was mainly due to increase in business promotion expenses. Further, the increase in selling expenses was mainly due to increase in business promotion expenses. During FY 2010, the Administrative, Selling and Distribution Expenses was 6.82% of turnover as against 7.39% during FY 2009.

#### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 138.09 Lacs for FY 2009 to Rs. 360.28 Lacs for FY 2010 showing the increase of 160.90%, mainly on account of increase in turnover and decrease in consumption of raw materials due to operational efficiencies. During FY 2010, our Company recorded PBDIT of 8.73% of the turnover as against 4.98% during FY 2009.

#### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 64.35 Lacs for FY 2009 to Rs. 205.81 Lacs for the FY 2010 showing the increase of 219.81%. Interest and Financial expenses mainly includes interest and bank charges, which accounted for 4.99% of turnover during FY 2010 as against 2.32% in the year 2009. 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, 2009 stood at Rs. 525.74 Lacs and as on March 31, 2010 it stood at Rs. 870.17 Lacs.



#### Depreciation

Depreciation on fixed assets was 0.70% of turnover during FY 2010 as compared to 0.39% during FY 2009. The total depreciation during FY 2009 was Rs. 10.78 Lacs and during FY 2010 it was Rs. 28.84 Lacs. This increase was mainly due to additions to fixed assets during FY 2010. The gross block of assets in FY 2009 was Rs. 781.47 Lacs, which increased to Rs. 918.44 Lacs in FY 2010.

#### Profit after Tax

PAT increased from Rs. 40.95 Lacs for the FY 2009 to Rs. 92.14 Lacs in FY 2010 showing an increase of 121.22%. This increase was due to increase in turnover, operational efficiencies due to economies of scale. During FY 2010, our Company recorded PAT margin of 2.25% as against 1.52% for FY 2009. Increase in PAT was also due to the other reasons as detailed above.

#### Comparison of FY 2009 with FY 2008:

#### Turnover

The turnover for the FY 2009 was Rs. 2774.24 Lacs as compared to Rs. 2062.42 Lacs during the FY 2008 showing increase of 34.51%. This increase is mainly attributable to increase in revenue from sale of Power Transform to MPMKVV Co. Ltd. and to new private customers Total Income increased from 1987.68 Lacs for FY 2008 to Rs. 2658.13 Lacs for FY 2009 showing an increase of 33.73%.

### Expenditure:

#### Material Consumed

Material consumed increased to Rs. 2195.88 Lacs for FY 2009 from Rs. 1622.67 Lacs for FY 2008 showing a increase of 35.33%. The raw materials consumption cost was 79.15% of total turnover during FY 2009 as against that of 78.68% during FY 2008. The increase in material consumed is in line with increase in turnover.

### Personnel Cost

Personnel Cost increased from Rs. 89.73 Lacs for FY 2008 to Rs. 119.00 Lacs for FY 2009 showing an increase of 32.62%. This increase was mainly due to increase in salaries and wages due to increased production. Personnel cost stood at 4.35% and 4.29% of turnover for FY 2008 and FY 2009 respectively.

#### Administrative, Selling and Distribution Expenses

Administrative, Selling and Distribution Expenses increased from Rs. 170.31 Lacs for FY 2008 to Rs. 205.15 Lacs for FY 2009 showing increase of 20.46%. This increase was mainly due to increase in travelling, conveyance expenses, printing and stationery expenses. During FY 2009, the Administrative, Selling and Distribution Expenses was 7.39% of turnover as against 8.26% during FY 2008.

#### **Profit before Depreciation, Interest and Tax (PBDIT)**

PBDIT increased from Rs. 104.98 Lacs for FY 2008 to Rs. 138.09 Lacs for FY 2009 showing the increase of 31.54%, mainly on account of increase in turnover. During FY 2009, our Company recorded PBDIT of 4.98% of the turnover as against 5.09% during FY 2008.

#### **Interest and Financial Charges**

Interest and Financial Charges increased from Rs. 56.40 Lacs for FY 2008 to Rs. 64.35 Lacs for the FY 2009 showing the increase of 14.10%. Interest and Financial expenses mainly includes interest and bank charges, which accounted for 2.32% of turnover during FY 2009 as against 2.73% in the year 2008. The absolute increase is attributed to increase in the utilisation of working capital due to increase in operations and increase in utilisation of term loans.

#### Depreciation



Depreciation on fixed assets was 0.39% of turnover during FY 2009, during FY 2008 also it was same at 0.39% of the turnover. The total depreciation during FY 2008 was Rs. 8.09 Lacs and during FY 2009 it was Rs. 10.78 Lacs. This increase was mainly due to additions to fixed assets during FY 2009. The gross block of assets in FY 2008 was Rs. 139.87 Lacs, which increased to Rs. 781.47 Lacs in FY 2009.

# Profit after Tax

PAT increased from Rs. 28.73 Lacs for the FY 2008 to Rs. 40.95 Lacs in FY 2009 showing an increase of 44.78%. This increase was due to increase in turnover and the other reasons as detailed above. During FY 2009, our Company recorded PAT margin of 1.52% as against 1.41% for FY 2008.

#### Comparison of FY 2008 with FY 2007

### Turnover

The turnover for the FY 2008 was Rs. 2062.42 Lacs as compared to Rs. 1727.59 Lacs during the FY 2007 showing increase of 19.38%. This increase is mainly attributable to increase in revenue from sale of Repair of Power Transformers & Sale of Power Transformers to MPMKVV Co. Ltd and mining companies. Total Income increased from 1618.51 Lacs for FY 2007 to Rs. 1987.68 Lacs for FY 2008 showing an increase of 22.81%.

### Expenditure:

#### Material Consumed

Material consumed increased to Rs. 1622.67 Lacs for FY 2008 from Rs. 1304.38 Lacs for FY 2007 showing a increase of 24.40%. The raw materials consumption cost was 78.68% of total turnover during FY 2008 as against that of 75.50% during FY 2007.

## Personnel Cost

Personnel Cost increased from Rs. 66.98 Lacs for FY 2007 to Rs. 89.73 Lacs for FY 2008 showing an increase of 33.96%. Personnel cost stood at 3.88% and 4.35% of turnover for FY 2007 and FY 2008 respectively.

#### Administrative, Selling and Distribution Expenses

Administrative, Selling and Distribution Expenses increased from Rs. 162.18 Lacs for FY 2007 to Rs. 170.31 Lacs for FY 2008 showing increase of 5.01%. This increase was mainly due to increase in travelling conveyance expenses, printing and stationery expenses. During FY 2008, the Administrative, Selling and Distribution Expenses was 8.26% of turnover as against 9.39% during FY 2007.

### Profit before Depreciation, Interest and Tax (PBDIT)

PBDIT increased from Rs. 84.97 Lacs for FY 2007 to Rs. 104.98 Lacs for FY 2008 showing the increase of 23.55%, mainly on account of increase in turnover. During FY 2008, our Company recorded PBDIT of 5.09% of the turnover as against 4.92% during FY 2007.

#### Interest and Financial Charges

Interest and Financial Charges increased from Rs. 44.35 Lacs for FY 2007 to Rs. 56.40 Lacs for the FY 2008 showing the increase of 27.18%. Interest and Financial expenses mainly includes interest and bank charges, which accounted for 2.73% of turnover during FY 2008 as against 2.57% in the year 2007.

### Depreciation

The total depreciation during FY 2007 was Rs. 6.13 Lacs and during FY 2008 it was Rs. 8.09 Lacs. Depreciation on fixed assets was 0.39% of turnover during FY 2008 as compared to 0.35% during FY 2007.



## Profit after Tax

PAT increased from Rs. 21.71 Lacs for the FY 2007 to Rs. 28.73 Lacs in FY 2008 showing an increase of 33.72%. This increase was due to increase in turnover and the other reasons as detailed above. During FY 2008, our Company recorded PAT margin of 1.41% as against 1.26% for FY 2007.

#### **Related Party Transactions**

For further information pertaining to our related party transactions please refer to 'Annexure XV' beginning on page 20 in the chapter titled "Financial Statements" beginning on page 174 of this 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 year ended March 31, 2011, 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.

#### Foreign Exchange Fluctuations

We are exposed to risks from fluctuations in foreign exchange fluctuations, since CRGO Sheets used as a major raw material for manufacturing transformers is sourced by overseas markets by local traders.

#### 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 chapter titled "*Risk Factors*" beginning on page 16 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 industry please refer to chapter titled "*Industry Overview*" beginning on page 95 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 the Company's customers in total income from operations is given below:

#### **Customers' contribution:**

		(Rs. in Lacs)
Particulars	Year ended March 31, 2010	Year ended March 31, 2011
Top 5	82.66%	49.25%
Top 10	92.10%	65.76%

The % of contribution of the Company's suppliers in total purchases is given below:

#### **Suppliers' contribution:**

Particulars		Year ended March
	March 31, 2010	31, 2011
Top 5	39.42%	36.24%
Top 10	57.24%	48.40%

#### **10.** Competitive conditions.

Competitive conditions are as described under the chapters titled "Industry Overview" and "Our Business" beginning on pages 84 and 111, respectively of this Red Herring Prospectus.



# FINANCIAL INDEBTEDNESS

Our Company and our Subsidiaries are enjoying various credit facilities as sanctioned by Bankers and Financial Institutions for conducting their business operations.

# I. Details of Secured Borrowings of our Company

Set forth below is a brief summary of our Company's Secured Borrowings of Rs. 1,877.65 Lacs as on August 30, 2011, from banks and financial institutions together with a brief description of certain significant terms of such financing arrangements:

					Rs. In Lacs)
Name of Lender	Facility and loan documentation	Amount Outstanding as on August 30, 2011 (Rs.)	Rate of Interest	Repayment Schedule	Security Created
State Bank of India Limited##	1. Term Loan Agreement dated October 20, 2008 for Rs. 500 Lacs Capex Letter of Credit ("LC") of Rs. 300 Lacs [sublimit within the Term Loan]	TL Account: Rs. 343.11 Lacs	5.25% above BR, present effective rate being 13.50% p.a. with reset option after every two years (interest has been resettled <i>vide</i> sanction letter dated March 25, 2011)	27 quarterly instalments of Rs. 17.86 Lacs each starting from quarter ending June 2009 and last instalment of Rs. 17.78 Lacs, ending in the quarter March 31, 2016	Primarysecurity:Exclusive charge:On fixed assets of the Company by way of equitable mortgage of immovable assets and hypothecation of movable assets at properties situated at 2-D/2, Sector D, Sanwer Road, Industrial Area, Indore and Survey No. 211/1 Opposite Sector-C and Metalman, Sanwer Road, Industrial Area, IndoreCollateral security: Second charge:Over the entire current assets of the CompanyFirst pari passu charge on the following assets by way of equitable mortgage:property situated at 191/1, 191/2, 191/3, 191/4, Saket Nagar, Indore in the name of Ms. Geeta Mundra, Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra respectively;



Name of Lender	Facility and loan documentation	Amount Outstanding as on August 30, 2011 (Rs.)	Rate of Interest	Repayment Schedule	Security Created
					South Tukoganj, Indore in the name of Mr. Shyam Sunder Mundra;
					STDR of Rs. 25 Lacs in the name of the Company duly discharged in bank's favour.
	2. Cash Credit Limit of Rs. 450 Lacs <i>vide</i> sanction letter dated March 28, 2009	Rs. 323.00 Lacs	0.50% above BPLR i.e. @ 13.50 p.a. (floating/variable)	12 months;	<b>Primary security:</b> First pari passu charge with Axis Bank Limited by way of charge over the entire current assets of the Company.
					Collateral security: <u>First pari passu</u> <u>charge with Axis</u> <u>Bank Limited by</u> way of equitable <u>mortgage on the</u> <u>following assets:</u>
					Property situated at 191/1, 191/2, 191/3, 191/4, Saket Nagar, Indore in the name of Ms. Geeta Mundra, Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra respectively;
					Flat no. 504-Varsha Apartment, 10/1, South Tukoganj, Indore in the name of Mr. Shyam Sunder Mundra;
					STDR of Rs. 25 Lacs in the name of the Company duly discharged in bank's favour.
					Second pari passu charge along with Axis Bank Limited by way of equitable mortgage for following properties:
					2-D/2. Sector D,



3.     Letter     of     Credit     Rs. 312.45     Charge     Period     Mataliana. Samver     Road.       3.     Letter     of     Credit     Lacs     Charge     as     Period     Mataliana. Samver       6.     Samver     Road.     Lacs     Charge     as     Period     Primary security:       6.     Samver     Road.     Lacs     Charge     as     Period     Primary security:       8.     Mathematical Samver     Road.     Industrial     Area, Indore.       9.     Sisuance:     maximum     120 days     Bills under the credit accompanied by documents of the credit accompanies of the credit interval accompanies of the cre	Name of Lender	Facility and loan documentation	Amount Outstanding as on August 30, 2011 (Rs.)	Rate of Interest	Repayment Schedule	Security Created
(Inland/Foreign/Demand/Usance) of Rs. 400 Lacs vide sanction letter dated March 28, 2009 **       Lacs       bank norms       Issuance: maximum       Bills under the credits accompanied by documents of title to goods, BL/RR/MTRs/AW         4.       Bank Guarantee (Financial/Performance) Limit of Rs. 500 Lacs vide sanction letter dated March 28, 2009 **       Rs. 405.19       Charge as per bank norms (variable)       Tenor: BGS favouring State Electricity Boards - 60 months including claim period; Other BGs- 36 months       Primary security: Counter Guarantee of the Company; Counter Guarantee of the Company; Counter Guarantee of the Company; State Electricity Boards - 60 months including claim period; Other BGs- 36 months       Primary security: Counter Guarantee of the Company; State Electricity Boards - 60 months including claim period; Other BGs- 36 months         5ub total       Rs. 1,383,75       Sub total       Rs. 1,383,75						Industrial Area, Indore and Survey No. 211/1, Opposite Sector-C and Metalman, Sanwer Road, Industrial
(Financial/Performance) Limit of Rs. 500 Lacs vide sanction letter dated March 28, 2009 **Lacsbank normsBGs favouring State Electricity Boards - 60 months including claim period; Other BGs- 36 months including claim periodCounter Guarantee of the Company; Extension of charge over current assets to the Bank; Other security: as applicable to Cash Credit LimitSub totalRs. 1,383.75Sub totalRs. 1,383.75		(Inland/Foreign/Demand/Usance) of Rs. 400 Lacs <i>vide</i> sanction		bank norms	Issuance: maximum	Bills under the credits accompanied by documents of title to goods, BL/RRs/MTRs/AW made out/endorsed in favour of bank for purchase of raw materials/stores; extension of charge over current assets; application cum indemnity letter. Collateral security (Movable and Immovable): as applicable to cash
		(Financial/Performance) Limit of Rs. 500 Lacs <i>vide</i> sanction letter		bank norms	BGs favouring State Electricity Boards – 60 months including claim period; Other BGs- 36 months including claim period Validity of Sanction:	Counter Guarantee of the Company; Extension of charge over current assets to the Bank; Other security as applicable to Cash Credit Limit Collateral security: as applicable to
1/01/0		Sub total	Rs. 1,383.75 Lacs			



Name of Lender	documentation	Amount Outstanding as on August 30, 2011 (Rs.)	Rate of Interest	Repayment Schedule	Security Created	
Axis Bank Limited##	1. Cash Credit Loan of Rs. 600 Lacs <i>vide</i> sanction letter dated July 25, 2009.	Rs. 493.90 Lacs	Cash Credit Base Rate + 4.25% i.e., 12.25% p.a. chargeable monthly (BPLR= 8.00% )	e., year from the date of sanction; R= Usance for LC-maximum 120 days; for BG-maximum upto 36 months inclusive of claim period	sanction; Usance for LC- maximum 120 days; for BG- maximum upto 36 months inclusive of claim	For CC – Primary security: Pari passu charge with State Bank of India on entire current assets (present and future) by way of hypothecation. Collateral security: First pari passu charge with State Bank of India by way of equitable mortgage on the following assets: Property situated at 191/1, 191/2, 191/3, 191/4, Saket Nagar, Indore in the name of Ms. Geeta
	Sub limit- Inland Letter of Credit for Rs. 100 Lacs	Nil	As per bank norms (variable)		Mundra, Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra respectively; Flat no. 504-Varsha Apartment, 10/1, South Tukoganj, Indore in the name of Mr. Shyam Sunder Mundra; FDR of Rs. 25 Lacs in the name of the Company. Second <i>pari passu</i> charge for the entire fixed assets (present and future) of the Company by way	
	Sub limit - Bank Guarantee of Rs. 100 Lacs	Nil	Commission for BG: 2.00% p.a. plus service tax		of equitable mortgage of land and building and other immovable assets and hypothecation of plant and machineries and other movable assets at properties situated at 2-D/2. Sector D, Sanwer Road, Industrial Area, Indore and Survey No. 211/1, Opposite Sector-C and Metalman,	



Name of Lender	Facility and documentation	loan	Amount Outstanding as on August 30, 2011 (Rs.)	Rate of Interest	Repayment Schedule	Security Created	
						SanwerRoad, IndustrialArea, Indore.Extensionof exclusivecharge over Life Insurance Policy with sum assured of Rs. 150 Lacs in the name of the directors of the Company i.e., Mr. Anurag Mundra, Mr. Vikalp Mundra and Mr. Shyam Sunder Mundra and Mrs. Geeta Mundra as third party guarantorForBG:as	
Sub total			Rs. 493.90 La			applicable to CC limit and counter guarantee of the Company	
			Rs. 1,877.65 Lacs				

## Both the loans by State Bank of India Limited and Axis Bank Limited are guaranteed by Mr. Shyam Sunder Mundra, Mr. Vikalp Mundra, Mr. Anurag Mundra in their personal capacity and by Ms. Geeta Mundra as third-party guarantee.

\*\* LC and BG limits sanctioned by State Bank of India to the Company is interchangeable to the extent of maximum of up to Rs. 500 Lacs.

# II. Details of Unsecured Borrowings of our Company

Our Company has availed unsecured inter corporate deposits amounting to Rs. 4,490 Lacs. The Board of Directors vide resolution dated March 31, 2011 has been authorised availment of the unsecured inter corporate deposits.

The details of the unsecured inter corporate deposits as on August 30, 2011 is as follows:

Sl. No	Name of the entities/lenders	Amount borrowed as on August 30, 2011 (In Rs. Lacs)	Date of availment	Rate of interest	Repayment schedule
1.	Aachman Vanijya Private Limited	100 187 13	July 12, 2011 July 25, 2011 August 4, 2011	15% per annum	To be repaid within three months
2.	Affluent Deal Com Private Limited	100	July 4, 2011		from the date of availment.
3.	Allwine Distributors Private Limited Ambrose Commercial Private Limited	50 50	July 13, 2011 July 13, 2011		The term can be extended for a further
5.	Anuj Realtors Private Limited	100	July 21, 2011		period of



Sl. No	Name of the entities/lenders	Amount borrowed as on August 30, 2011 (In Rs. Lacs)	Date of availment	Rate of interest	Repayment schedule
6.	Bhushan Power & Steel Limited	100	July 25, 2011		three months on mutual
7.	Continental Fiscal Management Limited	50 100	July 14, 2011 July 21, 2011		agreement on same terms and
8.	Cambridge Financial Services Private Limited Formerly known as "Dinosour Trade Link Private Limited")	100	June 28, 2011		conditions.
9.	ETL Infrastructure Finance Limited	50 25	July 25, 2011 July 26, 2011		
10.	Jagdhatri Deal Comm Private Limited	100	July 11, 2011		
11.	JMD Sounds Limited	50 50	July 20, 2011 July 22, 2011		
12.	Mirania Merchantiles Private Limited	35 15	July 20, 2011 July 21, 2011		
13.	Nihita Financial Services Private Limited	50 120 50 100 155 90 100 100	June 16, 2011 June 17, 2011 June 18, 2011 June 21, 2011 June 23, 2011		
		80	2011           August 2,           2011           August 16,           2011		
14.	Reetal Vyapaar Private Limited	50	July 15, 2011		
15.	Rich Gold Finance and Securities Limited	100	August 2, 2011		
		250	August 3, 2011		
		50	August 6, 2011 August 6,		
		100	2011		
16.	Sanjukta Vanijya Private Limited	100 20 50 50	June 28, 2011 June 28, 2011 July 2, 2011 July 4, 2011		
17.	Shreyas Merchandise Private Limited	50 50	July 13, 2011 July 13, 2011		
18.	Sun Automation Ltd.	50	August 18, 2011		



Sl. No	Name of the entities/lenders	Amount borrowed as on August 30, 2011 (In Rs. Lacs)	Date of availment	Rate of interest	Repayment schedule
19.	Shree Thirumalai Marketing and	50	July 28, 2011		
	Investments Limited	200	August 1, 2011		
		150	August 2, 2011		
			2011	-	
20.	Wheelers Developers Private Limited	100	July 12, 2011	-	
20.	Wheelers Developers Trivate Eminted	11	July 29, 2011		
		89	July 29, 2011	-	
				1	
21.	Shree Charbhuja Diamonds Private Limited	90	August 11, 2011	-	
		70	August 11, 2011		
		90	August 11, 2011	-	
		85	August 12, 2011	-	
		65	August 12, 2011	-	
		50	August 16, 2011	-	
		80	August 17, 2011	-	
		70	August 17,	-	
	Total	4,490	2011		

Note: The abovementioned unsecured inter corporate deposits loans shall be utilised towards the objects of the issue.

# III. Restrictive Covenants

### Axis Bank:

- 1. Company to maintain Current Ratio at least at 1.33 during the period of exposure to Axis Bank
- 2. TOL/TNW to be maintained at below 3.00 during the period of exposure.
- 3. Company to undertake that in case it decides to sell the old factory, the sale proceeds would be placed with the bank as collateral security or it would satisfy on utilization of proceeds and in case Company decides to lease out the same to others, the Company has to approach Axis Bank for NOC of the same.
- 4. The Company will not divert working capital funds for long-term purposes
- The Company should submit an undertaking that there would not be negative variation of more than 5% in Sales, PBDIT, PAT, TNW, Quasi-Equity in provisional B/s vis-à-vis ABS as of March 31, 2009
- 6. During the currency of the bank's facilities, the borrower will not, without the permission of the Bank in writing:
  - Grant loans to Promoters/Directors/associates and other related entities/companies
  - Enter into borrowing arrangement either secured or unsecured with any other bank or financial institutions, company or otherwise
  - Open Current Account with other banks
  - Effect any change in management and capital structure
  - Withdraw monies brought in by key promoters/depositors
  - Implement any scheme of expansion or acquire fixed assets of substantial value, other than the envisaged project.
  - Formulate any scheme of amalgamation with any other borrower/third party or reconstitution any borrower/third party.



- Undertake guarantee obligations on behalf of any other borrower/third party, except in normal course of business
- Invest by way of share capital in or lend or advance funds to place deposits with any other concerns, except in normal course of business or as advances to employees.
- Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations
- Make any repayment of the loans and deposits and discharge other liabilities except those shown in the funds flow statement submitted from time to time.
- 7. Bank reserves the right to cancel/suspend/reduce any of the borrowing/banking facility so granted and to alter/amend/vary the terms of Bank's sanction including the rate of interest/ margin/repayment period at the bank's sole discretion without having to assign any reason
- 8. Bank reserves the right to discontinue the facility and to withhold/stop any disbursement without giving any notice in case of non-compliance/breach of any terms and conditions stipulated herein and from time to time as also in the relevant documents or any information/particulars furnished to the bank is found to be incorrect or in case of any development or situations in the opinion of the bank, its interest will be/is likely to be prejudicially affected by such continuation or disbursement.
- 9. Vide Renewal Letter AXISB/WZ/SMECENTRE/IND/10-11/M&B dated December 31, 2010, Axis Bank had enhanced the cash credit limit from Rs. 600.00 Lacs to Rs. 800.00 Lacs; the LC limit and bank guarantee limit were enhanced to Rs. 200 Lacs respectively within the overall cash credit limit. To avail of this enhancement, the Company had to arrange for reduction in limits from Rs. 450.00 Lacs to Rs. 250.00 Lacs with State Bank of India and had to submit a proof for the same to be submitted to Axis Bank by February 28, 2011. As on date, State Bank of India has not reduced the limits to Rs. 250.00 Lacs and thus the loan
- amount from Axis Bank continues to be only Rs. 600.00 Lacs.10. NOC from State Bank of India as well as creation of charge on entire current assets and fixed assets of the Company to be done upfront before release of enhanced portion of CC limit.
- 11. Company to submit an undertaking that it shall take prior permission before approaching any bank/FIs for finance etc.
- 12. Company will place with Axis Bank all its banking business or at least proportionately if under consortium/multiple banking arrangement, including foreign exchange/insurance, if any, and deposits. In case the Company goes in for public issue/rights issue Axis Bank must be given pro-rata merchant banking business failing which the Bank may consider increasing the rate of interest on all funded limits.
- 13. Company to submit an undertaking that it will keep Axis Bank updated about the Solar Power project.

### State Bank of India:

- 1. With respect to the Term Loan\*\*\*:
  - Undertaking to be given by the company that it will not enter into any other borrowing arrangement without prior consent of the bank
  - Preference shares will not be redeemed and unsecured loans will not be withdrawn till currency of the loan.
  - Prior permission to be sought from the bank if the company plans for capital expenditure for unit or expansion in the existing building or at new premises in future, with an undertaking to this effect.
- 2. The promoters will submit an undertaking with respect to sanction of Cash Credit Limit of Rs. 450 Lacs *vide* letter dated March 28, 2009-
  - Not to disinvest their equity in the company till the currency of the Bank's loan
  - Not to repay the unsecured loans will the currency of the loan and to arrange additional funds by way of additional equity or interest free unsecured loans to meet the shortfall in any in financing the project and the working capital
  - That they will not dispose of the assets as declared in the net worth statement without the approval of the bank, during the currency of the loan
  - Undertaking by the company that it will not enter into any other borrowing arrangement without prior consent of the bank.
- 3. The Letters of Credit (Inland/Foreign/Demand/Usance) sanctioned on March 28, 2009, should not be established in favour of associates/group companies/firms.



The Bank shall be entitled at any time during the currency of the letter of credit, to demand and recover any margin up to the full extent of 100% of the LC and on default in payment of the margin so demanded the bank reserves its rights to recover such margin by debit to any of the company's accounts and such debit shall be recoverable from the company as their dues.

\*\*\*Note: As per our term loan agreement with State Bank of India, our Company had to obtain External Credit Rating (ECR) before December 31, 2008, failing which additional interest @0.50% above would have been levied. Our Company had acquired the requisite ECR from NSIC-CRISIL Rating – SE 2B\* in compliance with this covenant. Vide sanction letter dated March 25, 2011, our Company had to obtain External Credit Rating (ECR) before March 31, 2011. Our Company has acquired a long-term rating of LBB- and a short-term rating of A4 for Rs. 25.00 crore Line of Credit of our Company from ICRA Limited (ICRA).



# SECTION VI – LEGAL AND OTHER INFORMATION

# OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against our Company, Directors and our Promoters or ventures with which our Promoters were associated in the past (in case our Promoters' names continue to be associated with the particular litigation), and there are no defaults including non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits issued by our Company, defaults in creation of full security as per the terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company except as stated below, and no disciplinary action has been taken by SEBI or any stock exchange against our Company, our Directors, our Promoters or group companies with which our Promoters were associated in the past but are no longer associated (in case our Promoters' names continues to be associated with the particular litigation). Unless stated to the contrary, the information provided below is as of the date of this Prospectus.

Neither our Company nor our Promoters or Directors or group companies with which our Promoters were associated in the past but are no longer associated (in case our Promoters' names continues to be associated with the particular litigation), have been declared as wilful defaulters by the RBI, or any other

Governmental authority other than as disclosed below and there are no violations of securities laws committed by them in the past or pending against them.

#### *I.* Contingent Liabilities of our Company for the period ended March 31, 2011

Particulars	Period Ended March 31, 2011 (Amount in Rs. Lacs)
Outstanding Bank Guarantee	249.91
Corporate Guarantee on behalf of others	100.00
Income Tax Demand (Net of tax Deposited)	49.48
Total	399.39

For details, please refer to "Annexure- V- Contingent Liabilities" on page 183 of the chapter titled "Financial Statements" beginning on page 174 of this Red Herring Prospectus.

## II. Summary of Litigation

Following is a summary of the outstanding legal proceedings our Company, its Promoters, Directors and Group Entities are involved in as on date of this Red Herring Prospectus.

Sr.	Particulars	No. of	Amount involved				
No.		cases/disputes	(Amount in Rs.)				
	Litigation by and against our Company						
Litigat	ion against our Company						
1.	Gratuity claim	1	31,020				
2.	Income Tax Proceedings	1	1,09,80,010 *				
3.	Notices received by our	1	Non-quantifiable				
	Company- Collector of Stamps						
	Sub total	2	1,01,11,030				
Litigat	ion filed by our Company						
1.	Civil Proceedings	2	Principal amount of 1,15,21,935/- and interest				
			@ 18% p.a. until date of payment				
			Principal amount of 3,71,922/- and interest @				
			18% p.a. until date of repayment				



Sr. No.	Particulars	No. of cases/disputes	Amount involved (Amount in Rs.)
110.	Sub-Total	cases/uisputes	1,18,93,857 and interest @ 18% p.a. until
	Sub I dui		date of repayment
		1	
Litiga	tion by and against our Group Com	panies / Entities	
Litigat	tion filed by our Group Companies/ Er	ntities – Indore Trans	formers Private Limited
1.	Writ Petition	1	8,78,314
	•		
Past p	enalties involving our Company and	d already paid	
	enalties imposed on our Company	• •	
1.	Central Excise matter	1	41,124
Past P	enalties imposed on our Director		
1.	Central Excise matter	1	10,000
	•		
Past d	emand notices received by our Com	pany and already pa	aid
1.	Employee's Provident Fund	4	448
	Organisation		
2.	Customs and Central Excise	2	1,38,689
	Department		
3.	Employees State Insurance	4	27,451
	Corporation		

\*The total claim amount was Rs. 1,09,80,010 and our Company has already deposited a sum of Rs. 60,32, 438 with the tax authorities.

#### III. Litigation involving our Company

- A. Outstanding Litigation and Material Developments/Proceedings involving/ affecting our Company
- 1. Outstanding Litigation/ Proceedings filed against our Company
- a) An appeal bearing no. IT 311/08-09 filed before the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal, Indore, dated January 20, 2009 for the Assessment Year 2006-07.

An appeal dated January 20, 2009 ("**Appeal**") is pending before the Commissioner of Income Tax (Appeals), Indore ("**Court**") under section 246(1) of the I. T. Act, filed by our Company against the order dated December 30, 2008 ("**Impugned Order**") passed by the Deputy Commissioner of Income Tax (1), Indore ("**TTO**") for the Assessment Year 2006 – 07. The ITO dated December 30, 2008 passed an order under Section 143(3) of the Income Tax Act, 1961 that our Company had furnished inaccurate particulars of its income, for the assessment year 2006-07, in the form of share application money in the name of four companies, which it had failed to provide adequate explanation for, thus attracting the provisions of Section 271(1)(c) of the Act. The Deputy Commissioner of Income Tax assessed the total income at Rs. 2,72,84,240/- thereby making an addition of Rs. 2,46,00,000 as unexplained credit under Section 68 of the I.T Act. Notice of demand was issued by ITO under section 156 of the Act on December 30, 2008 for a sum of Rs. 1,09,80,010. The last date of hearing was on December 21, 2010. The case is currently pending before the Commissioner of Income Tax (Appeals).

In compliance with the process of filing appeals we are required to deposit certain sum of money accordingly, our Company has already deposited a sum of Rs. 60,32,438 with the tax authorities.

# b) A gratuity suit bearing no. Gratuity/10/06 dated July 17, 2006 has been filed by Mr. Devilal (deceased) against our Company before the Controlling Officer under Payment of Gratuity Act, 1972

The applicant Mr. Devilal (deceased) claimed that he had been under the employment of our Company for 22 years and had retired on April 28, 2004, but our Company had not paid him the gratuity amount due to him. He filed a gratuity suit bearing no. Gratuity/10/06 before the Controlling Officer under Payment of Gratuity Act, claiming Rs. 31,020. Our Company in its response dated March 2, 2009, contended that the applicant had never been employed by it in



any capacity and was thus making false claims. During the pendency of the suit the applicant died, and his legal heirs moved the court to be included as plaintiffs in the suit. Further by application dated March 2, 2009 our Company has also submitted that as per the Limitation Act, 1963 if the legal representatives are not made party within 90 days of the death of the plaintiff, the suit abates automatically. The matter is still pending before the Controlling Officer. The case was adjourned and the next date of hearing is on September 7, 2011

#### 1.a. Notices received by our Company

Our Company has received notice dated July 13, 2011 by the Collector of Stamps, Indore stating that it has been found that the market value of land situated at Survey No. 211/1, Opp. Sector - C & Metalman, Sanwer Road Industrial Area, Indore- 452015, Madhya Pradesh ("said property") had not been assessed correctly and that stamp duty paid at the time of registration was insufficient. As such additional tax must be paid by our Company after hearing on the same day. In its reply dated July 27, 2011 our Company has stated that the said property is for industrial purpose and the same has been mentioned in the registration documents. The fact a portion of the said property has been used to construct an office, does not render the use of the said property for commercial purposes, and that the property had been valued correctly at the time of its registration.

#### 2. Outstanding Litigation/ Proceedings filed by our Company

a) Our Company has filed an application dated January 06, 2008 for recovery of payment against Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited before the Madhya Pradesh Micro and Small Facilitation Council, Directorate of Industries and Commerce, Bhopal, Madhya Pradesh

The Company had supplied distribution transformer of 200 KVA to the Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL). MPPKVVCL had not made payment for the same from November 13, 2006 to January 19, 2007. Our Company had approached the Madhya Pradesh Micro and Small Facilitation Council, Directorate of Industries and Commerce, Bhopal, Madhya Pradesh, for release of payment. The Company submitted its plaint on January 25, 2006 to which a written statement was submitted by MPPKVVCL on March 17, 2008. A rejoinder was filed against this written statement on March 31, 2008. The Facilitation Council passed an order number C. No. MSEFC/242/2008 dated August 12, 2008 directing MPPKVVCL to pay a sum of Rs. 1,15,21,935 and interest @ 18% p.a. thereon, to our Company, within 30 days of receipt of order.

Our Company had filed an application for the execution of the award passed in decree no. C. No. MSEFC/242/2008 dated August 12, 2008 before the XII Additional District Judge, Indore on May 07, 2010. MPPKVVCL appealed the same after depositing the requisite amount and the case was registered before the XII Additional District Judge, Indore bearing no. 39/08. The appeal has been dismissed *vide* Order No. Arbitration MJC 1/09 dated April 11, 2011. Thereafter Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited filed an appeal bearing no. 22/2011 on April 11, 2011 before High Court of Madhya Pradesh, Indore Bench against the said order.

#### b) Our Company has filed an application dated October 06, 2008 for recovery of payment against Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited before the Madhya Pradesh Micro and Small Facilitation Council, Directorate of Industries and Commerce, Bhopal, Madhya Pradesh

The Company had received and carried out a work contract to repair booster transformers for MPPKVVCL. Our Company had raised four invoices, out of which MPPKVVCL had made a delayed payment for two invoices and had made part payments for the remaining two invoices. Our Company had approached the Madhya Pradesh Micro and Small Facilitation Council, Directorate of Industries and Commerce, Bhopal, Madhya Pradesh, for release of payment and interest. The Facilitation Council passed an order bearing number C. No. MSEFC/ 281/2009 dated January 06, 2010 directing MPPKVVCL to pay a balance sum of Rs. 3,71,922 and interest @ 18% p.a. for the delayed payments.



The above decree has been filed by us for execution before the District Judge, Indore. MPPKVVCL has filed an appeal against the above decree before the court of the X Upper District Judge, Ujjain bearing no. 26/10. The appeal filed by MPPKVVCL has been returned by Ujjain Court *vide* order dated February 14, 2011 on the grounds that the case lies beyond the court's jurisdiction.

#### B. Proceedings initiated against our Company for economic or civil offences

There are no proceedings initiated against our Company for any economic or civil offences.

#### C. Adverse findings in respect to our Company as regards compliance with the securities laws

There are no adverse findings against our Company as regards compliance with the securities laws.

#### D. Details of past penalties imposed on our Company

Except as provided here, there are no past penalties imposed on our Company.

In an Order-in Original no. 18/05-06/DC/Demand dated May 27, 2005, passed by the Deputy Commissioner Division, Indore had confirmed the demand and found that the Company had indulged in clandestine manufacturing and removal of transformers without payment of duty and thus a duty amount of Rs. 41,124, under proviso to Section 11A(1) of the Central Excise Act, 1944, and its interest amount of Rs. 12,784 is to be appropriated from the Company. Further, a penalty of Rs. 41,124 on our Company and a personal penalty of Rs. 10,000 were imposed against our Director Mr. Vikalp Mundra. Mr. Vikalp Mundra was found liable for penal action under erstwhile Rule 209A of the Central Excise Rules, 1944, for having knowingly concerned himself in the clandestine removal of excisable goods without payment of excise duty and without issuing proper central excise invoice at the time of removal of goods from factory premises of our Company. The said duty, interest and the penalty amounts have been deposited by our Company on August 11, 2005.

#### Notices received by our Company

In the past, our Company has received notices from the Employee's Provident Fund Organisation, the Customs and Central Excise Department.

#### **Employee's Provident Fund Organisation**

We have received letters No. MP/IND/Circle: 41/MP/17312/03-2007/613 dated July 31, 2008, No. MP/IND/Circle: 41/MP/17312/03-2006 dated February 13, 2008, No. MP/IND/Circle: 12/MP/12958/12-2006/ dated February 19, 2007 and No. MP/IND/Circle: 41/MP/17312/03-2005/87 dated October 07, 2005, from the Employee's Provident Fund Organisation, Indore asking for interest payment on delayed payment of dues, aggregating to Rs. 448 only. The same has been paid by our Company.

#### **Employees State Insurance Corporation**

We have received letters No. 233 dated August 09, 2010, No. 515 and 518 dated June 26, 2010 and No. 918 dated March 26, 2009, from the Assistant Director of the Employees State Insurance Corporation, Indore asking our Company to deposit interest recovery for delay in payments, aggregating to Rs. 27,451. Our Company has paid the requisite sums.

#### **Customs and Central Excise Department**

*Vide* the audits conducted for FY 2009-10 and 2008-09 by the Central Excise, Audit Branch, Indore, our Company was notified *vide* a letter dated July 27, 2009, that we had paid short duty and cess towards difference of delivery charges aggregating to Rs. 1,38,689. We have cleared payments for the same.



## E. Outstanding Litigation against other companies whose outcome could have an adverse effect on our Company

There are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Company.

#### F. Potential Litigation against our Company

As on date of this Red Herring prospectus, there are no potential litigations against our Company that we are currently aware of or in connection with which, we have received any notice.

# G. Outstanding litigation defaults etc. pertaining to matter likely to affect operations and finances of our Company, including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act

There are no outstanding litigation defaults etc. pertaining to matters likely to affect operations and finances of our Company, including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act.

#### H. Outstanding dues to small scale undertaking(s) or any other creditors

There are no outstanding dues above Rs. 1,00,000 to small scale undertaking(s) or any other creditors by our Company, for more than 30 days.

#### *IV.* Litigation involving the Promoters of our Company

#### A. Outstanding Litigation and Material Developments/Proceedings involving our Promoters

#### 1. Outstanding Litigation and Material Developments/Proceedings filed by our Promoters

There are no outstanding litigation involving our Promoters including criminal prosecutions or civil proceedings involving our Directors, and there are no material defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by our Directors

#### 2. Outstanding Litigation and Material Developments/Proceedings filed against our Promoters

There are no pending litigations, including disputed outstanding litigations and material developments/proceeding filed by the Promoters.

#### B. Adverse findings in respect to the Promoters as regards compliance with the securities laws

There are no adverse findings in respect to our Promoters as regards compliance with the securities laws.

#### C. Details of past penalties imposed on our Promoters

With respect to past penalties involving our Promoters, refer to section "*Details of past penalties imposed on our Company*" above, wherein a personal penalty had been imposed on Mr. Vikalp Mundra.

# D. Outstanding litigation defaults etc pertaining to matter likely to affect operations and finances of our Promoters, including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act

There are no outstanding litigation defaults etc pertaining to matter likely to affect operations and finances of our Promoters, including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act.



### E. Outstanding litigations against other companies whose outcome could have an adverse effect on our Promoters

There are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Promoters.

#### F. Disciplinary action taken by the Board/Stock Exchanges against our Promoters

There is no disciplinary action taken by the Board/Stock Exchanges against the Promoters.

### G. Outstanding litigations, defaults/overdues or labour problems/closure faced by our Promoters

There are no outstanding litigations, defaults/overdues or labour problems/closure faced by the Promoters.

#### H. Potential proceedings involving our Promoters

There are no potential proceedings involving our Promoters.

#### V. Litigation involving the Directors of our Company

#### A. Outstanding Litigation and Material Developments/Proceedings involving our Directors

Except as provided in this chapter, there are no outstanding litigations and material proceedings involving the Directors of our Company including criminal prosecutions or civil proceedings involving our Directors, and there are no material defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by our Directors, including disputed tax liabilities, past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act.

## B. Outstanding proceedings initiated against our Directors of our Company for economic offences

Except as provided in this chapter, there are no outstanding proceedings initiated against our Directors of our Company for any economic offences.

# C. Details of past penalties imposed on our Directors of our Company the authorities concerned

With respect to past penalties involving our Directors, refer to section "*Details of past penalties imposed on our Company*" above, wherein a personal penalty had been imposed on Mr. Vikalp Mundra, our Whole-time Director.

### D. Litigations against our Directors involving violation of statutory regulations or alleging criminal offence

There are no criminal/civil cases against the Directors involving violation of statutory regulations or alleging criminal offence.

#### E. Criminal/civil cases against our Directors towards tax liabilities

There are no criminal/civil cases against our Directors towards tax liabilities.

## F. Disciplinary action taken by the Board/Stock Exchanges against our Directors of our Company

There is no disciplinary action taken by the Board/Stock Exchanges against our Directors of our Company.



#### G. Potential proceedings involving our Directors

There are no potential proceedings involving our Directors.

#### VI. Litigations involving our Subsidiaries

There are no litigation involving our Subsidiaries.

#### VII. Litigations involving our Group Entities

Except as provided below, there are no outstanding litigations and material proceedings involving our Group Entities.

- A. Outstanding Litigation and Material Developments/Proceedings involving our Group Entities
- a. Outstanding Litigation and Material Developments/Proceedings filed against our Group Entities

There are no outstanding litigations and material proceedings filed against our Group Entities

#### b. Outstanding Litigation and Material Developments/Proceedings filed by our Group Entities

#### Indore Transformer Private Limited

#### Writ Petition No. 3158/2008 in the High Court of Madhya Pradesh, Bench at Indore

Indore Transformer Private Limited (ITPL) had filed a writ petition no, 3158/2008 dated January 10, 2009 before the Hon'ble High Court of Madhya Pradesh Bench sitting at Indore, against Bank of India (BOI), M/s Indian Paints and others challenging the order dated April 20, 2007 passed by the XII Additional District Judge, Indore ("Said Order").

Earlier BOI had given a loan to M/s Indian Paints, backed by two guarantors. On failure of payment, BOI filed a civil suit bearing no. 79-B/89 against M/s Indian Paints and the guarantors for recovery of the amount Rs. 8,78,314. One of the guarantors filed an application under Section 151 of the Code of Civil Procedure read with Section 133 of the Indian Contract Act, alleging that all the assets and liabilities of M/s India Paints had been taken over by ITPL, and hence they should now be made a party to the civil suit, and that his name should be deleted from the array of judgment debtors in view of Section 133 of the Indian Contract Act. As a result the learned XII Additional District Judge, Indore, took these averments and passed an order stating that the name of Indore Transformer Private Limited be substituted in place of M/s India Paints.

An application dated March 14, 2008 under Section 151 of the Code of Civil Procedure was submitted by ITPL for removal of its name. However the same was rejected by the executing court *vide* an order dated April 16, 2008. As a result ITPL has filed this writ petition to stay the Execution Case no. 79-B/89/01 dated April 20, 2007 by XII Additional District Judge, Indore, as interim relief and to issue a writ of *certiorari* or any other suitable writ to delete the name of ITPL from the array of judgment debtors in the said order. The High Court of Madhya Pradesh, Bench at Indore has stayed the Execution Case no. 79-B/89/01 dated April 20, 2007 by XII Additional District Judge, Indore.

#### VIII. Material Developments since the Last Balance Sheet Date

Material Developments after last Balance sheet date i.e. March 31, 2011:

Company has accepted unsecured inter corporate deposits aggregating to Rs. 4,490 Lacs from various non related companies and out of which, Rs. 3,648.90 Lacs has already been deployed towards objects of the issue for which public issue has been intended.



For details related to the objects of the proposed initial public offer and unsecured inter corporate deposits please refer to chapter titled "Objects of the Issue" beginning on page 73 and "Financial Indebtedness- Details of Unsecured Borrowings of our Company" on page 209 of this Red Herring Prospectus

Further we have incorporated a fully owned Subsidiary, Proximo Energy Concept Private Limited and have received the certificate of incorporating on August 23, 2011. For details related to our Subsidiary please refer to chapter titled *"History and certain Corporate Matter"* and *"Our Group Entities"* beginning on pages 137 and 160 of this Red Herring Prospectus.



#### GOVERNMENT AND OTHER APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business (as applicable on date of this Red Herring Prospectus) and except as mentioned below, no further approvals are required for carrying on our present business.

In view of the approvals listed below, we can undertake this Issue and our current/proposed business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to carry out its existing activities.

The following statement sets out the details of licenses, permissions and approvals taken by our under various central and state laws for carrying out its business.

#### I. APPROVALS FOR THE ISSUE

#### Approvals related to the Issue

- 1. In principle approval from the Bombay Stock Exchange Limited dated February 16, 2011 *vide* letter No. DCS/IPO/PVN/IPO-IP/1421/2010-11.
- 2. In principle approval from the National Stock Exchange Limited dated March 11, 2011 *vide* letter No. NSE/LIST/160460-Z.
- 3. Our Board of Directors have, pursuant to a resolution passed at its meeting held on November 19, 2010 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.
- 4. The Issue of Equity Shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Extra-ordinary General Meeting of shareholders held on December 20, 2010.

#### **II. COMPANY APPROVALS**

These are the general approvals which we require for our business carrying out its operations from two manufacturing sites i.e., Survey No. 2-D/2, Sector D and Survey No. 211/1, Opposite Sector 'C' and Metalman, Sanwer Road, Industrial Area, Indore 452 015

Sr. No.	Approval granted	Authority	Corporate Number/ Number	Identity Registration	Date granted	Validity
1.	Certificate of Incorporation as 'M AND B Switchgears Private Limited'	Registrar of Companies, Gwalior, Madhya Pradesh	U31200MP19	99PTC013571	June 09, 1999	Until cancellation or winding up
2.	Fresh certificate of incorporation pursuant to change in name from 'M AND B Switchgears Private Limited' to 'M AND B Switchgears Limited'	Registrar of Companies, Gwalior, Madhya Pradesh	U31200MP19	99PLC013571	November 19, 2010	Until cancellation or winding up

#### A. Corporate approvals

#### B. Tax Related Approvals



Sr. No.	Approval granted	Authority	Reference/Regi stration Number	Date granted	Validity
1.	Permanent Account Number	Income Tax Department	AADCM4748F	June 09, 1999	Until winding up or cancellation
2.	Allotment of Tax Deduction Account Number	Income Tax Department	TAN BPLM02004C	-	Until winding up or cancellation
3.	Certificate of enrolment under the Tax on Professions, Trades, Callings and Employments Act, 1979	Assistant Commissioner, Profession tax	78101101796	-	Until winding up or cancellation
4.	Service Tax registration for Maintenance or Repair service, erection, commissioning and installation, transport of goods by road.	Office of the Assistant Commissioner, Customs and Central Excise Division, Indore	AADCM4748F ST001 (MandR/94)	April 26, 2007	The same is valid till the registrant carries on the activity for which it has been issued or surrenders it, or it is revoked or suspended

### C. Business Related Approvals

Sr. No.	Approval granted	Authority	Reference/Regi stration Number	Date granted	Validity
1.	Government Purchase Enlistment Certificate	Senior Branch Manager, National Small Industries Corporation Limited	NSIC/IND/GP/ RS/M-13/2011- 12/-332	July 04, 2011	Until July 01, 2013
2.	Inspection Certificate	E and M Division, CMPDI, Nagpur.	CMPDI/RI- IV/E7M/07- 08/133A	November 29, 2007	-
3.	Inspection Certificate	RailIndiaTechnicalandEconomicServicesLimited(RITES),WesternRegion	W/5D02358CE/ BKS	March 20, 2006	-
4.	Inspection Report of Factory Equipment (Lifting Machines, Chain, Rope and Lifting Tackle) and Pressure Vessel	N.K. Maheshwari, Chartered Engineer	-	February 22, 2011	August 28, 2011

### D. Labour related Approvals

Sr. No.	Approval granted	Authority	Reference/Regi stration	Date granted	Validity
			Number		



1.	Certificate of Registration as per the Employees' State Insurance Act, 1948	Regional Director, Employees' State Insurance Corporation, Indore, under Section 2(12)/1(5) of the Employees' State Insurance Act, 1948	18-9436-64- Ins.I	August 31, 1987	Until cancelled
2.	Certificate of Registration as per the Employee's Provident Fund Scheme, 1952	Assistant P.F. Commissioner, Employees Provident Fund Organization, Indore, Madhya Pradesh, under the Employee's Provident Fund Scheme, 1952	MP/IN/17312	September 27, 2004	Until cancelled

E. License which have been applied for but yet not been approved/granted

Sr. No.	Approval sought	Authority	Date of
			Application
1.	Application for permission to affix label on distribution	Director General,	July 21,
	transformer under the Bureau of Energy Efficiency	Bureau of Energy	2011
	(Particulars and Manner of their display on Label of	Efficiency	
	Distribution Transformer) Regulations, 2009	-	

#### **III. PROJECT RELATED APPROVALS**

- A. Manufacturing Unit I, situated at Survey No. 2-D/2, Sector D, Sanwer Road, Industrial Area, Indore, Madhya Pradesh 452 015.
  - a) Licenses/Permissions granted for Manufacturing Unit I

Sr. No.	Approval granted	Authority	Reference/Regi stration Number	Date granted	Validity
1.	TIN for Registration as a dealer	Commercial Taxes Department vide the Certificate of Registration under the Madhya Pradesh VAT Act, 2002	23781100244	February 23, 2008	Until cancellation
2.	Certificate of Registration for manufacture of excisable goods at Survey No. 2-D/2, Sector D, Industrial Area, Sanwer Road, Industrial Estate, Indore, Madhya Pradesh 452 015.	Assistant Commissioner of Central Excise, Indore, under Rule 9 of the Central Excise Rules, 2002	AADCM4748F XM001	December 09, 2004	The same is valid till the registrant carries on the activity for which it has been issued or surrenders it, or it is revoked or suspended



3.	Certificate granting Entrepreneurs Memorandum to the manufacturing/service enterprise at Survey No. 2- D/2 Sector D Samuer	District Trade and Industry Centre, Indore	230261100537	August 2007	17,	Until cancelled/surr endered
4.	D/2, Sector D, Sanwer Road, Indore 452 015. Licence to Work a Factory issued to Mr. Shyam Sunder Mundra, occupier of M AND B Switchgears Private Limited, employing not more than 20 workers on any day and have not installed motive power exceeding 100 HW, where the manufacturing process of electrical switchgears will be carried out	Chief Inspector of Factories, Madhya Pradesh under the Factories Act, 1948	244/10743/Ind/2 mi	July 2004	28,	Expired on December 31, 2004. Fresh application for renewal of the same has been made each year. Refer to Section "License which have been applied for but yet not been approved/ granted" below for the most recent application.
5.	Environmental Clearance/No Objection Certificate for construction of transformers	District Trade and Industries Centre, Indore under Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981	A.A./2002/4950	June 2002	28,	The same is valid till the registrant carries on the activity for which it has been issued

b) License which have been applied for but yet not been approved/ granted:

Sr. No.	Approval sought	Authority	Date of Application
1.	Form 4 for the renewal of the Licence to Work a	Director, Health and	November
	Factory for the year 2011	Safety, Indore	30, 2010

B. Manufacturing Unit II, situated at Survey No. 211/1, Opposite Sector 'C' and Metalman, Sanwer Road, Industrial Area, Indore, Madhya Pradesh 452 015.

#### a) Licenses/Permissions granted for Manufacturing Unit II:

Sr. No.	Approval granted	Authority	Reference/Registration Number	Date granted	Validity
1.	TIN for Registration as a dealer	Commercial Taxes Department vide the Certificate of Registration under the Madhya Pradesh VAT Act, 2002	23351104700	February 17, 2009	Until Cancellation



2.	Registration for manufacture of excisable goods at Survey No. 211/1, Industrial Area, Indore Industrial Estate, Indore, Madhya Pradesh 452 015.	Assistant Commissioner of Central Excise, Indore, under Rule 9 of the Central Excise Rules, 2002	AADCM4748FXM002	December 22, 2008	The same is valid till the registrant carries on the activity for which it has been issued or surrenders it, or it is revoked or suspended
3.	Certificate granting Entrepreneurs Memorandum to the manufacturing/service enterprise at Survey No. 211/1, Opposite Sector 'C' and Metalman, Sanwer Road, Industrial Area, Indore 452 015.	District Trade and Industries Centre, Indore	230261201839	December 24, 2009	Until cancelled/surrendered
4.	Licence to Work a Factory issued to Mr. Shyam Sunder Mundra, occupier of M AND B Switchgears Private Limited, employing not more than 50 workers on any day and have not installed motive power exceeding 250 MWp, where the manufacturing process of A11 type of transformer etc will be carried out	Chief Inspector of Factories, Madhya Pradesh under the Factories Act, 1948	451/13942/IND/2m(i)	March 08, 2010	Expired on December 31, 2009. Fresh application for renewal of the same has been made. Refer to Section " <i>License</i> which have been applied for but yet not been approved/ granted" below
5.	Environmental Clearance/No Objection Certificate for construction of transformers	District Trade and Industries Centre, Indore under Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981	AA/2008/8837	November 25, 2008	The same is valid till the registrant carries on the activity for which it has been issued
6.	Certificate of Registration MPIIPAS-04/431	MP Trade and Investment Facilitation Corporation Limited, under Madhya Pradesh Udyog Nivesh Samvardhan Sahayata Yojana, 2004	MPTRIFAC/IIPAS- 04/REG/895/2011/6352	February 08, 2011	-
7.	Eligibility Certificate for availing of the facility of exemption from payment of Entry Tax.	District Trade and Industries Centre, Indore	20/Visah/(7)/2010/900	April 02, 2011	April 02, 2016



0.	Certificate eligibility			District Trade	20/FA(7)/2010/88	June 2011	21,	Valid from February 28, 2009 to February
6	engionity		TOP	and Industries		2011		28, 2009 to February
6	exemption	of	Entry	Centre, Indore				27, 2014
5	Tax							

#### b) License which have been applied for but yet not been approved/ granted:

Sr. No.	Approval sought	Authority	Date of Application
1.	Form 4 and Letter for the renewal of the Licence to	Director, Health and	February 25,
	Work a Factory for the year 2010	Safety, Indore	2010

C. Solar Power Plant I with a capacity of 2 MWp situated at Survey No. 13/1/1, Village Gagorani, District Rajgarh, Madhya Pradesh

#### a) Licenses/Permissions granted for Solar Power Plant I:

Sr. No.	Approval granted	Authority	Reference/Registration Number	Date granted	Validity
	Approval for the installation of a Solar Power Plant in District Rajgarh. Application for permission for power evacuation at 33 KV	Madhya Pradesh Power Transmission Company Limited (MPPTCL)	04-02/PS/HTC/103	January 18, 2011	Until Cancellation

### b) For this project we have made the following applications, which are yet to be granted/ approved:

Sr. No.	Approval sought	Authority	Date of Application
1.	For the installation of a Solar Power Plant in District	District Collector,	November
	Rajgarh. For this purpose the Company has purchased	Rajgarh	11,2010
	Survey no. 13/2 and 13/1/1 in Village Gagorani		
2.	Application MB/10-11/MPUVN_2 for registration as	Madhya Pradesh	November
	eligible entity for receiving renewable energy certificates as	Urja Vikas Nigam	22, 2010
	per the CERC Order No. L-1/12/2010-CERC dated June 01,	Limited	
	2010 for "Model Procedure for Accreditation of Renewable	(MPUVNL)	
	Energy Generation Project for REC Mechanism by State		
	Agency"		
3.			

The abovementioned applications are sought for a 5 MWp Solar Power Project in its entirety.

#### c) Licenses / approvals for which we are yet to apply:

Sr. No.	Authority
1.	Ministry of New and Renewable Energy (MNRE)
2.	National Load Despatch Centre (NLDC)
3.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL)
4.	Sales Tax Department, Indore for the new site
5.	Excise Department for the new site

# D. Solar Power Plant II situated at Survey Nos. 13/2, 20, 23, 24, 25, 27, 28, 30, 37 and 38, Village Gagorani, District Rajgarh, Madhya Pradesh

#### a) Licenses / approvals for which we are yet to apply:

Solar Power Plant II is a proposed project of 4 MWp and we have yet to apply to the following authorities:

Sr. No.	Authority
---------	-----------



Sr. No.	Authority
1.	Intimation to District Collector, Rajgarh for the proposed Solar Power Project
2.	Madhya Pradesh Urja Vikas Nigam Limited (MPUVNL)
3.	Ministry of New and Renewable Energy (MNRE)
4.	National Load Despatch Centre (NLDC)
5.	Madhya Pradesh Power Transmission Company Limited
6.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL)
7.	Sales Tax Department, Indore for the new site
8.	Excise Department for the new site

### IV. APPROVALS FROM LENDER BANKS

### We have received the following approvals from our lender banks:

Sr. No.	Authority	Date Granted	
1.	No Objection Certificate AXISB/MCMC/2010-11/204 for the proposed	December	14,
	IPO of the Company from Axis Bank	2010	
2.	No Objection Certificate AMT/III/11-12/035 for the proposed IPO of the	April 25, 2011	
	Company from State Bank of India		



#### OTHER REGULATORY AND STATUTORY DISCLOSURES

#### Authority for the Issue

Our Board of Directors has, pursuant to a resolution passed at its meeting held on November 19, 2010 authorized the Issue.

Our shareholders have, pursuant to a resolution dated December 20, 2010 under section 81(1A) of the Companies Act, 1956 authorized the Issue.

We have received in-principle approvals from BSE and NSE for listing of our Equity Shares pursuant to letters dated February 16, 2011 and March 11, 2011, respectively. BSE is the Designated Stock Exchange.

#### Prohibition by SEBI, RBI or governmental authorities

Our Company, our Promoters, Promoter Group, Directors or our Group Entities, have not been prohibited from accessing the capital markets for any reasons under any order or direction passed by SEBI or any other authorities.

None of our Promoters, Directors was or also is 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 SEBI.

None of our Directors is associated with the securities market and there has been no action taken by SEBI against any of our Directors or any entity where our Directors are involved in as promoters or directors.

Neither our Company, our Promoters, Group Entities, nor our Directors, have been identified as willful defaulters by RBI or other authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

#### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(2) of the SEBI ICDR Regulations which states as follows:

"An issuer not satisfying any of the conditions stipulated in sub-regulation 26 (1) may make an initial public offer if:

(a) (i) the issue is made through the book building process and the issuer undertakes to allot at least fifty per cent. of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make allotment to the qualified institutional buyers; or

(ii) at least fifteen per cent. of the cost of the project is contributed by scheduled commercial banks or public financial institutions, of which not less than ten per cent shall come from the appraisers and the issuer undertakes to allot at least ten per cent of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make the allotment to the qualified institutional buyers;

(b) (i) the minimum post-issue face value capital of the issuer is ten crore rupees; or

(ii) the issuer undertakes to provide market-making for at least two years from the date of listing of the specified securities, subject to the following:

(A) the market makers offer buy and sell quotes for a minimum depth of three hundred specified securities and ensure that the bid-ask spread for their quotes does not, at any time, exceed ten per cent.;

(B) the inventory of the market makers, as on the date of allotment of the specified securities, shall be at least five per cent. of the proposed issue."



We are an unlisted company not complying with the conditions specified in regulation 26(1) of the SEBI ICDR Regulations and are therefore required to meet both the conditions detailed in regulation 26(2)(a) and regulation 26(2)(b) of the SEBI ICDR Regulations.

We are eligible for the Offer as per regulation 26(2) of the SEBI ICDR Regulations as:

- The Issue is being made through the Book-Building process, with at least 50% of Issue being allotted to QIBs, failing which the entire subscription monies shall be refunded; and
- The minimum post-Issue face value capital of the Company shall be Rs. 100 million.

Further, in accordance with regulation 26(4) of the SEBI ICDR Regulations, we shall ensure that the number of Allottees, i.e., persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 10 Working Days from the date of Bid/ Issue Closing Date, whichever is earlier), then our Company 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 by applicable law.

#### Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER BEING, D & A FINANCIAL SERVICES PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH 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 THIS 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, D & A FINANCIAL SERVICES PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 19, 2011 WHICH READS AS FOLLOWS:

"(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THIS RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(a) THIS RED HERRING PROSPECTUS FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE

11 C

CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE DISCLOSURES MADE IN THIS 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 BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(4) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE.

(5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THIS RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THIS RED HERRING PROSPECTUS.

(6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THIS RED HERRING PROSPECTUS.

(7) WE UNDERTAKE THAT SUB-REGULATION (4) of REGULATION 32 AND CLAUSE (c) AND (d) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH PROCEEDS OF THE PUBLIC ISSUE- NOT APPLICABLE.

(8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY 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 COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

(9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO



THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION - NOTED FOR COMPLIANCE.

(10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THIS RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE.

(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 THIS RED HERRING PROSPECTUS:

(a) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY AND

(b) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI 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 COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S 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 THIS RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

The filing of this Red Herring Prospectus does not, however, absolve the Company from any liabilities under section 63 or section 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the BRLM any irregularities or lapses in this Red Herring Prospectus.

**Caution – Disclaimer from our Company and the BRLM** 

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisement or any other material issued by or at the instance of above mentioned entities and anyone placing reliance on any other source of information, including our website, <u>www.mbswitch.com</u> would be doing so at their own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Agreement entered into among the BRLM and our Company dated January 11, 2011 and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us 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 show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company nor the Syndicate Member shall be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

The BRLM and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our Group Entities, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and our Group Entities, affiliates or associates for which they have received, and may in future receive, compensation.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

#### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and 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), or trusts under applicable trust law and who are authorized under their constitutions to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including Eligible NRIs, Foreign Institutional Investors ("FIIs") and other eligible foreign investors (viz. Foreign Venture Capital Investors ("FVCIs"), multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations. Accordingly, our Company's Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to the date of this Red Herring Prospectus.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

#### **Disclaimer Clause of the BSE**

As required, a copy of this Red Herring Prospectus shall be submitted to BSE. The Bombay Stock Exchange Limited ("the Exchange") has given vide its letter bearing No. DCS/IPO/PVN/IPO-IP/1421/2010-11 dated February 16, 2011 permission to this Company to use the Exchange's name in



the 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 aforesaid permission to our Company. The Exchange does not in any manner:

- 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 continue to be listed on the Exchange; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent enquiry, 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 or any other reason whatsoever.

#### Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE), NSE has given vide its letter ref: NSE/LIST/160460-Z dated March 11, 2011 permission to the Issuer to use the Exchange's name in this offer document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desired 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 this Red Herring Prospectus will be filed with SEBI at its head and regional office situated at Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051 Maharashtra. A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC and Head office of SEBI at Mumbai.

#### Listing

Applications will be made to the Stock Exchanges for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the basis of Allotment will be finalised for the Issue.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by either of the Stock Exchanges mentioned above we will 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 the Company becomes liable to repay it, *i.e.*, from the date of refusal or within 10 Working Days from the Bid/ Issue Closing Date, whichever is earlier, then our Company and every officer in default will, on and from the expiry of eight days, be liable to repay such application money, with interest at the rate of 15% *per annum*, as prescribed under Section 73 of the Companies Act.



Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of the Bid/ Issue Closing Date.

#### 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."

#### Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) the BRLM and Syndicate Member(s), Registrar to the Issue and the legal advisors, to act in their respective capacities, have been obtained, as applicable, and would be filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

The Auditors, M/s Ashok Khasgiwala and Co., have given their written consent to the inclusion of their report in the form and context in which it appears in "*Financial Statements*" beginning on page 174 and of their report relating to tax benefits accruing to our Company in the form and context in which it appears in "*Statement of Tax Benefits*" beginning on page 88 and such consent and report have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

ICRA Limited, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given its written consent to the inclusion of its report in the form and context in which it appears in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the RoC and Designated Stock Exchange.

#### **Expert Opinion**

Except the report of ICRA Limited, in respect of the IPO grading of this Issue which will be annexed with the Red Herring Prospectus and except for the restated financial report of the Auditors of our Company on the restated financial information included in this Red Herring Prospectus, we have not obtained any expert opinions.

#### **Issue Related Expenses**

The total expenses of the Issue are estimated to be approximately Rs. [•] Lacs. The expenses of this Issue include, among others, lead management fees, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue shall be borne by our Company.

Sr.	Activity Expense	Amount	Percentage of	Percentage
No.			Total Issue	of Total
			Expenses	Issue size
1.	Lead management fees*	[•]	[•]	[•]
2.	Underwriting and selling commission*(including	[•]	[•]	[•]
	commission to SCSBs for ASBA Applications)			
3.	Registrar's fees*	[•]	[•]	[•]
4.	Advertisement and marketing expenses*	[•]	[•]	[•]
5.	Printing and distribution expenses*	[•]	[•]	[•]
6.	IPO Grading expenses*	[•]	[•]	[•]

The estimated Issue expenses are as under:



7.	Advisors*	[•]	[•]	[•]
8.	Bankers to the Issue*	[•]	[•]	[•]
9.	Others (Monitoring agency fees, SEBI filing fees,	[•]	[•]	[•]
	bidding software expenses, depository charges, listing			
	fees, etc.) *			
	Total estimated Issue Expenses	[•]	[•]	[•]

\*Will be incorporated at the time of filing of the Prospectus.

#### Fees payable to the BRLM and the Syndicate Member(s)

The total fees payable to the BRLM and the Syndicate Member(s) (including underwriting commission and selling commission) will be as per their respective engagement letters with our Company.

#### Fees payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of Bid-cum-Application Forms, data entry, printing of CAN, allotment advice, refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement dated November 20, 2010 between us and the Registrar to the Issue, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds or send Allotment advice by registered post/speed post/under certificate of posting.

#### Particulars Regarding Public or Rights Issues during the Last Five Years

Our Company has not made any previous public or rights issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

#### Commission or brokerage on previous issues

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of our Equity Shares since our incorporation.

#### Previous Issues of Shares Otherwise than for Cash

Our Company has not made any previous issues of Equity Shares for consideration otherwise than for cash.

#### **Capital Issues in the Last Three Years**

Our Company, Subsidiary and Group Entities have not made any public or rights issues in the last three years. As on date of this Red Herring Prospectus, our Company has no Subsidiaries.

#### **Promise v/s Performance**

Our Company, Subsidiary and Group Entities have not made any previous rights or public issues.

#### **Outstanding Debentures or Bond Issues or Redeemable Preference Shares**

Our Company has no outstanding debentures or bonds or redeemable preference shares, as of the date of this Red Herring Prospectus.

#### Partly Paid Up Shares

There are no partly paid up Equity Shares of our Company.

#### Stock Market Data of our Equity Shares



This being an initial public offer of the Equity Shares of our Company, the Equity Shares of our Company are not listed on any stock exchange and hence no stock market data is available.

#### Mechanism for Redressal of Investor Grievances

The agreement dated November 20, 2010 between the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of three years from the last date of dispatch of the letters of Allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, 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, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, ASBA Bid cum Application Form number, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

#### Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible. No investor complaints have been received during the immediately preceding three years prior to filing of this Red Herring Prospectus with SEBI.

We have also appointed Ms. Toshiba Sugandhi, Company Secretary as the Compliance Officer for this Issue and she may be contacted in case of any pre- Issue or post Issue related problems, at the following address:

#### M AND B Switchgears Limited

Survey No. 211/1, Opposite Sector- C and Metalman, Sanwer Road, Industrial Area, Indore- 452 015 Madhya Pradesh, India Tel. No.: +91-731-2722388/2721672 Facsimile : +91-731-2721693 Email: <u>info@mbswitch.com</u> Website: <u>www.mbswitch.com</u>

#### **Change in Auditors**

There has been no change in our auditors for the last three years. M/s Ashok Khasgiwala and Co continue to be our Auditors.

#### **Capitalization of Reserves or Profits**

Except as stated in "*Capital Structure*" beginning on page 62, we have not capitalized our reserves or profits in the last five years.

#### **Revaluation of Assets**

There has been no revaluation of assets of our Company in the last five years.



#### SECTION VII – ISSUE RELATED INFORMATION

#### TERMS OF THE ISSUE

The Equity Shares being Issued are subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, the terms of this Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, the Bid cum Application Form, the Revision Form 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 all applicable laws, regulations, guidelines, rules and notifications relating to the issue of capital and listing of securities issued from time to time by SEBI, GoI, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **Ranking of Equity Shares**

The Equity Shares being offered shall be subject to the provisions of our Memorandum of Association and Articles of Association and shall rank *pari-passu* with the existing Equity Shares of our Company including rights in respect of dividends. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, please refer to chapter titled "*Main Provisions of the Articles of Association*" beginning on page 278 of this Red Herring Prospectus.

#### Mode of Payment of Dividends

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

#### Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs.  $[\bullet]$  per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares. The Floor Price is Rs. 180 per Equity Share and the Cap Price is Rs. 186 per Equity Share. The Issue Price is 18 times of the Face Value at the lower end of the Price Band and 18.6 times of the Face Value at the higher end of the Price Band.

#### Price Band

The Price Band shall be from Rs. 180 to Rs. 186 per Equity Share of face value of Rs. 10 each.

#### Compliance with the SEBI

Our Company shall comply with applicable disclosure and accounting norms specified by the SEBI from time to time.

#### **Rights of the Equity Shareholder**

Subject to applicable laws, our Equity Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and other preferential claims being satisfied;
- Subject to applicable law including any RBI rules and regulations, right of free transferability; and



• Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Listing Agreement executed with the Stock Exchanges, and our Memorandum of Association and Articles of Association.

Upon the listing of the Equity Shares on the Stock Exchange, all our Equity Shareholders have the same voting rights. For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividends, forfeiture and lien and/or consolidation/splitting, please refer to chapter titled "*Main Provisions of Our Articles of Association*" beginning on page 278 of this 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 dematerialized form. As per the existing SEBI ICDR Regulations, the trading of our Equity Shares shall only be in dematerialized form. Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 30 Equity Shares, subject to a minimum Allotment of 30 Equity Shares.

#### Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

#### 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 Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the board of directors, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with respective depositories of the applicant would prevail. If the investors want to change their nomination, they are requested to inform their respective depository participant.

#### Application by Eligible NRIs / FIIs registered with SEBI and FVCIs registered with SEBI

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. Such Eligible NRIs, FIIs registered with SEBI or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.



**Bid/Issue Program** 

BID/ISSUE OPENS ON	September 28, 2011
BID/ISSUE CLOSES ON	October 05, 2011

#### Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue including the devolvement of Underwriters within 60 days from the Bid/ Issue Closing Date, our Company shall within 70 days of Bid/ Issue Closing Date refund the entire subscription amount received. If such money is not repaid within eight days from the day the Company becomes liable to repay, the Company and every officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% *per annum* as prescribed under section 73 of the Companies Act.

Further in terms of Regulation 26(4) of the SEBI ICDR Regulations, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

#### Arrangement for Disposal of Odd Lots

There are no arrangements for disposal of odd lots.

#### **Restriction on Transfer of Shares**

Except for lock-in of the pre- Issue Equity Shares, Promoter's minimum contribution in the Issue as detailed in the chapter titled "*Capital Structure*" beginning on page 62 of this Red Herring Prospectus and as disclosed under heading *Shareholders' Agreement* beginning in the chapter titled "*History and Certain Corporate Matters*" beginning on page 137 of this Red Herring Prospectus, there are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. Please refer to chapter titled "*Main Provisions of our Articles of Association*" beginning on page 278 of this Red Herring Prospectus.

#### **Option to receive Equity Shares in Dematerialized Form**

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.



### **ISSUE STRUCTURE**

The Issue of 50,00,000 Equity Shares of Rs.10 each, at a price of Rs.  $[\bullet]$  for cash aggregating Rs.  $[\bullet]$  Lacs is being made through the Book Building Process. The Issue shall constitute 25 % of the post-Issue equity share capital of our Company.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation	At least 25,00,000 Equity Shares	Not less than 7,50,000 Equity Shares	Not less than 17,50,000 Equity Shares
Percentage of Issue size available for allocation	At least 50% of the Issue shall be allocated to QIBs. However, 5% of the QIB Portion to Mutual Funds only. The unsubscribed portion in the Mutual Funds portion will be available to QIBs	Not less than 15% of the Issue or Issue size less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Issue available for allocation or the Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) 1,25,000 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 23,75,000 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid Amount exceeds Rs. 2, 00,000	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid Amount exceeds Rs. 2, 00,000	30 Equity Shares and in multiple of 30 equity shares
Maximum Bid	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid Amount does not exceed Rs. 2, 00,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	30 Equity Shares and in multiples of 30 Equity Shares thereafter	30 Equity Shares and in multiples of 30 Equity Shares thereafter	30 Equity Shares and in multiples of 30 Equity Shares thereafter
Allotment Lot	30 Equity Shares and in multiples of one Equity Share thereafter	30 Equity Shares and in multiples of one Equity Share thereafter	30 Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply	<ul> <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> </ul>	Resident Indian individuals, HUFs (in the name of <i>Karta</i> ), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual who can bid for an amount exceeding Rs. 2,00,000	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 2,00,000 in value



	bilateral development		
	financial institution;		
	(vi) a state industrial		
	development corporation;		
	(vii) an insurance		
	company registered with		
	the Insurance Regulatory		
	and Development		
	Authority;		
	(viii)a provident fund		
	with minimum corpus of		
	2,500 Lacs;		
	(ix) a pension fund with		
	minimum corpus of 2,500		
	Lacs:		
	(x) National Investment		
	Fund set up by resolution		
	no. F. No. 2/3/2005-DDII		
	dated November 23, 2005		
	of the Government of		
	India published in the		
	Gazette of India;		
	(xi) insurance funds set up		
	and managed by army,		
	navy or air force of the		
	Union of India;		
	(xii) insurance funds set		
	up and managed by the		
	Department of Posts,		
	India.		
Terms of Payment		Il be payable at the time of	
	Application Form to the Syndicate Member(s). In case of ASBA Bidders, the SCSBs		
	shall be authorized to block such funds in the ASBA Account as detailed in the		
	ASBA Bid cum Application	Form.	

This is an Issue of at least 25% of our Company's post-Issue capital pursuant to Rule 19(2)(b)(i) of the SCRR read with Regulation 41(1) of the SEBI ICDR Regulations. The Company is eligible for the Issue in accordance with Regulation 26(2) of the SEBI ICDR Regulations. Further, this Issue is being made through the 100% Book Building Process, wherein at least 50% of the Issue shall be Allotted to QIBs on a proportionate basis. In case we do not receive subscriptions of at least 50% of the Issue from QIBs, the subscription monies shall be refunded.

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. If the aggregate demand in the QIB category has been met, any under subscription in any category, other than the QIB category, would be allowed to be met with spill-over from any other category (including QIB Category)or combination of categories at the discretion of the Company in consultation with the BRLM and the Designated Stock Exchange.

In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

In the case of ASBA bidders the SCSBs shall be authorised to block such funds in the bank account of the ASBA bidders that are specified in the ASBA Forms.

#### Withdrawal of the Issue

Our Company in consultation with the BRLM reserves the right not to proceed with the Issue at any time after the Bid/ Issue Opening Date but before Allotment. If our Company withdraws the Issue, it shall issue a public notice, within two days from the closure of the Issue, providing reasons for not proceeding with the Issue. The BRLM through the Registrar to the Issue, shall notify the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such notification. The



notice of withdrawal shall be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges shall also be informed promptly.

If our Company withdraws the Issue after the Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of Equity Shares, it shall file a fresh Draft Red Herring Prospectus with SEBI.

#### Letters of Allotment or Refund Orders or Instructions to SCSBs

Our Company shall give credit of Equity Shares Allotted, if any, to the beneficiary account with Depository Participants within two Working Days from the date of Allotment. Our Company shall ensure dispatch of refund orders, if any, by registered post or speed post or Direct Credit, National Electronic Fund Transfer ("**NEFT**") or National Electronic Clearing Service ("**NECS**") at the sole or First Bidder's sole risk within two Working Days from the date of Allotment. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bidders.

#### Interest in case of delay in dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI ICDR Regulations, our Company undertakes that:

- Allotment shall be made only in dematerialized form within 12 Working Days from the Bid/ Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT or NECS, shall be done within two Working Days from the date of Allotment;
- Instructions to the relevant SCSBs to unblock the funds in the relevant ASBA Account for withdrawn, rejected or unsuccessful or partially successful ASBA Bidders, within 12 Working Days of the Bid/ Issue Closing Date; and
- Our Company shall pay interest at 15% per annum if Allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner within eight days from the day the Company becomes liable to repay.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made through any of the modes as described in the Red Herring Prospectus and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### **BID ISSUE PROGRAM**

#### BID/ISSUE OPENS ON BID/ISSUE CLOSES ON

September 28, 2011 October 05, 2011

Except in relation to the Bids received and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bidding Period at the Bidding Centres mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA Form, the Designated Branches except that:

(i) in case of Bids by QIBs the Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 p.m. on the Bid Closing Date;

(ii) in case of Bids by Non-Institutional Bidders, the Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 p.m. on the Bid Closing Date; and

(iii) in case of Bids by Retail Individual Bidders, the Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. on the Bid Closing Date, which may be extended upto such time as deemed fit by the Stock Exchanges after taking into account the total number of



applications received up to the closure of timings and reported by BRLM to the Stock Exchanges within half an hour of such closure.

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum Application Forms and ASBA Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the Floor Price as disclosed at least two Working Days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Member(s) [and intimation to SCSBs].

Due to limitation of time available for uploading the Bids on the Bid Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in initial public offers, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, the Company, the Syndicate and the SCSBs shall not be responsible. Bids will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Bids by ASBA Bidders shall be uploaded by the SCSBs or the members of the Syndicate, in the electronic system to be provided by the Stock Exchanges.



#### **ISSUE PROCEDURE**

This section applies to all Bidders. All Bidders may participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to them before submitting a Bid through the ASBA process. All Bidders are required to pay the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount at the time of Bidding. It may be noted that pursuant to the SEBI Circular (no. CIR/CFD/DIL/1/2011) dated April 29, 2011 SEBI has decided to make the ASBA facility mandatory for non-retail investors i.e. QIBs and Non Institutional Investors in all public/rights issues opening on or after May 2, 2011. Any Bidder may participate in this Issue through the ASBA process by providing the details of their respective bank accounts in which the corresponding Bid amounts will be blocked by SCSBs.

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 their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under applicable laws, regulations or approvals. Bidders are advised to make their own enquiries about the limits applicable to them.

#### **Book Building Procedure**

This is an Issue of at least 25% of our Company's post-Issue capital pursuant to Rule 19(2)(b)(i) of the SCRR read with Regulation 41(1) of the SEBI ICDR Regulations. The Company is eligible for the Issue in accordance with Regulation 26(2) of the SEBI ICDR Regulations. Further, this Issue is being made through the 100% Book Building Process, wherein at least 50% of the Issue shall be Allotted to QIBs on a proportionate basis. In case we do not receive subscriptions of at least 50% of the Issue from QIBs, the subscription monies shall be refunded.

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. If the aggregate demand in the QIB category has been met, any under subscription in any category, other than the QIB category, would be allowed to be met with spill-over from any other category including the QIB category or combination of categories at the discretion of the Company in consultation with the BRLM and the Designated Stock Exchange.

Bidders are required to submit their Bids through the Syndicate Member(s) or their affiliates (at ASBA bidding locations).

Investors should note that Allotment to successful Bidders will be only in the dematerialized form. Bid cum Application Forms which do not have the details of the Bidders' depository accounts including Depository Participant Identity ("DP ID"), Permanent Account Number ("PAN") and Beneficiary Account Number ("BAN") will be treated as incomplete and rejected. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialized segment of the Stock Exchanges.

#### **Bid cum Application Form**

Retail Bidders shall only use the Bid-cum-Application Form (except in case of ASBA Bidders) bearing the stamp of a Syndicate Member for making a Bid in terms of this Red Herring Prospectus. Nonretail Bidders shall use the specified ASBA Bid cum Application Form, indicating the mode of payment option as being "ASBA" obtained from any member of the Syndicate, for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bid-cum-Application Form (except in relation to ASBA Bidders) before being issued to Bidders, shall be serially numbered and the date and time shall be stamped at the Bidding centers and such form shall be signed by the Bidder and countersigned by the relevant member of the Syndicate.

Bid cum Application forms for ASBA Bidders will also be available on the website of the Stock Exchanges. Same ASBA Bid cum Application Form applies to all ASBA Bids irrespective of whether they are submitted to the SCSBs or to the Syndicate at Syndicate ASBA Centers.

The mode and manner of Bidding is illustrated in the following chart:



		A 1º 4º 6º 4 1	
Category of Bidder	Mode of Bidding	Application form to be used for Bidding	To whom the application form has to be submitted
Retail Individual Bidders	Either (i) ASBA or (ii) Non-ASBA	i) If Bidding through the ASBA process, ASBA Bid cum Application Form (physical or electronic); or (ii) If Bidding through non- ASBA, Bid cum Application Form	form has to be submitted (i) If using physical ASBA Bid cum Application Form, to the members of the Syndicate only at Syndicate ASBA Centers; or (ii) If using physical ASBA Bid cum Application Form, to the Designated Branches of the SCSBs where the SCSB account is maintained; or
			(iii) If using electronic ASBA Bid cum Application Form, to the SCSBs, electronically through internet banking facility, where the SCSB account is maintained; or
			(iv) If using Bid cum Application Form, to the members of the Syndicate at the bidding centres.
Non-Institutional Bidders and QIBs (excluding Anchor Investors)	ASBA (Kindly note that ASBA is mandatory and no other mode of Bidding is permitted as per SEBI Circular dated April 29, 2011)	ASBA Bid cum Application Form (physical or electronic)	(i) If using physical ASBA Bid cum Application Form, to the members of the Syndicate only at the Selected Centres; or
			(ii) If using physical ASBA Bid cum Application Form, to the Designated Branches of the SCSBs where the SCSB account is maintained;
			or
			(iii) If using electronic ASBA Bid cum Application Form, to the SCSBs, electronically through internet banking facility, where the SCSB account is maintained.

ASBA Bidders should submit the ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained. SEBI vide Circular (no. CIR/CFD/DIL/1/2011) dated April 29, 2011 has listed 12 bidding centers for availing ASBA facility through syndicate/sub-syndicate members. The syndicate/sub-syndicate members located in these 12



centers [Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bangalore, Hyderabad, Pune, Baroda and Surat (together, the —**Specified Cities**] shall accept the ASBA Bid cum Application Forms after satisfying themselves that the SCSBs whose name has been filled in the ASBA Bid cum Application Forms has a branch in that centre to accept ASBA Bid cum Application Forms. An ASBA Bidder shall use the ASBA Bid cum Application Form obtained from the Designated Branches for the purpose of making a Bid. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application Form at the relevant Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application 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 Bid cum Application Form.

The ASBA Bid cum Application Form will also be available on the websites of the BSE and the NSE at least 1 day prior to the Bid/Issue Opening Date and shall bear a unique application number. The BRLM and the SCSBs will provide the hyperlink to BSE or NSE on their websites.

The Bid cum Application Form will contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders will have the option to make a maximum of three Bids in the Bid cum Application Form and such options will not be considered multiple Bids.

On filing of the Prospectus with the RoC, the Bid cum Application Form will be treated as a valid application form. On completion and submission of the Bid cum Application Form to a member of the Syndicate or to the SCSB the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as may be required under the SEBI ICDR Regulations and other applicable law, for filing the Prospectus with the RoC and as required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Forms for various categories is as	Colour of Bid cum Application Form including ASBA Bid cum Application Form
follows: Category	
Resident Indians including NRIs applying on a non-	White
repatriation basis,	
Non-Residents including Eligible NRIs, FVCIs and	Blue
FIIs applying on a repatriation basis	
ASBA Bidders bidding through a physical form	White

#### Who can Bid?

- (i) Indian nationals resident in India, who are not minors or otherwise incompetent to contract, in single or joint names (not more than three), (a guardian can bid on behalf of a minor);
- (ii) Hindu Undivided Families ("HUFs"), in the individual name of the Karta. Such Bidders 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 will be considered at par with those from individuals;
- (iii) companies, corporate bodies and societies registered under applicable law in India and authorized to invest in equity shares under their respective constitutional or charter documents;
- (iv) Mutual Funds registered with SEBI;
- (v) eligible NRIs (whether on a repatriation basis or on a non repatriation basis), subject to applicable law;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI ICDR Regulations and other applicable law);
- (vii) FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- (viii) sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only in the Non-Institutional Bidders category;
- (ix) Venture capital funds registered with SEBI;



- (x) Foreign Venture Capital Investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in this Issue;
- (xi) State Industrial Development Corporations;
- (xii) trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their respective constitutional or charter documents to hold and invest in equity shares;
- (xiii) scientific and/or industrial research organizations authorized to invest in equity shares;
- (xiv) insurance companies registered with Insurance Regulatory and Development Authority;
- (xv) subject to applicable laws, Provident funds with a minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitutional documents to hold and invest in equity shares;
- (xvi) subject to applicable laws, Pension Funds with a minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitutional documents to hold and invest in equity shares;
- (xvii) National Investment Fund;
- (xviii) insurance funds set up and managed by the army, navy or air force of the Union of India; and
- (xix) multilateral and bilateral development financial institutions;
- (xx) insurance funds set up and managed by the Department of Posts, India.
- (xxi) Limited Liability Partnerships registered in India and authorized to invest in Class I equity shares.
- (xxii) All other persons eligible to invest under all applicable laws, rules, regulations and guidelines.

#### As per existing regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

#### Participation by Associates and affiliates of the BRLM and Syndicate Member(s)

The BRLM and the Syndicate Member(s) are not entitled to Bid for Equity Shares in this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Syndicate Member(s) are entitled to Bid for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where allocation will be on a proportionate basis, either on their own account or on behalf of their clients.

#### **Bids by Mutual Funds**

As per the SEBI ICDR Regulations, 5% of the QIB Portion, is reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund in the Mutual Fund Portion will first be considered for allocation proportionately in the Mutual Fund Portion. If demand in the Mutual Fund Portion is greater than 1,25,000 Equity Shares, allocation will be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds will be available for allocation proportionately, after excluding the allocation in the Mutual Fund Portion, in the QIB Portion.

#### As per current regulations, the following restrictions apply to investments by Mutual Funds:

No Mutual Fund scheme may 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% will not apply to investments in



index funds or sector or industry specific funds. No Mutual Fund under all its schemes may own over 10% of any company's paid-up share capital carrying voting rights.

Bids by asset management companies or custodians of Mutual Funds should clearly indicate the name of the concerned scheme for which the Bid is submitted.

#### Multiple Bids

In case of a Mutual Fund, a separate Bid may be made in respect of each scheme of a Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of a Mutual Fund will not be treated as multiple Bids, provided that such Bids clearly indicate the scheme for which the Bid is submitted.

#### Bids by Non Residents including Eligible NRIs and FIIs on a repatriation basis

There is no reservation for Eligible NRIs or FIIs or FVCIs registered with SEBI. Such Eligible NRIs, FIIs and FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

#### Bids by Eligible NRIs

(i) Bid cum Application Forms for Eligible NRIs will be available at our Registered Office and with the members of the Syndicate or SCSBs, as the case may be.

(ii) Only Bids accompanied by payment in freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through Non Resident Ordinary ("NRO") accounts or by debits to their Non-Resident External ("NRE") or Foreign Currency Non-Resident ("FCNR") accounts should use the Bid cum Application Form meant for Resident Indians (white in colour).

Bids by Eligible NRIs for a Bid Amount of up to Rs. 2,00,000 will be considered in the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs.2,00,000 will be considered in the Non-Institutional Portion for the purposes of allocation.

#### Bids by FIIs

As per 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 Company's post-Issue capital (*i.e.* 10% of 2,00,00,000 Equity Shares i.e. 20,00,000 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account will not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to our Company, the total foreign investment including FII investment cannot exceed 49% of our total issued capital as approved 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 Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "SEBI FII Regulations"), an FII, as defined in the SEBI FII Regulations, may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with know your client' norms. The FII is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI ICDR Regulations. Associates and affiliates of the Underwriters, including the BRLM and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on, or interest in, our Company.



#### Bids by SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, each, as amended, prescribe investment restrictions on Venture Capital Funds and FVCIs respectively registered with the SEBI. Accordingly, the holding in any company by any individual venture capital fund or FVCI registered with the SEBI should not exceed 25% of the corpus of the venture capital fund or FVCI. However, venture capital funds or FVCIs may invest not over 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of venture capital Funds and Foreign Venture Capital Investors held in a company prior to making an Initial Public Offering would be exempt from Lock-in requirements only if the shares have been held by them for atleast one year prior to the time of filing the Draft Red Herring Prospectus with SEBI.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the rate of exchange prevailing at the time of remittance and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into USD or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 2,500 Lacs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2,500 Lacs a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

#### Certain additional documents are required to be submitted by the following entities:

- (i) With respect to Bids by FVCIs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid-Cum-Application Form as applicable.
- (ii) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged with the Bid-Cum-Application Form.
- (iii) With respect to Bids made by provident funds with minimum corpus of Rs. 2,500 Lacs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2,500 Lacs, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-Cum-Application Form.
- (iv) With respect to Bids made by limited liability partnership registered under the Limited Liability Partnership Act, 2008, a certified true copy of the certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached along with the Bid cum Application Form.

Failing this, our company reserves the right to accept or reject any Bid, in whole or in part, in either case without assigning any reasons thereof.

Our Company in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLM deem fit. Our Company in its absolute



discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the demographic details given on the Bid-cum-Application Form/ASBA Bid Cum Application form, should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use demographic details as given in the Bid Cum Application Form/Bid-cum-Application Form instead of those obtained from the depositories.

Our Company and the Syndicate Member(s) are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Red Herring Prospectus. Our Company and the Syndicate Member(s) do not accept any responsibility for the completeness and accuracy of the information stated above.

#### Maximum and Minimum Bid Size

- (i) For Retail Individual Bidders: The Bid must be for a minimum of 30 Equity Shares and in multiples of 30 Equity Shares thereafter, to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 2,00,000. In case of revision of Bids, Retail Individual Bidders should ensure that the Bid Amount does not exceed Rs. 2,00,000. If the Bid Amount is over Rs. 2,00,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to be Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional Portion only if the bidding was done through ASBA. The option to Bid at the Cut-Off Price is available only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the Issue Price as determined at the end of Book Building process.
- (ii) For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares in multiples of 30 such that the Bid Amount exceeds Rs. 2,00,000. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable law. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the Bid Amount upon submission of the Bid. QIBs and Non-Institutional Bidders are mandatorily required to submit their Bids using the ASBA process.

In case of revision in Bids, Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 2,00,000 for being considered for allocation in the Non-Institutional Portion. If the Bid Amount reduces to Rs. 2,00,000 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 will be considered for allocation in the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at the Cut-Off Price.

#### Information for the Bidders:

- (i) The Red Herring Prospectus will be filed by our Company with the RoC at least three days before the Bid/Issue Opening Date.
- (ii) Subject to the provisions of section 66 of the Companies Act, 1956, the Company shall, after registering the Red Herring Prospectus with the Registrar of Companies, make a pre-issue advertisement in one English national daily newspaper with wide circulation and one Hindi national daily newspaper with wide circulation (Hindi being the regional language in the State where our Registered Office is located).
- (iii) Copies of the Bid cum Application Form and the Red Herring Prospectus will be available with the members of the Syndicate and SCSBs. ASBA Bid cum Application Forms will be available on the websites of the Syndicate Members, SCSBs and Stock Exchanges. Further, the SCSBs and Syndicate Members will ensure that the abridged prospectus is made available on their websites.



- (iv) Eligible Bidders who are interested in subscribing to the Equity Shares would like to obtain Red Herring Prospectus and/ or the Bid Cum Application Form from the Registered Office or from the member of the Syndicate.
- (v) Any Bidder (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the Registered Office or from any member of the Syndicate.
- (vi) The Issue Period shall be for a minimum of three Working Days. In case the Price Band is revised, the Issue Period shall be extended, by an additional three Working Days, subject to the total Issue Period not exceeding 10 Working Days. The revised Price Band and Issue 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), each with wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- (vii) The Syndicate Member(s) (in accordance with the terms of the Syndicate Agreement) and the Designated Branches of the SCSBs will accept Bids during the Bidding Period in accordance with the terms of the Red Herring Prospectus.
- (viii) Eligible Bidders interested in Bidding for the Equity Shares may approach any member of the Syndicate or their authorized agent(s) to register their Bids. Eligible Bidders may also approach the Designated Branches to register their Bids under the ASBA process.
- (ix) The Bids should be submitted on the prescribed Bid cum Application Form only. Bids by ASBA Bidders will be accepted by the SCSBs and Members of Syndicate in accordance with the SEBI ICDR Regulations and any other circulars issued by SEBI in this regard. Bid cum Application Forms should bear the stamp of the members of the Syndicate or Designated Branch of the SCSBs. Bid cum Application Forms (except electronic ASBA Bid cum Application Forms) which do not bear the stamp of a member of the Syndicate or the Designated Branch are liable to be rejected.
- (x) Pursuant to SEBI Circular CDSL/OPS/DP/2063 dated June 29, 2010, with effect from August 16, 2010, the demat accounts of Bidders for whom PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.

# Instructions for completing the Bid Cum Application Form

Bids and revisions of Bids must be:

- (i) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (ii) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders must provide details of valid and active DP-ID, client ID and PAN clearly and without error. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and/or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
- (iii) Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Bidders are advised to ensure that the details are correct and legible.
- (iv) For Retail Individual Bidders (including Eligible NRIs), the Bid must be for a minimum of 30 Equity Shares and in multiples of 30 thereafter subject to a maximum Bid Amount of Rs. 2,00,000. In case the Bid Amount is over Rs. 2,00,000 due to revision of the Bid or



revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional Bidders portion only if the bidding was done through ASBA. The option to Bid at the Cut-Off Price is available only to Retail Individual Bidders indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building Process.

- (v) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 30 such that the Bid Amount exceeds Rs. 2,00,000. Bids cannot be made for over the Issue size. Bidders are advised to ensure that a single Bid by them under the applicable laws or regulations. Bids should be submitted using the ASBA process to a Syndicate Member (in Specified Cities) or at a Designated Branches.
- (vi) Bids by Eligible NRIs, FVCIs and FIIs on a repatriation basis will be in the names of individuals, or in the names of such FIIs, respectively, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- (vii) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (viii) 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.
- (ix) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.
- (x) Bids through ASBA must be made only in the prescribed ASBA Bid cum Application Form (if submitted in physical mode) or electronic mode. ASBA Bidders should correctly mention the ASBA Account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the ASBA Account before submitting the ASBA Form to the respective Designated Branch.

## Submission of Bid cum Application Form

Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts will be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form will be submitted to the Designated Branches of the SCSBs or to Syndicate at Syndicate ASBA Centres at the following 12 locations: Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bangalore, Hyderabad, Pune, Baroda and Surat. In case the ASBA Bidder submits its Bid through a member of the Syndicate at one of the locations mentioned above, the Bid will be uploaded by that member of the Syndicate in the electronic bidding system of the Stock Exchanges and the Bid cum Application Form will then be forwarded to the concerned SCSB for further action including signature verification and blocking of funds. In case of application in electronic form, the ASBA Bidder shall submit the Bid cum Application Form either through the internet banking facility available with the SCSBs, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with the SCSB, and accordingly register such Bids. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Bid cum Application Form.

No separate receipts will be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate or the SCSB, as the case may be, 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.

#### **General Instructions**

Dos:



- (i) Check if you are eligible to apply as per the terms of the Red Herring Prospectus under applicable law;
- (ii) Ensure that you have Bid within the Price Band;
- (iii) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour), the Non-Resident Bid cum Application Form (blue in colour), and the ASBA Bid cum Application Form (white in colour), as the case may be;
- (iv) Ensure that the details about the PAN, Depository Participant and Beneficiary Account are correct, and the Beneficiary Account is activated, as Allotment of Equity Shares will be in dematerialized form only;
- (v) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders, ensure that your Bid is submitted to a Syndicate at Syndicate ASBA Centres or at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account. Further, ensure that the ASBA Bid cum Application Form is signed by the account holder if the Bidder is not the account holder;
- (vi) With respect to Bids by ASBA Bidders ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- (vii) Ensure that the full Bid Amount is paid for Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked by the SCSBs in case of Bids submitted through the ASBA process;
- Ensure that you have funds equal to the Bid Amount in maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;
- (ix) Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds in the ASBA Account equivalent to the Bid Amount mentioned in the ASBA Form.
- (x) Instruct your respective banks to not release the funds blocked in the ASBA Accounts;
  - (xi) Ensure that you request for and have received a TRS for all your Bid options;
  - (xii) Ensure that you receive an acknowledgement from the Designated Branch for the submission of your ASBA Bid cum Application Form;
  - (xiii) Submit revised Bids to the same member of the Syndicate or Designated Branch of the SCSB, as the case may be, through whom the original Bid was placed and obtain a revised TRS/ acknowledgment, as the case may be;
  - (xiv) Except for Bids (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should mention their PAN allotted under the I.T. Act. Applications in which the PAN is not mentioned will be rejected;
  - (xv) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects;
  - (xvi) 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. If 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;



- (xvii) Ensure that the DP ID, Client ID and PAN in the Bid cum Application Forms matches that in the Depository database; and
- (xviii) QIBs and Non-Institutional Bidders should only submit their Bids using the ASBA process.

#### Donts:

- (i) Do not Bid for lower than the minimum Bid size;
- (ii) Do not submit a Bid without payment of the entire Bid Amount;
- (iii) Do not Bid/revise the Bid to less than the Floor Price or higher than the Cap Price;
- (iv) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the Designated Branch as applicable;
- Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ABSA Bidders in any other mode other than blocked amounts in the ASBA Accounts;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or Designated Branch, as applicable;
- (vii) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders, for Bid Amount in excess of Rs. 2,00,000);
- (viii) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceed the Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable law or the maximum amount permissible under applicable regulations;
- (ix) Do not submit more than five ASBA Bid cum Application Forms per bank account;
- (x) Do not Bid for amount exceeding Rs. 2,00,000 in case of a Bid by Retail Individual Bidders;
- Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;
- (xii) Do not submit incorrect details of DP ID, Client ID and PAN or give details for which demat account is suspended or for which such details cannot be verified by the Registrar.
- (xiii) Do not submit the Bids without a guardian in the case of Bids by minors;

#### Instructions specific to ASBA Bidders

#### Do's:

- (i) Check if you are eligible to Bid under the ASBA process.
- (ii) Ensure that you use the ASBA Bid cum Application Form specified for the purposes of the ASBA process.
- (iii) Read all the instructions carefully and complete the ASBA Bid cum Application Form.
- (iv) Ensure that your ASBA Bid cum Application Form is submitted to a Syndicate Member (in Specified Cities) or at a Designated Branch where the ASBA Account is maintained and not to the Escrow Collecting Banks (assuming that such bank is not a SCSB), to our Company or the Registrar to the Issue or the BRLM;



- (v) Ensure that the ASBA Bid cum Application Form is signed by the ASBA Account holder in case the ASBA Bidder is not the account holder.
- (vi) Ensure that you have mentioned the correct ASBA Account number in the ASBA Bid cum Application Form.
- (vii) Ensure that you have funds equal to the Bid Amount in the ASBA Account before submitting the ASBA Bid cum Application Form to the respective Designated Branch.
- (viii) Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds in the ASBA Account equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form.
- (ix) Ensure that you receive an acknowledgement from the Designated Branch for the submission of your ASBA Bid cum Application Form.
- (x) Ensure that the name(s) given in the ASBA Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid cum
- (xi) 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 ASBA Bid cum Application Form.

#### Don'ts:

- Do not Bid on another ASBA Bid cum Application Form or on a Bid cum Application Form after you have submitted a Bid to a Syndicate Member or at a Designated Branch;
- (ii) Payment of Bid Amounts in any mode other than through blocking of Bid Amounts in the ASBA Accounts shall not be accepted under the ASBA;
- (iii) Do not send your physical ASBA Bid cum Application Form by post. Instead submit the same to a Syndicate Member or at a Designated Branch;
- (iv) Do not submit more than five ASBA Bid cum Application Forms per ASBA Account.

## Method and Process of Bidding

- (i) Our Company and the BRLM will declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and publish these dates at least two Working Days prior to the Bid/Issue Opening Date in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi being the regional language in the State where our Registered Office is located). The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period. 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 ICDR Regulations.
- (ii) The minimum Bid lot size is 30 Equity Shares and in multiples of 30 Equity Shares.
- (iii) The members of the Syndicate will accept Bids from the all Bidders and will 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. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids after indicating the mode of payment option as ASBA.
- (iv) The Bidding Period will be for at least three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). The Bid/ Issue Period may be extended, if required, by an additional three Working Days, subject



to the total Bid/Issue Period not exceeding 10 Working Days. If the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national daily newspapers, each with wide circulation, in English, and in Hindi (Hindi being the regional language in the State where our Registered Office is located), together with an indication of such change on the websites of the BRLM and SCSBs and at the terminals of the Syndicate Member(s).

- (v) During the Bid/Issue Period, Bidders, other than QIBs, who are interested in subscribing for the Equity Shares should approach the Syndicate or their authorised agents to register their Bids. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs or the Syndicate (in Specified Cities) to register their Bids or through internet enabled bidding and banking facility of SCSB.
- (vi) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see "*Bids at Different Price Levels*" at page 258, within the Price Band and specify the demand (*i.e.*, the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (vii) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCBS will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph entitled —Build up of the Book and Revision of Bids□.
- (viii) The members of the Syndicate or the SCSBs will enter each Bid option into the electronic Bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), and SCSBs will generate an acknowledgement for each price and demand option and will, on demand, give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form. With respect to the ASBA Bid cum Application Forms collected by any member of the Syndicate, the Syndicate Member will issue an acknowledgement by giving the counter foil of the ASBA Bid cum Application Form to the ASBA Bidder. The TRS will be generated by the concerned SCSB after blocking of funds. The TRS shall be furnished to the ASBA Bidder on request.
- (ix) With respect to ASBA Bidders, on receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB will verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- (x) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB will reject such Bids and will not upload such Bids with the Stock Exchanges.
- (xi) If sufficient funds are available in the ASBA Account, the SCSB will block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.
- (xii) Upon submission of the ASBA Bid cum Application Form to a Syndicate Member (in Specified Cities), they shall upload such Bids with the Stock Exchanges.



- (xiii) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount for Allotment of Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.
- (xiv) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "*Payment Instructions*" beginning on page 260 of this Red Herring Prospectus.

# **Bids at Different Price Levels and Revision of Bids**

- (i) Our Company in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI ICDR Regulations. The Cap Price will be less than or equal to 120% of the Floor Price and the Floor Price will not be less than the face value of the Equity Shares. The revision in Price Band will not exceed 20% on either side *i.e.* the floor price can move upward or downward to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.
- (ii) In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi being the regional language in the State where our Registered Office is located), and by indicating the change on the websites of the BRLM, SCSBs and at the terminals of the Syndicate Members.
- (iii) Our Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this section, without the prior approval of or intimation to the Bidders.
- (iv) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may Bid at Cut-off Price. However, Bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders will be rejected.
- (v) Retail Individual Bidders who Bid at the Cut-off Price agree that they will purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price will deposit the Bid Amount based on the Cap Price with the members of the Syndicate. In case of ASBA Bidders bidding at Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount 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 will receive the refund of the excess amounts from the Escrow Account(s).
- (vi) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the revised Cap Price (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 2,00,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (*i.e.*, original Bid Amount plus additional payment) exceeds Rs. 2,00,000 for Retail Individual Bidders Bidding at the Cut-off Price the Bid will be considered for allocation in the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for will be adjusted downwards for the purpose of Allotment, such that no



additional payment will be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (vii) 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 will be refunded from the Escrow Account(s).
- (viii) Our Company in consultation with the BRLM will decide the minimum number of Equity Shares for each Bid to ensure that the minimum Bid value is within the range of Rs. 5,000 to Rs. 7,000. In the event of any revision in the Price Band, whether upward or downward, the minimum Bid size will remain 30 Equity Shares irrespective of whether the Bid Amount payable on such minimum Bid is not in the range of Rs.5,000 to Rs.7,000.

#### Bidder's PAN, Depository Account and Bank Account Details

Bidders should note that on the basis of Bidder's PAN, DP ID and BAN provided by them in the Bid cum Application Form and as entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs as the case may be, the Registrar will obtain from the Depository the demographic details including the Bidder's address, occupation and bank account details including the nine-digit Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf ("**Demographic Details**"). These Demographic Details will be used for giving refunds and allocation advice (including through physical refund warrants, direct credit, NECS and NEFT) to the Bidders. It is mandatory to provide the bank account details in the space provided in the Bid cum Application Form and Bid cum Application Forms that do not contain such details are liable to be rejected. Hence, Bidders are advised to immediately update their bank account details, PAN and Demographic Details as appearing on the records of the Depository Participant and ensure that they are true and correct. Failure to do so could result in delays in dispatch/credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the Registrar, the Escrow Collection Banks, the SCSBs nor our Company will have any responsibility or undertake any liability for this. Accordingly, Bidders should carefully fill in their depository account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DEPOSITORY PARTICIPANT'S NAME, DP ID AND BAN IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE DP ID, CLIENT ID AND PAN GIVEN IN THE BID CUM APPLICATION FORM IS THE SAME AS THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE DEPOSITORY DATABASE. IF THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders may note that in case the Depository Participant identification number, client identification number of the demat account of the Bidder, and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members or the SCSBs do not match with the Depository Participant identification number, client identification number of the demat account of the Bidder, and PAN available in the Depository database, the application Bid cum Application Form is liable to be rejected.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/allocation advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder is deemed to have authorized the Depositories to provide to the Registrar, on request, the required Demographic Details as available in their records.

Refund Orders (where refunds are not being made electronically)/allotment advice/CANs will be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Delivery of refund orders/Allotment advice/CANs may be delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such event, the address and other details given by the Bidder (other than ASBA Bidders) in the Bid cum



Application Form will be used only to ensure dispatch of refund orders. Any such delay will be at the Bidders sole risk and neither our Company nor Escrow Collection Banks nor the BRLM nor the members of the Syndicate nor the Registrar will be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in the Red Herring Prospectus, Bidders may note that refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first Bidder), the DP ID and BAN, such Bids are liable to be rejected.

#### Bids by Non-Residents including Eligible NRIs, FIIs on a repatriation basis

Bids and revision to Bids must be made in the following manner:

- 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. The Bid cum Application Form or the Revision Form will be available at our Registered Office and with the members of the Syndicate.
- 2. In a single name or joint names (not more than three and in the same order as their Depositary Participant Details).
- 3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Bids by Eligible NRIs for a Bid Amount of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 2,00,000 would be considered under Non- Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

In accordance with the FEMA and regulations thereunder, OCBs cannot Bid in the Issue.

There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

#### **Payment Instructions**

#### Escrow Mechanism for Bidders other than ASBA Bidders

Our Company and the Syndicate Member(s) will open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders will make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category will be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders will maintain the monies in the Escrow Account(s) until the Designated Date. The Escrow Collection Banks will not exercise any lien whatsoever over the monies deposited therein and will hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks will transfer the funds represented by allotment of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Escrow Collection Banks. The balance amount after transfer to the Public Issue Account will be transferred to the Refund



Account. Payments of refund to the Bidders will also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate Member(s), the Escrow Collection Banks and the Registrar to facilitate collections from Bidders.

#### Payment into Escrow Account(s) for Bidders other than ASBA Bidders

Each Bidder (other than ASBA Bidders) will draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the entire Bid Amount as per the following terms:

- (i) All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
- (ii) The Bidders will, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit it to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.
- (iii) The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:
  - In case of resident Retail Individual Bidders: "Escrow Account- MBSWITCH Public Issue -R "
  - In case of Non-Resident Retail Bidders: "Escrow Account- MBSWITCH Public Issue -NR"
- (iv) In case of Bids by NRIs applying in the Retail Portion on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
- (v) In case of Bids by NRIs applying in the Retail Portion on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
- (vi) In case of Bids by FIIs or FVCIs the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that this Draft has been issued by debiting the Special Rupee Account.
- (vii)The monies deposited in the Escrow Account(s) will be held for the benefit of the Bidders until the Designated Date.
- (viii) On the Designated Date, the Escrow Collection Banks will transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement into the Public Issue Account with the Escrow Collection Banks.



- (ix) Within 12 Working Days from the Bid/Issue Closing Date, the Registrar will dispatch all refund amounts payable to unsuccessful Bidders and also any excess amount paid on Bidding, after adjusting for allocation/Allotment to the Bidders.
- (x) Payments should be made by cheque, or demand draft drawn on any bank (including a cooperative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash, stockinvest, money orders or postal orders will not be accepted.
- (xi) Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

# Payment mechanism for ASBA Bidders

The ASBA Bidders will specify the bank account number in the ASBA Bid cum Application Form and the SCSB will block an amount equivalent to the Bid Amount in the ASBA Account specified in the ASBA Bid cum Application Form. The SCSB will keep the Bid Amount in the relevant ASBA 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, failure of the Issue or for unsuccessful ASBA Bid cum Application Forms, the Registrar will give instructions to the SCSB to unblock the Bid Amount in the relevant ASBA Account and the SCSBs will unblock the Bid Amount on receipt of such instruction. The Bid Amount will remain blocked in the ASBA Account until finalization of the Basis of Allotment 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.

#### **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 payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

# Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid is made. Bids by QIBs under the QIB Portion will not be considered as multiple Bids.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid is submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch of the SCSB, or a Non-ASBA Bid cum Application Form, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the heading 'Build up of the Book and Revision of Bids' in the chapter titled "Issue Procedure" beginning on page 245 of this Red Herring Prospectus.



More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

Our Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is same, such Bids will be treated as multiple applications. In cases where the PAN is different, the same will be deleted from this master.

The Bids will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

## "PAN" or "GIR" Number

Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. In accordance with the SEBI ICDR Regulations, the PAN will be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction.

Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.

Bid cum Application Forms without the PAN are liable to be rejected. In cases where the PAN is same, such Bids will be treated as multiple applications. Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. With effect from August 16, 2010, the demat accounts of Bidders for whom PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.

#### Withdrawal of ASBA Bids

ASBA Bidders can withdraw their Bids during the Bidding Period by submitting a request for the same to the SCSBs or the Syndicate at Syndicate ASBA Centres who shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account.

In case an ASBA Bidder (other than a QIB Bidders) wishes to withdraw the Bid after the Bid Closing Date, the same can be done by submitting a withdrawal request to the Registrar to the Issue. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account after approval of the Basis of Allotment.

# Right to Reject Bids

In case of QIB Bidders Bidding in the QIB Portion, the Syndicate Member(s), may reject Bids provided that such rejection will be made at the time of acceptance of the Bid and the reasons for rejecting such Bids will be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company has the right to reject Bids based only on technical grounds and/or as specified in the Red Herring Prospectus. Consequent refunds will be made through any of the modes described in the Red Herring Prospectus 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 will have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in such ASBA Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company will have a right to reject the ASBA Bids only on technical grounds and/or as specified in the Red Herring Prospectus.

The Bidders are advised that in case the DP ID, BAN and PAN mentioned in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the



Syndicate and the SCSBs, as the case may be, do not match with the DP ID, BAN and PAN available in the depository database, the Bid is liable to be rejected.

# **Grounds for Technical Rejections**

Bidders are advised that incomplete Bid cum Application Forms and Bid cum Application Forms that are not legible will be rejected by the members of the Syndicate or SCSBs. Bidders are advised to note that Bids are liable to be rejected on technical grounds including the following:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- Application on plain paper;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such will be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended, including minors;
- PAN not stated (except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts);
- GIR number furnished instead of PAN;
- Where PAN details are not verified by demat accounts, i.e. where the demat account is "suspended for credit";
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the Floor Price;
- Bids at a price over the Cap Price;
- Bids at Cut off Price by Non-Institutional Bidders and QIB Bidders;
- Bids by Non-Institutional and QIB Bidders other than through ASBA
- Bids through the non-ASBA process submitted by Retail Individual Bidders, wherein the Bid Amount exceeds Rs. 2,00,000 upon revision of Bids;
- If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the ASBA Account holder as provided in the ASBA Bid cum Application Form
- Submission of non ABSA Bid cum Application Forms by QIBs and Non-Institutional Bidders
- Submission of more than five ASBA Bid cum Application Forms per ASBA Account;
- Bids for number of Equity Shares which are not in multiples of 30;
- Bidder category not ticked;
- Multiple Bids as described in the Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents not being submitted;



- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks
- Bids accompanied by cash, stock, invest, money order or postal order;
- Signature of sole and/or joint Bidders missing. In addition, with respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
- Bids by QIBs not intimated to the BRLM;
- Bid cum Application Form does not have the stamp of the BRLM the Syndicate Members or Designated Branches (except for electronic ASBA Bids), as the case may be;
- Bid cum Application Form does not have Bidder's depository account details or the details given are incomplete or incorrect;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, PAN (in case of joint Bids, PAN of the first Bidder), the DP ID and the beneficiary's account number;
- With respect to ASBA Bids, inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;
- Authorisation for blocking funds in the ASBA Account not ticked or provided;
- Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;
- Bids by OCBs;
- Bids or revision thereof by QIB Bidders and Non-Institutional Bidders uploaded after 4.00 P.M. on the Bid/Issue Closing Date;
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- Bids by persons who are not eligible to acquire Equity Shares under applicable law or their relevant constitutional documents or otherwise; and
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids not uploaded on the terminals of the Stock Exchanges; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE BRLM/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES THE APPLICATION IS LIABLE TO BE REJECTED.

**Electronic Registration of Bids** 



- (i) The members of the Syndicate and the SCSBs will register the Bids received using the online facilities of the Stock Exchanges.
- (ii) 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.
- (iii) 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.
- (iv) The Stock Exchanges will offer a screen-based facility for registering such Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized 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 it will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs will upload the Bids until such time as may be permitted by the Stock Exchanges.
- (v) Due to the 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. This information will be available with the BRLM on a regular basis. In order to ensure that the data uploaded is accurate, the Syndicate may be permitted one Working Day after the Bid/Issue Closing Date to amend some of the data fields (currently DP ID, Client ID) entered by them in the electronic bidding system. Bidders are cautioned that a high inflow of Bids typically experienced on the last Working Day of the Bidding may lead to some Bids received on the last Working Day not being uploaded due to lack of sufficient uploading time, and such Bids that could not uploaded will not be considered for allocation. Bids will only be accepted on Working Days, i.e., Monday to Friday (excluding any public holiday).
- (vi) 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 will be made available at the Bidding centers and at the websites of each of the Stock Exchanges during the Bidding Period.
- (vii) At the time of registering each Bid, other than ASBA Bids, the members of the Syndicate will enter the following details of the Bidder in the electronic 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 Depositary 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
  - Bid cum Application Form/ASBA Bid Cum Application Form number.
  - Investor Category retail, non-institutional, , Eligible NRI,.
  - PAN of the first applicant.
  - DP ID and Client ID of the Bidder.
  - PAN of the Bidder
  - Numbers of Equity Shares Bid for.
  - Bid Price per equity Share Price option.
  - Bid Amount
  - Cheque details.



With respect to Bids by ASBA Bidders, at the time of registering such Bids, the Designated Branches of the SCSBs and the Syndicate Members (in Specified Cities) shall enter the following information pertaining to the ASBA Bidders into the online system:

- Name of the ASBA Bidder(s);
- ASBA Application Number;
- PAN (of First ASBA Bidder, in case of more than one ASBA Bidder);
- Investor Category Individual, Corporate, FII, NRI, Mutual Funds, etc;
- Employee/shareholder (reservation if any);
- DP ID and Client ID of the Bidder;
- Beneficiary account number of Equity Shares Bid for;
- Bid Price per Equity Shares;
- Bid Quantity;
- Bid Amount; and
- Bank account number.
- (viii) A system generated TRS, on demand, 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/acknowledgement from the members of the Syndicate or Designated Branches. The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares will be allocated/Allotted either by the Syndicate or our Company.
- (ix) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (x) In case of QIB Bidders the members of the Syndicate have a right to accept the Bid or reject it. However, such rejection will 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 may be rejected on technical grounds. 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. Furthermore, the SCSBs will have no right to reject Bids except on technical grounds.
- (xi) 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 our Promoters, our management or any scheme or project of our Company nor does it in any manner warrant, certify or endorse the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- (xii) Only Bids that are uploaded on the online IPO system of the Stock Exchanges will be considered for allocation/Allotment. The members of the Syndicate will be given one Working Day after the Bid/Issue Closing Date to verify the information uploaded on the online IPO system during the Bidding Period after which the Registrar to the Issue will receive this date from the Stock Exchanges and will validate the electronic bid details with the depositories records.



(xiii) 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. It will be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

## Build up of the book and revision of Bids

- a. Bids received from various Bidders through the members of the Syndicate and the SCSBs will be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
- b. The book gets built up at various price levels. This information will be available with the BRLM at the end of the Bidding Period.
- c. During the Bid/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- d. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the Designated Branches will not accept incomplete or inaccurate Revision Forms.
- e. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the Designated Branch of the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- f. Any revision of the Bid will be accompanied by payment in the form of cheque or demand draft for any incremental amount to be paid on account of the upward revision of the Bid. With respect to ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB will block the additional Bid Amount. In case of Bids other than ASBA Bids, the members of the Syndicate will collect any payment to be paid on account of the upward revision of the Bid at the time of one or more revisions, in the form of cheque or demand draft. In such cases the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the basis of Allotment.
- g. When a Bidder revises his or her Bid, he or she will surrender the earlier TRS and will, on demand, receive a revised TRS from the members of the Syndicate or Designated Branches, 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.
- h. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 200,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate to whom the original Bid Amount plus additional Bidders, in case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 200,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be



adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cutoff Price.

- i. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- j. 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.

#### **Price Discovery and Allocation**

- (i) Based on the demand generated at various price levels, our Company in consultation with the BRLM will finalize the Issue Price.
- (ii) If the aggregate demand by Mutual Funds in the Mutual Fund Portion is less than 1,25,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Any under-subscription in any category will be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. In case we do not receive subscriptions of at least 50% of the Issue from QIBs, the subscription monies shall be refunded.
- (iii) Allocation to Non-Residents, including Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI, applying on repatriation basis will be subject to applicable law.
- (iv) If the demand of atleast 50% in the QIB category has been met, any under subscription in any other category would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLM and the Designated Stock Exchange.
- (v) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, but before the Allotment without assigning any reasons whatsoever. In terms of the SEBI ICDR Regulations, QIB Bidders Bidding in the QIB Portion will not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (vi) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (vii) The Allotment status detail shall be put up on the website of the Registrar to the Issue.

# Signing of Underwriting Agreement and RoC Filing

- (i) Our Company, the BRLM and the Syndicate Member(s) will enter into an Underwriting Agreement on or immediately after the finalization of the Issue Price.
- (ii) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with the RoC in terms of Section 56, 60 and 60B of the Companies Act, which then will be termed the "Prospectus". The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

## **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company will, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi being the regional language in the State where our Registered Office is located).



# Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, will indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

## Issuance of Confirmation of Allotment Note ("CAN")

- (i) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Syndicate a list of the Bidders who have been Allotted Equity Shares in the Issue.
- (ii) The Registrar will then dispatch a CAN to the Bidders who have been Allotted Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

## **Designated Date and Allotment of Equity Shares**

Our Company will ensure that (i) the Allotment; and (ii) credit to the successful Bidder's depositary account will be completed within 12 Working Days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company will ensure the credit to the successful Bidder's depository account is completed within two Working Days from the date of Allotment.

- (i) In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment will be made only in dematerialized form to successful Bidders.
- (ii) 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 Allotted to them in this Issue.

# **Basis of Allotment**

#### For Retail Individual Bidders

- (i) Bids received from Retail Individual Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Retail Individual Bidders will be made at the Issue Price.
- (ii) The Issue size less Allotment to Non-Institutional and QIB Bidders will 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.
- (iii) If the aggregate demand in this category is less than or equal to 17,50,000 Equity Shares at or above the Issue Price, full Allotment will be made to successful Retail Individual Bidders, to the extent of their valid Bids.
- (iv) If the aggregate demand in this category is greater than 17,50,000 Equity Shares at or above the Issue Price, the Allotment will be made on a proportionate basis up to a minimum of 30 Equity Shares. For the method of proportionate basis of Allotment, see below.

## For Non-Institutional Bidders

(i) Bids received from Non-Institutional Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Non-Institutional Bidders will be made at the Issue Price.



- (ii) The Issue size less Allotment to QIBs and Retail Portion will be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- (iii) If the aggregate demand in this category is less than or equal to 7,50,000 Equity Shares at or above the Issue Price, full Allotment will be made to Non-Institutional Bidders to the extent of their demand.
- (iv) If the aggregate demand in this category is greater than 7,50,000 Equity Shares at or above the Issue Price, Allotment will be made on a proportionate basis up to a minimum of 30 Equity Shares. For the method of proportionate basis of Allotment see below.

## For QIBs in the QIB Portion

- (i) Bids received from the QIB Bidders at or above the Issue Price will be grouped together to determine the total demand under this portion. Allotment to successful QIB Bidders will be made at the Issue Price. The QIB Portion will be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- (ii) Allotment will be undertaken in the following manner:
  - In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion will be determined as follows:

(a) In the event Mutual Fund Bids exceed 5% of the QIB Portion, allocation to Mutual Funds will be done on a proportionate basis for up to 5% of the QIB Portion.

(b) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds will get full Allotment to the extent of valid Bids received above the Issue Price.

(c) Any Equity Shares remaining unsubscribed and not allocated to Mutual Funds will be available for Allotment to all QIB Bidders as set out in (b) below;

(iii) In the second instance Allotment to all QIBs will be determined as follows:

- In the event of oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price will be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
- Mutual Funds which have received allocation as per (a) above for less than the number of Equity Shares Bid for by them are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- Any under-subscription from Mutual Funds below 5% of the QIB Portion will be included for allocation to the remaining QIB Bidders on a proportionate basis.
- (iv) The aggregate Allotment to QIB Bidders will be at least 25,00,000 Equity Shares constituting 50% of the QIB Portion to be mandatorily allotted to QIBs. In case we do not receive subscriptions of at least 50% of the Issue from QIBs, the subscription monies shall be refunded.

#### Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, our Company will finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar will be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment will be made in marketable lots, on a proportionate basis as explained below:



- (i) Bidders will be categorized according to the number of Equity Shares applied for.
- (ii) The total number of Equity Shares to be allotted to each category as a whole will 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.
- (iii) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (iv) In all Bids where the proportionate Allotment is less than 30 Equity Shares per Bidder, the Allotment will be made as follows:
  - The successful Bidders out of the total Bidders for a category will be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is as far as possible, equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder will be allotted a minimum of 30 Equity Shares.
- (v) If the proportionate Allotment to a Bidder is a number that is more than 30 but is not a multiple of one (which is the marketable 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 in such categories will be arrived at after such rounding off.
- (vi) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment will be first adjusted against any other category, where the allocated Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. Any Equity Shares remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

# **Refund Orders or instructions to the SCSBs**

Our Company shall give credit to the beneficiary account with depository participants within 12 Working Days from the Bid/Issue Closing Date. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched through registered post or speed post at the sole or First Bidder's sole risk within 12 Working Days of the Bid/Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of the Bid/ Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful and such surplus funds for partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

# Interest in case of delay in despatch of Allotment Letters or Refund Orders, including in cases of excess Bid Amount/ instruction to the SCSBs by the Registrar to the Issue

Our Company agrees that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidders' depositary accounts will be completed within 12 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 CAN or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within 15 days from the Bid/ Issue Closing Date.

Our Company will provide adequate funds required for dispatch of refund orders or CAN to the Registrar to the



Issue.

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.

# Equity Shares in Dematerialized Form with NSDL or CDSL

As per Section 68B of the Companies Act, the Allotment of Equity Shares in the Issue will be only in dematerialized form.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar:

- (i) Agreement dated February 15, 2011, between NSDL, our Company and the Registrar;
- (ii) Agreement dated February 16, 2011, between CDSL, our Company and the Registrar.
- (iii) All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.
- (iv) A Bidder applying for Equity Shares must have at least one valid beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (v) The Bidder must necessarily fill in the details (including the PAN, BAN and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (vi) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (vii) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (viii) Bid cum Application Forms or Revision Forms containing incomplete or incorrect details under the heading Bidders Depository Account Details' are liable to be rejected.
- (ix) With effect from August 16, 2010, the demat accounts of Bidders for whom PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.
- (x) The Bidder is responsible for the correctness of his Demographic Details given in the Bid cum Application Form vis-à-vis those with his Depository Participant.
- (xi) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (xii) Trading in the Equity Shares will be in dematerialized form only, on the demat segments of the Stock Exchanges.

# Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar quoting the full name of the sole or First Bidder, Bid cum Application Form number, PAN, 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 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.



Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted with the Designated Branches, Bidders can contact the relevant Designated Branch.

## Impersonation

# Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 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."

# Payment of Refunds

In the case of Bidders other than ASBA Bidders, the Registrar will obtain from the Depositories the Bidders' bank account details, including the MICR code, on the basis of the DP ID and BAN provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their bank account details as appearing on the records of their Depository Participants. Failure to do so could result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders' sole risk and neither our Company, the Registrar, the Escrow Collection Banks, Bankers to the Issue, the BRLM, nor the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, any refunds, dividends, and other distributions, will normally be payable in Indian Rupees only and net of bank charges and/or commission. Where desired, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post. Our Company will not be responsible for any loss incurred by Bidders on account of conversion of foreign currency.

# Mode of Refunds

#### For Bidders other than ASBA Bidders

For Bidders other than ASBA Bidders, any payment of refund will be through any of the following modes:

- (i) NECS Payment of refund will be through NECS for Bidders having an account at any of the centres specified by the RBI. This mode of payment of refunds is 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 abovementioned centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
- (ii) Direct Credit Bidders having bank accounts with the Refund Bank, as per the Demographic Details received from the Depositories will be eligible to receive refunds through direct credit. Any bank charges levied by the Refund Bank will be borne by our Company.
- (iii) NEFT Payment of refund will be undertaken through NEFT wherever the Bidders' bank branches are NEFT enabled and have been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. The IFSC 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 code and bank account number while



opening and operating the demat account, these will be duly mapped with the IFSC of that particular bank branch and payment of refund will be made to the Bidders through NEFT. 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. In the event NEFT is not operationally feasible, the payment of refunds will be made through any one of the other modes discussed in this section.

(iv) For all other Bidders, including those who have not updated their bank particulars with the MICR code, refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through speed or registered post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Any bank charges for cashing such cheques, pay orders or demand drafts at other centers will be payable by the respective Bidders.

## Refunds for ASBA Bidders

In the case of ASBA Bidders, the Registrar will instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts to the extent of the Bid Amounts specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid/Issue Closing Date.

#### Disposal of Applications and Application Moneys and Interest in Case of Delay

With respect to Bidders other than ASBA Bidders, our Company will 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 or direct credit the refund instructions will be given to the clearing system within 12 Working Days from the Bid/Issue Closing Date.

A suitable communication will be sent to the Bidders receiving refunds through this mode within 12 Working Days from the Bid/Issue Closing Date, giving details of the bank where refunds will be credited along with amount and expected date of electronic credit of refund.

Our Company will use best efforts to ensure that all steps for completion of the necessary formalities for listing is completed and trading commences within 12 Working Days of the Bid/Issue Closing Date at all the Stock Exchanges where the Equity Shares are proposed to be listed.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, our Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 12 Working Days of the Bid/Issue Closing Date;
- (ii) With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in case the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days from the Bid/Issue Closing Date will be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Accounts will be made within 12 Working Days from the Bid/Issue Closing Date; and
- (iii) If Allotment letters/refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest at 15% *per annum*, as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.



# Letters of Allotment or Refund Orders or instructions to the SCSBs

Our Company shall give credit to the beneficiary account with depository participants within 12 Working Days from the Bid/Issue Closing Date. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit NEFT. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched through registered post or speed post at the sole or First Bidder's sole risk within 12 Working Days of the Bid/Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of the Bid/ Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful and such surplus funds for partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

# Interest in case of delay in dispatch of Allotment Letters or Refund Orders/instruction to SCSB by the Registrar

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, will be made not later than 12 Working Days of the Bid/Issue Closing Date. If Allotment letters/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 through direct credit, NEFT or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest at 15% *per annum*, 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. Any bank charges for encashing such cheques, pay orders or demand drafts at other centres will be payable by the respective Bidders.

# Undertakings by our Company

Our Company undertakes the following:

- (i) That the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;
- (ii) That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid/ Issue Closing Date;
- (iii) That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Company;
- (iv) That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days from the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the certificates of the securities/refund orders to Eligible NRIs shall be dispatched within specified time;
- (vi) That no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of nonlisting, under-subscription etc.; and



(vii) That adequate arrangements shall be made to collect all ASBA and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

Our Company shall not have recourse to the Issue Proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

## Utilization of Issue Proceeds

Our Board certifies that:

- all monies received out of the Issue of specified securities to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act;
- (ii) details of all monies utilised out of the Issue referred to in sub item (i) 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 the Issuer indicating the purpose for which such monies had been utilised; and
- (iii) details of all unutilised monies out of the issue of specified securities referred to in subitem (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.

# Withdrawal of the Issue

Our Company in consultation with the BRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment. If our Company withdraws the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The BRLM, through the Registrar, will notify the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such notification. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that they will proceed with a further public offering of Equity Shares, they will file a fresh offer document with SEBI or the Stock Exchanges, as the case may be.

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



#### SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI ICDR Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association. Certain defined terms used in the Articles of Association are set forth below. All other defined terms used in this section have the meaning given to them in the Articles of Association.

# Table "A" not to apply but company to be governed by these Articles

*Article 1 provides that:* 

The regulations contained in Table "A" in the First Schedule of the Companies Act, 1956 shall not apply to this Company, but these Articles for the management of the Company and for the observance of the Members thereof and their representatives shall subject to any exercise of the statutory powers of the Company with reference to the repeal of, alteration of, or addition to, its regulations/Articles by Special Resolution, as prescribed by the Companies Act 1956 be such as are contained in these Articles.

## CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

#### Share Capital

# Article 3 provides that:

The authorized share capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 2,50,00,000/- Equity Shares of Rs. 10/- each. The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.

#### Increase of Capital by the Company how carried into effect

#### Article 4 provides that:

The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act

## New Capital same as Existing Capital

# Article 5 provides that:

Except so far as otherwise provided by the conditions of issue or by These Presents, any capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

#### Non Voting Shares

#### *Article 6 provides that:*

The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.

## **Redeemable Preference Shares**

# Article 7 provides that:

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.

## Voting Rights of Preference Shares



# Article 8 provides that:

The holder of Preference Shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his Preference Shares.

## Provisions to apply on issue of Redeemable Preference Shares

Article 9 provides that:

On the issue of redeemable preference shares under the provisions of Article 7 hereof, the following provisions-shall take effect:

(a) No such Shares shall be redeemed except out of profits of which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption;.

(b) No such Shares shall be redeemed unless they are fully paid;.

(c) The premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's security premium account, before the Shares are redeemed; and

(d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.

(e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.

# **Reduction of Capital**

# Article 10 provides that:

The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce (a) the share capital;

(b) any capital redemption reserve account; or

(c) any security premium account.

in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

# **Purchase of own Shares**

#### Article 11 provides that:

The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.

## Sub-division consolidation and cancellation of Shares

#### Article 12 provides that:

Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

# **MODIFICATION OF RIGHTS**

# Modification of rights

## Article 13 provides that:

Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall



mutatis mutandis apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.

The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking pari passu therewith.

## SHARES, CERTIFICATES AND DEMATERIALISATION

# Restriction on allotment and return of allotment

Article 14 provides that:

The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

#### Further issue of shares

Article 15 provides that:

(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares then:

(a) Such further Shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those Shares at that date;

(b) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;

(d) After the expiry of the time specified in the notice aforesaid,or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.

(2) Notwithstanding anything contained in sub-clause (1), the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.

(a) If a Special Resolution to that effect is passed by the Company in General Meeting; or

(b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company. (3) Nothing in sub-clause (c) of (l) hereof shall be deemed;

(a) To extend the time within which the offer should be accepted; or

(b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued by the Company:

(i) To convert such debentures or loans into Shares in the Company; or

(ii) To subscribe for Shares in the Company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the loans.



## Shares at the disposal of the Directors

#### Article 16 provides that:

Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

# Power to offer Shares/options to acquire Shares

Article 16A provides that:

- (1) Without prejudice to the generality of the powers of the Board under Article 16 or in any other Article of these Articles, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.
- (2) In addition to the powers of the Board under Article 16(1), the Board may also allot the Shares referred to in Article 16(1) to any trust, whose principal objects would inter alia include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 16(1)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.
- (3) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 16(1) and (2) above.

# Application of premium received on Shares

## Article 17 provides that:

(1) Where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the security premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the security premium account were paid up share capital of the Company.

(2) The security premium account may, notwithstanding anything in clause (I) thereof be applied by the Company:

(a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus;

(b) In writing off the preliminary expenses of the Company;

(c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company ; or

(d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.

# Power also to Company in General Meeting to issue Shares

Article 18 provides that:

In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79



of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

## Power of General Meeting to authorize Board to offer Shares/Options to employees

# Article 19 provides that:

- (i) Without prejudice to the generality of the powers of the General Meeting under Article 18 or in any other Article of these Articles, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose
- (ii) In addition to the powers contained in Article 18A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.

# Shares at a discount

## Article 20 provides that:

The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:

(a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;

(b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and

(c) The Shares to be issued at a discount are issued within two jmonths after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

# Installments of Shares to be duly paid

## Article 21 provides that:

If by the conditions of any allotment of any Shares the whole or any part of the amount or issued price thereof shall, be payable by installments, every such installment shall when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the Shares or his legal representatives, and shall for the purposes of these Articles be deemed to be payable on the date fixed for payment and in case of non-payment the provisions of these Articles as to payment of interest and expenses forfeiture and like and all the other relevant provisions of the Articles shall apply as if such installments were a call duly made notified as hereby provided.

# The Board may issue Shares as fully paid-up

## Article 22 provides that:

Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.

## Acceptance of Shares

## Article 23 provides that:

Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.



## Deposit and call etc., to be debt payable

# Article 24 provides that:

The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

# Liability of Members

# Article 25 provides that:

Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

## **Dematerialisation of Securities**

#### Article 26B provides that:

Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

#### Options to receive security certificates or hold securities with depository

## Article 26C provides that:

Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository.

Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.

# Securities in depositories to be in fungible form

# Article 26D provides that:

All Securities held by a Depository shall be dematerialized and shall be in a fungible form; nothing contained in Sections 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 Owners.

# Rights of depositories and beneficial owners

Article 26E provides that:

(1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of

effecting transfer of ownership of Security on behalf of the Beneficial Owner;

(2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;

(3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.

# **Depository To Furnish Information**

#### Article 26F provides that:

Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

#### Service of documents

# Article 26G provides that:

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 electronics mode or by delivery of floppies or discs.



# Option to opt out in respect of any security

#### Article 26H provides that:

If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

# Sections 83 and 108 of the Act not to apply

Article 26I provides that:

Notwithstanding anything to the contrary contained in the Articles,

(1) Section 83 of the Act shall not apply to the Shares held with a Depository;

(2) Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both

of whom are entered as Beneficial Owners in the Records of a Depository.

# Share Certificate

## Article 27 provides that:

(a)Every Member or allotee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.

(b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.

## Limitation of time for issue of certificates

## Article 28 provides that:

Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.

The Company shall be entitled to charge such sum as the Board may decide for issuing certificates for shares in numbers other than the marketable lot.

# Renewal of share certificates

#### Article 29 provides that:

No certificate of any Share or Shares shall be issued either in exchange for those, which are subdivided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.

PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.

## Issue of new certificate in place of one defaced, lost or destroyed

#### Article 30 provides that:

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe.



PROVIDED THAT no fee shall be charged for issue of new Certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

PROVIDED THAT notwithstanding what is stated above the Directors shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall *mutatis mutandis* apply to Debentures of the Company.

## The first name joint holder deemed sole holder

Article 31 provides that:

If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.

#### **Issue of Shares without Voting Rights**

#### Article 32 provides that:

In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.

## **Buy-Back of Shares and Securities**

## Article 33 provides that:

Notwithstanding anything contained in these articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back, such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, provision of section 77 and SEBI (Buy back of Shares) Regulations as may be permitted by law.

## **Employees Stock Options Scheme/Plan**

# Article 34 provides that:

The Directors shall have the power to offer , issue and allot Equity Shares in or Debentures (Whether fully/ partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as "the Employees") as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust, plan or proposal that may be formulated , created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.

#### Sweat Equity

#### Article 35 provides that:

Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.

#### Postal Ballot

#### Article 36 provides that:

The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.

# Company not bound to recognize any interest in Shares other than of registered holder

Article 37 provides that:



Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

# Trust recognized

# Article 38 provides that:

(a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

(b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.

#### Declaration by person not holding beneficial interest in any Shares

#### Article 39 provides that:

(1) Notwithstanding anything herein contained a person whose name is at any time entered in Register of Member of the Company as the holder of a Share in the Company, but who does not hold the beneficial interest in such Shares, shall, if so required by the Act within such time and in such forms as may be prescribed, make declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such Share in the manner provided in the Act

2) A person who holds a beneficial interest in a Share or a class of Shares of the Company, shall if so required by the Act, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the Shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in the Act

(3) Whenever there is a change in the beneficial interest in a Share referred to above, the beneficial owner shall, of so required by the Act, within the time prescribed, from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed in the Act

(4) Not withstanding anything contained in the Act and Articles 35 and 36 hereof, where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.

# Funds of Company not to be applied in purchase of Shares of the Company

#### Article 40 provides that:

No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

# INTEREST OUT OF CAPITAL

#### Interest out of capital

# Article 44 provides that:

Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.



## DEBENTURES

## Debentures with voting rights not to be issued

Article 45 provides that:

(a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.

(b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.

(c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.

(d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.

(e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.

(f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred.

(g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.

(h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

## CALLS

## Directors may make calls

Article 46 provides that:

(a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution)make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.

(b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

## Notice of call when to be given

Article 47 provides that:

Not less than fourteen days notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

#### Call deemed to have been made

#### Article 48 provides that:

A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.

#### Directors may extend time

#### Article 49 provides that:

The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extended such time to call or any of the Members, the Board of Directors may deem fairly entitled to such extension but no Member shall be entitled to such extension as of right except as a matter of grace and favour.

## Amount payable at fixed time or by installments to be treated as calls

## Article 50 provides that:

If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or installment shall be payable as if it were acall duly made by the Directors and of which



due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.

## When interest on call or installment payable

## Article 51 provides that:

If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

## Evidence in action by Company against share holder

## Article 52 provides that:

On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money is sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

## Payment in anticipation of calls may carry interest

Article 53 provides that:

- a) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.
- b) The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.
- c) The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures of the Company.

## Lien

#### Article 54 provides that:

Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

## Partial payment not to preclude forfeiture

## Article 55 provides that:

The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/Debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares/Debentures and no equitable interest in any Share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/Debentures; Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares/Debentures. The Directors may at any time declare any Shares/ Debentures wholly or in part exempt from the provisions of this Article.

#### As to enforcing lien by sale



## Article 56 provides that:

The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:-

(a) Unless a sum in respect of which the lien exists is presently payable; or

(b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency. For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer on behalf of and in the name of such Member.

(c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

## Application of proceeds of sale

## Article 57 provides that:

(a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and(b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

## FORFEITURE OF SHARES

#### If money payable on Shares not paid notice to be given

## Article 58 provides that:

If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

## Sum payable on allotment to be deemed a call

## Article 59 provides that:

For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

#### Form of notice

## Article 60 provides that:

The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.

#### In default of payment Shares to be forfeited

#### Article 61 provides that:

If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.

## Notice of forfeiture to a Member

## Article 62 provides that:

When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

## Forfeited Shares to be the property of the Company and may be sold etc.



# Article 63 provides that:

Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

## Member still liable for money owning at the time of forfeiture and interest

## Article 64 provides that:

Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

## **Effects of forfeiture**

## Article 65 provides that:

The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.

## Power to annul forfeiture

## Article 66 provides that:

The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

## **Declaration of forfeiture**

Article 67 provides that:

- (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.
- (b) The Company may receive the consideration, if any, given for the Share on any sale, reallotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.
- (c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.
- (d) Any such purchaser or allotee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.
- (e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.

## Provisions of these articles as to forfeiture to apply in case of nonpayment of any sum

#### Article 68 provides that

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

## Cancellation of shares certificates in respect of forfeited Shares

#### Article 69 provides that:

Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.

#### **Evidence of forfeiture**



# Article 70 provides that:

The declaration as mentioned in Article 65(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

## Validity of sale

## Article 71 provides that:

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

## Surrender of Shares

#### Article 72 provides that:

The Directors may subject to the provisions of the Act, accept a surrender of any share from any Member desirous of surrendering on such terms and conditions as they think fit.

## TRANSFER AND TRANSMISSION OF SHARES

## No transfers to minors etc.

Article 73 provides that:

No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

## Instrument of transfer

Article 74 provides that:

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

## **Application for transfer**

# Article 75 provides that:

(a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee.

(b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice

(c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

#### Execution of transfer

## Article 76 provides that:

The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.

## Transfer by legal representatives

#### Article 77 provides that:

A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member, be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

## Register of Members etc when closed

#### Article 78 provides that:

The Board of Directors shall have power on giving not less than seven days pervious notice by advertisement in some newspaper circulating in the district in which the registered office of the



Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.

## Directors may refuse to register transfer

## Article 79 provides that:

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

PROVIDED THAT the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.

## Death of one or more joint holders of Shares

## Article 80 provides that:

In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.

## Titles of Shares of deceased Member

## *Article 81 provides that:*

The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate as Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.

## Notice of application when to be given

#### Article 82 provides that:

Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

# Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)

#### Article 83 provides that:

Subject to the provisions of the Act and Article 78 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".

#### **Refusal to register nominee**

Article 84 provides that:



Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.

## Person entitled may receive dividend without being registered as a Member

#### Article 85 provides that:

A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.

## No fee on transfer or transmissions

Article 86 provides that:

No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letter of Administration, Certificate of Death or Marriage, Power of Attorney or other similar document.

## Transfer to be presented with evidence of title

#### Article 87 provides that:

Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

#### Company not liable for disregard of a notice prohibiting registration of transfer

## Article 88 provides that:

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to any such notice and give effect thereto if the Board shall so think fit.

#### SHARE WARRANTS

## Power to issue share warrants

#### Article 89 provides that:

The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

#### **Deposit of share warrants**

#### Article 90 provides that:

(a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant;

(b) Not more than one person shall be recognized as depositor of the Share warrant;

(c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.

#### Privileges and disabilities of the holders of share warrant



# Article 91 provides that:

(a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company.

(b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.

## Issue of new share warrant coupons

Article 92 provides that:

The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

## CONVERSION OF SHARES INTO STOCK AND RECONVERSION

#### Share may be converted into stock

*Article 93 provides that:*The Company may, by Ordinary Resolution:(a) Convert any fully paid up Share into stock, and(b) Reconvert any stock into fully paid-up Shares.

## Transfer of stock

Article 94 provides that:

The several holders of such stock may transfer their respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit.

PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.

## **Right of stock holders**

#### Article 95 provides that:

The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company and other matters, as if they held the Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.

## Regulation applicable to stock and share warrant

#### Article 96 provides that:

Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

# **BORROWING POWERS**

#### Power to borrow

#### Article 97 provides that:

Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.



#### The payment or repayment of moneys borrowed

# Article 98 provides that:

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon : such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

#### Bonds, Debentures, etc. to be subject to control of Directors

#### Article 99 provides that:

Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and condition and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

#### **Terms of issue of Debentures**

#### Article 100 provides that:

Any Debentures, Debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise; However, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

## Mortgage of uncalled capital

#### Article 101 provides that:

If any uncalled capital of the Company is included in or charged by mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security has been executed.

## **MEETING OF MEMBERS**

#### Statutory meeting

#### Article 102 provides that:

The statutory meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.

#### **Annual General Meeting**

#### Article 103 provides that:

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166 (1) of the Act to extend the time with which any Annual General Meeting may be held. Every Annual General Meeting shall be called at a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the Registered Office of the Company is situated as the Board may determine and the notices calling the Meeting shall specify as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every Member of the Company shall be entitled to attend, either in person or by proxy and the Auditors of the Company, shall have the right to attend and be heard at any General Meeting which he attends on any part of the business which concerns him as an Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Director's Report and audited statement of accounts, the Proxy Register with proxies and the Register of Director's Shareholding, which Registers shall remain open and accessible during the continuance of the Meeting. The Board shall cause to be prepared



theannual list of Members, summary of share capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

## Report statement and registers to be laid before the Annual General Meeting

#### Article 104 provides that:

The Company shall in every Annual General Meeting in addition to any other Report or Statement lay on the table the Director's Report and audited statement of accounts, Auditor's Report (if not already incorporated in the audited statement of accounts), the Proxy Register with proxies and the Register of Director's Shareholdings, which Registers shall remain open and accessible during the continuance of the Meeting.

# **Extra-Ordinary General Meeting**

Article 105 provides that:

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.

## **Requisitionists' meeting**

Article 106 provides that:

(1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:-

(a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.

(b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting.

(2) The number of Members necessary for a requisition under clause (1) hereof shall be:

(a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or

(b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lac in all.

(3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter.

(4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:

(a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company.

(i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting.

(ii) The case of any other requisition, not less than two weeks before the Meeting, and

(b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.

PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.

(5) The Company shall also not be bound under this Article to circulate any statement, if the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.

(6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article,



and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members..

# Extra-Ordinary General Meeting by Board and by requisition When a Director or any two Members may call an Extra¬ Ordinary General Meeting

#### Article 107 provides that:

(a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.

(b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.

## **Contents of requisition, and number of requisitionists required and the conduct of Meeting** *Article 108 provides that:*

(1) In case of requisition the following provisions shall have effect:

(a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.

(b) The requisition may consist of several documents in like form each signed by one or more requisitionists.

(c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paidup share capital of the Company as that date carried the right of voting in regard to that matter.

(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (c) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause are fulfilled.

(e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for the consideration of those matters on a day not later than forty five days from the date of the deposit of the requisition, the Meeting may be called:(i) By the requisitionists themselves ; or

(ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (I) which ever is less. PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.

(2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:

(a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but

(b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry

of the period of three months aforesaid, from adjourning to some days after the expiry of that period.

(3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.

(4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

## Length of notice of Meeting

Article 109 provides that:

(1) A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.

(2) A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof, if consent is accorded thereto:

(i) In the case of Annual General Meeting by all the Members entitled to vote thereat; and



(ii) In the case of any other Meeting, by Members of the Company holding not less than ninety-five percent of such part of the paid up share capital of the Company as gives a right to vote at the Meeting. PROVIDED THAT where any Members of the Company are entitled to vote only on some resolution, or resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purposes of this clause in respect of the former resolutions and not in respect of the later.

## Contents and manner of service of notice

## Article 110 provides that:

(1) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat.

(2) Subject to the provisions of the Act notice of every General Meeting shall be given;

(a) to every Member of the Company, in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act;

(b) to the persons entitled to a Share in consequence of the death, or insolvency of a Member, by sending it through post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignees of the insolvent, or by like description, at the address, if any in India supplied for ,the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and

(c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of Members of the Company

PROVIDED THAT, where the notice of a Meeting is given by advertising the same in a newspaper circulating in the neighborhood of Registered Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.

(3)Every notice convening a Meeting of the Company shall state with reasonable prominence that a Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a Member of the Company.

## Special and ordinary business and explanatory statement

Article 111 provides that:

(1)(a) In the case of an Annual General Meeting all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to

(i) the consideration of the accounts, balance sheet the reports of the Board of Directors and Auditors;(ii) the declaration of dividend;

(iii) the appointment of Directors in the place, of those retiring; and

(iv) the appointment of, and the fixing of the remuneration of the Auditors, and

(b) In the case of any other meeting, all business shall be deemed special

(2) Where any items of business to be transacted at the Meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item, of business, including in particular the nature of the concern or interest, if any, therein of every Director.

PROVIDED THAT, where any such item of special business at the Meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every Director of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up-share capital of the other company.

(3) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

## Omission to give notice not to invalidate proceedings

Article 112 provides that:

The accidental omission to give such notice as aforesaid to or non-receipt thereof by, any Member or other person to whom it should be given, shall not invalidate the proceedings of any such Meeting.

# MEETING OF MEMBERS

#### Notice of business to be given

Article 113 provides that:

No General Meeting, Annual or Extra-Ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the Meeting.



# Quorum

# Article 114 provides that:

Five Members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite is present at the commencement of the Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a Member of the Company shall be deemed to be personally present if it is presented in accordance with Section 187 of the Act.

## If quorum not present when Meeting to be dissolved and when to be adjourned

## Article 115 provides that:

If within half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if called by or upon the requisition of the Members shall stand dissolved and in any other case the Meeting shall stand, adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum and may transact the business for which the Meeting was called.

## **Resolution passed at adjourned Meeting**

## Article 116 provides that:

Where a resolution is passed at an adjourned Meeting of the Company, the resolution for all purposes is treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

## **Chairman of General Meeting**

#### Article 117 provides that:

At every General Meeting the Chair shall be taken by the Chairman of the Board of Directors. If at any Meeting, the Chairman of the Board of Directors is not present within ten minutes after the time appointed for holding the Meeting or though present, is unwilling to act as Chairman, the Vice Chairman of the Board of Directors would act as Chairman of the Meeting and if Vice Chairman of the Board of Directors is not present or, though present, is unwilling to act as Chairman, the Directors present may choose one of themselves to be a Chairman, and in default or their doing so or if no Directors shall be present and willing to take the Chair, then the Members present shall choose one of themselves, being a Member entitled to vote, to be Chairman.

# Act for resolution sufficiently done or passed by Ordinary Resolution unless otherwise required *Article 118 provides that:*

Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently done so or passed if effected by an Ordinary Resolution unless either the Act or the Articles specifically require such act to be done or resolution be passed by a Special Resolution.

#### Business confined to election of Chairman whilst the Chair is vacant

Article 119 provides that:

No business shall be discussed at any General Meeting except the election of a Chairman whilst the Chair is vacant.

## Chairman may adjourn Meeting

Article 120 provides that:

- (1) The Chairman may with the consent of Meeting at which a quorum is present and shall if so directed by the Meeting adjourn the Meeting from time to time and from place to place.
- (2) No business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place.
- (3) When a Meeting is adjourned for thirty days or more notice of the adjourned Meeting shall be given as in the case of an original Meeting.
- (4) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned Meeting.

#### How questions are decided at Meetings

Article 121 provides that:



Every question submitted to a General Meeting shall be decided in the first instance by a show of hands unless the poll is demanded as provided in these Articles.

#### Chairman's declaration of result of voting on show of hands

Article 122 provides that:

A declaration by the Chairman of the Meeting that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceeding of the Company's General Meeting shall be conclusive evidence of the fact, without proof of the number or proportion of votes cast in favour of or against such resolution.

## Demand of poll

## Article 123 provides that:

Before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Member or Members present in person or by proxy and holding Shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the Person or Persons who made the demand.

## Time of taking poll

## Article 124 provides that:

A poll demanded on a question of adjournment or election of a Chairman shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the Meeting may direct and the result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.

## Chairman's casting vote

#### Article 125 provides that:

In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

## Appointment of scrutineers

# Article 126 provides that:

Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutinizers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutinizers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and fill vacancies in the office of the scrutinizer arising from such removal or from any other cause.

# Demand for poll not to prevent transaction of other business

#### Article 127 provides that:

The demand for a poll shall not prevent transaction of other business (except on the question of the election of the Chairman and of an adjournment) other than the question on which the poll has been demanded.

#### **Special notice**

#### Article 128 provides that:

Where by any provision contained in the Act or in these Articles, special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the Meeting at which it is to be moved, exclusive of the day which the notice is served or deemed to be served on the day of the Meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its Members notice of the resolution in the same manner as it gives notice of the Meeting, or if that is not practicable shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the Meeting.

## **VOTES OF MEMBERS**

#### Member paying money in advance not to be entitled to vote in respect thereof



## Article 129 provides that:

A Member paying the whole or a part of the amount remaining unpaid on any Share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of moneys so paid by him until the same would but for such payment become presently payable.

## Restriction on exercise of voting rights of Members who have not paid calls

## Article 130 provides that:

No Member shall exercise any voting rights in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

## Number of votes to which Member entitled

#### Article 131 provides that:

Subject to the provisions of Article 126, every Member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporatepresent by a representative duly authorised) have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative), or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference share–holder is present at any meeting of the Company, (save as provided in clause (b) of sub-section (2) of Section 87) he shall have a right to vote only on resolutions before the Meeting which directly affect the rights attached to his preference shares. A Member is not prohibited from exercising his voting rights on the ground that he has not held his Shares or interest in the Company for any specified period preceding the date on which the vote is taken.

## Votes of Members of unsound mind

## Article 132 provides that:

A Member of unsound mind, or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.

#### **Votes of joint Members**

# Article 133 provides that:

If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.

#### **Representation of body corporate**

## Article 134 provides that:

(a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat.

(b) Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by



proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.

## Votes in respects of deceased or insolvent Members

## Article 135 provides that:

Any person entitled under the Transmission Article to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares; provided that at least forty-eight hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of the right to transfer such Shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

## Voting in person or by proxy

Article 136 provides that:

Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.

#### **Rights of Members to use votes differently**

#### Article 137 provides that:

On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

#### Proxies

# Article 138 provides that:

Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right what so ever to speak at the Meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Member of the Company.

## Proxy either for specified meeting or for a period

## Article 139 provides that:

An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

## No proxy to vote on a show of hands

Article 140 provides that:

No proxy shall be entitled to vote by a show of hands.

#### Instrument of proxy when to be deposited

#### Article 141 provides that:

The instrument appointing a proxy and the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney or authority, shall be deposited at the Registered Office of the Company at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.

## Form of Proxy

#### Article 142 provides that:

Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.

## Validity of votes given by proxy notwithstanding revocation of authority

#### Article 143 provides that:

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any Power of Attorney



under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.

#### Time for objection to vote

## Article 144 provides that:

No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.

#### Chairman of any Meeting to be the judge of Validity of any value

Article 145 provides that:

The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

#### **Custody of Instrument**

#### Article 146 provides that:

If any such instrument of appointment is confined to the object of appointing an attorney or proxy for voting at Meetings of the Company, it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If such instrument embraces other objects, a copy thereof examined with the original shall be delivered to the Company to remain in the custody of the Company.

#### DIRECTORS

#### Number of Directors

Article 147 provides that:

Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve. PROVIDED THAT the Company may from time to time increase or reduce within the maximum limit permissible the number of Directors.

Provided further that any increase in the number of directors exceeding the number prescribed under Section 259 of the Act shall not have any effect unless approved by the Central Government and shall become void if and so far it is disapproved by the Government.

## **First Directors**

Article 148 provides that:

As the date of adoption of these Articles, the following are the Directors of the Company:

(1) Mr. Shyam Sunder Mundra

- (2) Mr. Anurag Shyam Sunder Mundra
- (3) Mr. Vikalp Mundra

#### **Powers to Promoters and Promoter Group**

#### Article 149 provides that:

The Promoter(s) and Promoter Group shall as long as they, jointly and severally, holds not less than 26% of the total paid up share capital of the Company for the time being, be entitled by notice in writing addressed to the Company to appoint such number of persons as shall, together with the Managing Director(s), not exceeding one third of the total number of Directors for time being of the Company, as Director(s) of the Company and to remove such person(s) from office and on a vacancy being caused in such office from any cause whatsoever whether by resignation, retirement, death, removal or otherwise, of any such person(s) so appointed, to appoint another or others to fill such vacancy. An appointment or removal of the Director under this Article shall become effective forthwith upon receipt by the Company of the writing aforesaid. The Directors so appointed by the Promoter(s) and Promoter Group shall not be liable to retire at any General Meeting of the Company.

#### **Debenture Directors**

Article 150 provides that:



Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.

## Nominee Director or Corporation Director

Article 151 provides that:

- a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company toany Finance Corporation or Credit Corporation or to any Financing company or body, (which corporation or body is hereinafter in this Article referred to as "the corporation") out of any loans granted or to be granted by them to the Company or so long as the corporationcontinue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places.
- b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.
- c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall ipso facto vacate such office immediately on the moneys owing by the Company to the Corporation being paid off
- d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.
- e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation.

PROVIDED THAT in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.

## **Special Director**

Article 152 provides that:

(1) In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company, corporation ,firm or person herein-after in this clause referred to as "collaboration" to appoint from time to time any person as director of the company (hereinafter referred to as "special director") and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration



arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter.

- (2) The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.
- (3) It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more then one collaborator is so entitled there may be at any time as may special directors as the collaborators eligible to make the appointment.

#### Limit on number of retaining Directors

#### Article 153 provides that:

The provisions of Articles 150, 151,152 and 153 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 151 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.

## **Alternate Director**

#### Article 154 provides that:

The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

#### **Directors may fill in vacancies**

#### Article 155 provides that:

The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.

#### **Additional Directors**

#### Article 156 provides that:

The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board ("Additional Director") so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.

#### **Qualification Shares**

*Article 157 provides that:* A Director need not hold any qualification shares.

#### **Directors' sitting fees**

Article 158 provides that:

The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.



# Extra remuneration to Directors for special work

Article 159 provides that:

- (1) Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided.
- (2) Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either:
  - i) by way of monthly, quarterly or annual payment with the approval of the Central Government: or
  - ii) by way of commission if the Company by a Special Resolution authorised such payment.

# Traveling expenses incurred by Directors on Company's business

Article 160 provides that:

The Board of Directors may subject to the limitations provided by the Act allow and pay to any Director who attends a meeting of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company at a place other than his usual place of residence, for the purpose of attending a Meeting such sum as the Board may consider fair compensation for traveling, hotel, and other incidental expenses properly incurred by him in addition to his fees for attending such Meeting as above specified.

## Director may act notwithstanding vacancy

## Article 161 provides that:

The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Director or Directors may act for the purpose of increasing the number, of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.

# Board resolution necessary for certain contracts

Article 162 provides that:

(1) Subject to the provisions of Section 297 of the Act, except with the consent of the Board of Directors of the Company, a Director of the Company or his relative, a firm in which such a Director or relative is partner, any other partner in such a firm or a private company of which the Director is a member or director, shall not enter into any contract with the Company.

(a) For the sale, purchase or supply of goods, materials or services; or

b) for underwriting the subscription of any Share in or debentures of the Company;

(c) nothing contained in clause (a) of sub-clause (1) shall affect:-

(i) the purchase of goods and materials from the Company, or the sale of goods and materials to the Company by any Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or

(ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company, or the Director, relative, firm, partner or private company, as the case may be regularly trades or does business, PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which, or services the cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts;

(2) Notwithstanding any contained in sub-clause(1) hereof, a Director, relative, firm partner or private company as aforesaid may, in circumstances of urgent necessity, enter without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds rupees five thousand in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a Meeting within three months of the date on which the contract was entered into.



(3)Every consent of the Board required under this Article shall be accorded by a resolution passed at a meeting of the Board required under clause (1) and the same shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the data on which was entered into.

(4) If consent is not accorded to any contract under this Article, anything done in pursuance of the contract will be voidable at the option of the Board.

(5) The Directors, so contracting or being so interested shall not be liable to the Company for any profit realised by any such contract or the fiduciary relation thereby established.

# Disclosure to the Members of Directors' interest in contract appointing Managers, Managing Director or Wholetime Director

Article 163 provides that: When the Company:-

- (a) enters into a contract for the appointment of a Managing Director or Wholetime Director in which contract any Director of the Company is whether directly or indirectly, concerned or interested; or
- (b) varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.

## Directors of interest and General notice of disclosure

Article 164 provides that:

- (1) A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299 (2) of the Act.
- (2) A general notice, given to the Board by the Director to the effect that he is a director or is a member of a specified body corporate or is a member of a specified firm under Sections 299(3)(a) shall expire at the end of the financial year in which it shall be given but may be renewed for a further period of one financial year at a time by fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that is brought up and read at the first meeting of the Board after it is given.

## Directors and Managing Director may contract with Company

#### Article 165 provides that:

Subject to the provisions of the Act the Directors (including a Managing Director and Whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contracts or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed as provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and complied with.

## **Disqualification of the Director**

Article 166 provides that:

A person shall not be capable of being appointed Director of the Company if:-

- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- (b) he is an undischarged insolvent;
- (c) he has applied to be adjudged an insolvent and his application is pending;
- (d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed form the date of expiry of the sentence;



- (e) he has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or
- (f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.

## Vacation of office by Directors

Article 167 provides that:

The office of Director shall become vacant if:-

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudged an insolvent; or
- (c) he is adjudged an insolvent; or
- (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for less than six months; or
- (e) he fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or
- (f) absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
- (g) he(whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or
- (i) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (j) he is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or
- (k) if by notice in writing to the Company, he resigns his office, or
- (1) having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

#### Vacation of office by Directors (contd.)

Article 168 provides that:

Notwithstanding anything contained in sub-clauses (c), (d) and (i) of Article 162hereof, the disqualification referred to in these clauses shall not take effect:

- (a) for thirty days from the date of the adjudication, sentence or order;
- (b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
- (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

## **Removal of Directors**

Article 169 provides that:

(1) The Company may subject to the provisions of



Section 284 and other applicable provisions of the Act and these Articles by Ordinary Resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.

(2) Special Notice as provided by these Articles or Section 190 of the Act; shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the Meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a Director under this Article; the Company shall forthwith send a copy; thereof to the Director concerned and the Director (whether or not he is a Member of a Company) shall be entitled to be heard on the resolution at the Meeting.

(4) where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and requests their notification to Members of the Company, the Company shall, unless the representations are, received by it too late for it to do so:

(a) in the notice of the resolution given to the Members of the Company state the fact of the representations having been made, and

(b) send a copy of the representations to every Member of the Company to whom notice of the Meeting is sent(before or after the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late\ or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the Meeting; provided that copies of the representation need not be sent or read out at the Meeting if on the application, either of the Company or of any other person who claims to be aggrieved by the Court is satisfied that the rights concerned by this sub-clause are being abused to secure needless publicity for defamatory matter.

(5) A vacancy created by the removal of the Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board, in pursuance of Article 153 or Section 262 of the Act be filled by the: appointment of another Director in his place by the Meeting at which he is removed, provided special notice of the intended appointment has been given under Article 163 hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.

(6) If the vacancy is not filled under sub-clause(e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 153 or Section 162 of the Act, and all the provisions of that Article and Section shall apply accordingly

(7) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

(8) Nothing contained in this Article shall be taken:-

(a) as depriving a person removed hereunder of any compensation of damages payable to him in respect of the termination of his appointment as Director, or

(b) as derogating from any power to remove a Director which may exist apart form this Article.

#### Interested Directors not to participate or vote in Board's proceedings

#### Article 170 provides that:

No Director shall as a Director take part in the discussion of or vote on any contract arrangement or proceedings entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, not shall his presence count for the purpose of forming a quorum at the time of any such discussion or voting, and if he does vote, his vote shall be void. Provided however, that nothing herein contained shall apply to:-

(a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;

(b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely;

(i) in his being:

(a) a director of such company; and

(b)the holder of not more than shares of such number of value therein as is requisite to qualify him for appointment as a director, thereof, he having been nominated as director by the company, or (ii) in his being a member holding not more than two percent of its paid-up share capital.

#### Director may be director of companies promoted by the Company

Article 171 provides that:

A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any



benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.

# Appointment of Sole Selling Agents

Article 172 provides that:

- a) The appointment, re-appointment and extension of the term of a sole selling agent, shall be regulated in accordance with the provisions of Section 294 of the Act and any Rules or Notifications issued by the competent authority in accordance with that Section and the Directors and/or the Company in General Meeting may make the appointment, re-appointment or extension of the term of office in accordance with and subject to the provisions of the said Section and such rules or notifications, if any, as may be applicable.
- b) The payment of any compensation to a sole selling agent shall be subject to the provisions of Section 294A of the Act.

## **ROTATION AND APPOINTMENT OF DIRECTORS**

#### **Rotation of Directors**

Article 173 provides that:

Not less than two third of the total number of Directors shall (a) be persons whose period of the office is liable to termination by retirement by rotation and (b) save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.

## **Retirement of Directors**

Article 174 provides that:

Subject to the provisions of Articles 152 and 154, the non-retiring Directors should be appointed by the Board for such period or periods as it may in its discretion deem appropriate.

#### **Retiring Directors**

#### Article 175 provides that:

Subject to the provisions of Section 256 of the Act and Articles 150 to 157, at every Annual General Meeting of the Company, one-third or such of the Directors for the time being as are liable to retire by rotation; or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. The Debenture Directors, Nominee Directors, Corporation Directors, Managing Directors if any, subject to Article 189, shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles a "Retiring Director" means a Director retiring by rotation.

#### **Appointment of Technical or Executive Directors**

Article 176 provides that:

- a) The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors.
- b) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.

#### Ascertainment of Directors retiring by rotation and filling of vacancies

#### Article 177 provides that:

Subject to Section 288 (5) of the Act, the Directors retiring by rotation under Article 178 at every Annual General Meeting shall be those, who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves be determined by the lot.

#### Eligibility for re-election

Article 178 provides that:



A retiring Director shall be eligible for re-election and shall act as a Director through out and till the conclusion of the Meeting at which he retires.

## **Company to fill vacancies**

Article 179 provides that:

Subject to Sections 258, 259 and 294 of the Act, the Company at the General Meeting, at which a Director retires in manner aforesaid, may fill up the vacancy by appointing the retiring Director or some other person thereto.

## Provision in default of appointment

Article 180 provides that:

- (1) If the place of retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
- (2) If at the adjourned Meeting also, the place of the retiring Director is not filled up and the Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting, unless:
  - a. at that Meeting or the previous Meeting a resolution for the re-appointment of such Director has been put to the Meeting and lost.
  - b. the retiring Director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed.
  - c. he is not qualified or is disqualified for appointment
  - d. a resolution, whether Special or Ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or
  - e. the provision of the sub-section (2) of section 263 of the Act is applicable to the case.

#### **Company may increase or reduce the number of Directors or remove any Director** *Article 181 provides that:*

Subject to the provisions of Section 252,255 and 259 of the Act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors and may alter qualifications. **Appointment of Directors to be voted individually** 

Article 182 provides that:

- (1) No motion, at any General Meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the Meeting without any vote being given against it.
- (2) A resolution moved in contravention of clause (a) hereof shall be void, whether or not objection was taken at the time of its being so moved, providedwhere a resolution so moved has passed no provisions or the automatic re-appointment of retiring Directors in default of another appointment as therein before provided shall apply.
- (3) For the purposes of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

## Notice of candidature for office of Directors except in certain cases

Article 183 provides that:

- (1) No person not being a retiring Director shall be eligible for election to the office of Director at any General Meeting unless he or some other Member intending to propose him has given at least fourteen days notice in writing under his hand signifying his candidature for the office of a Director or the intention of such person to propose him as Director for that office as the case may be, along with a deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such Member, if the person succeeds in getting elected as a Director.
- (2) The Company shall inform its Members of the candidature of the person for the office of Director or the intention, of a Member to propose such person as candidate for that office by serving individual notices on the Members not less than seven days before the Meeting provided that it



shall not be necessary for the Company to serve individual notices upon the Members as aforesaid if the Company advertises such candidature or intention not less than seven days before the Meeting in at least two newspapers circulating in the place where the registered office of the Company is located of which one is published in the English language and the other in the regional language of that place.

- (3) Every person (other than Director retiring by rotation or otherwise or person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as a candidate for the office a Director shall sign and file with the Company his consent in writing to act as a Director, if appointed.
- (4) A person other than a Director appointed after retirement by rotation or immediately on the expiry of his term of office, or an Additional or Alternate Director or a person filling a casual vacancy in the office of a Director under Section 252 of the Act ,appointed as a Director re- appointed as an additional or alternate Director immediately on the expiry of his term of office shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filled with the Registrar his consent in writing to act as such Director.

#### **Disclosure by Directors of their holdings of their Shares and debentures of the Company** *Article 184 provides that:*

Every Director and every person deemed to be Director of the Company by virtue of sub-section (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section. Any such notice shall be given in writing and if it is not given at a meeting of the Board the person giving the notice shall take all reasonable steps to secure that it is brought up and read at the next meeting of the Board after it is given.

## **Votes of Body Corporate**

## Article 185 provides that:

A body corporate, whether a company within the meaning of the Act or not, which is a member of the Company, may by resolution of its Board of Directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the company or at any meeting of any class of members of the company and the persons so authorized shall be entitled to exercise the same rights and poser (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise as if it were as individual member of the company and the production of a copy of the Minutes of such resolution certified by a director or the copy of the Minutes of such resolution shall be accepted as sufficient evidence of the validity of the said representative's appointment and of his right to vote.

# MANAGING DIRECTOR

#### **Rights of Promoter(s) and Promoter Group to Appoint Chairman**

#### Article 186 provides that:

The Promoter(s) and Promoter Group shall as long as they, jointly and severally, holds not less than 26% of the total paid up share capital of the Company for the time being, be entitled by notice in writing addressed to the Company to appoint any Director as Chairman of the Board of Directors of the Company and to cancel such appointment and on a vacancy being caused in such office from any cause whatsoever whether by such cancellation or by resignation, retirement, death, removal or otherwise, of any such person so appointed, to appoint any Director to fill such vacancy. Any appointment or cancellation of the Director under this Article shall become effective forthwith upon receipt by the Company of the writing aforesaid.

## Powers to appoint Managing Director

Article 187 provides that:

a) The Promoter(s) and Promoter Group shall as long as they, jointly and severally, holds not less than 26% of the total paid up share capital of the Company for the time being, be entitled by notice in writing addressed to the Company to appoint a Director appointed by it pursuant to the provisions of the Article 149 of the Articles of Association as the Managing Director of the Company and to remove such person from office and on a vacancy being caused in such office from any cause whatsoever whether by such cancellation or by resignation, retirement, death, removal or otherwise, of any such person so appointed, to appoint any Director to fill such



vacancy. An appointment or removal of the Director under this Article shall become effective forthwith upon receipt by the Company of the writing aforesaid.

b) Subject to superintendence, direction, control of the Board, the Managing Director shall have the management of the affairs of the Company. The remuneration of the Managing Director shall be such as may be determined by the Board from time to time and may be by way of monthly payment fee for such meeting or participation in profits or any other mode not expressly prohibited by the Act.

## **Remuneration of Managing Director**

## Article 188 provides that:

Subject to the provisions of Sections 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receive such remuneration as may from time to time be approved by the Company.

#### **Special position of Managing Director**

# Article 189 provides that:

Subject to any contract between him and the Company, a Managing or Wholetime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

## **Special position of Managing Director**

Article 190 provides that:

Subject to any contract between him and the Company, a Managing or Wholetime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

Article 191 provides that:

The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Wholetime Director or Wholetime Directors of the Company and may exercise all the powers referred to in these Articles.

#### Article 192 provides that:

Receipts signed by the Managing Director for any moneys, goods or property received in the usual course of business of the Company or for any money, goods, or property lent to or belonging to the Company shall be an official discharge on behalf of and against the Company for the money, funds or property which in such receipts shall be acknowledged to be received and the persons paying such moneys shall not be bound to see to the application or be answerable for any misapplication thereof. The Managing Director shall also have the power to sign and accept and endorse cheques on behalf of the Company.

## Article 193 provides that:

The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit. *Article 194 provides that:* 

Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.

#### Appointment and powers of Manager

Article 195 provides that:



The Board may, from time to time, appoint any Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they may think fit, and may, confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient.

# WHOLE TIME DIRECTOR

#### Power to appoint Whole Time Director and/or Whole-time Directors

## Article 196 provides that:

Subject to the provisions of the Act and of these Articles, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of its Director/s or other person/s as Whole-Time Director or Whole-Time Directors of the Company out of the Directors/ persons nominated under Article only either for a fixed term that the Board may determine or permanently for life time upon such terms and conditions as the Board may determine. The Board may by ordinary resolution and / or an agreement/s vest in such Whole-Time Director or Whole Time Directors such of the powers authorities and functions hereby vested in the Board generally as it thinks fit and such powers may be made exercisable and for such period or periods and upon such conditions and subject to such restrictions as may be determined or specified by the Board and the Board has the powers to revoke, withdraw, alter or vary all or any of such powers and / or remove or dismiss him or them and appoint another or others in his or their place or places again out of the Directors / persons nominated under Article 192 only. The Whole Time Director or Whole Time Directors will be entitled for remuneration as may be fixed and determined by the Board from time to time either by way of an ordinary resolution or a contract/s or an agreement/s under such terms not expressly prohibited by the Act.

#### To what provisions Whole time Directors shall subject

## Article 197 provides that:

Subject to the provisions of Section 255 of the Act and these Articles, a Whole Time Director or Whole Time Directors shall not, while he/they continue to hold that office, be liable to retirement by rotation but (subject to the provisions of any contract between him/they and the Company) he/ they shall be subject to the same provisions as to resignation and removal as the other Directors, and he/they shall ipso facto and immediately ceases or otherwise cease to hold the office of Director/s for any reason whatsoever save that if he/they shall vacate office whether by retirement, by rotation or otherwise under the provisions of the Act at any Annual General Meeting and shall be re-appointed as a Director or Director at the same meeting he/they shall not by reason only of such vacation, cease to be a Whole Time Directors.

#### Seniority of Whole Time Director and Managing Director

#### Article 198 provides that:

If at any time the total number of Managing Directors and Whole Time Directors is more than one, then who shall retire shall be determined by and in accordance with their respective seniorities. For the purpose of this Article the seniorities of the Whole Time Directors and Managing Directors shall be determined by the date of their respective appointments as Whole Time Directors and Managing Directors of the Company

## PROCEEDINGS OF THE BOARD OF DIRECTORS

#### Meeting of Directors

#### Article 199 provides that:

The Directors may meet together as a Board for the dispatch of business from time to time, and unless the Central Government by virtue of the provisions of Section 285 of the Act allow otherwise, Directors shall so meet at least once in every three months and atleast four such Meetings shall be held in every year. The Directors may adjourn and otherwise regulate their Meetings as they think fit. The provisions of this Article shall not be deemed to have been contravened merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum.

#### Quorum

#### Article 200 provides that:

(1) Subject to Section 287 of the Act the quorum for a meeting of the Board of Directors shall be onethird of its total strength (excluding Directors, if any, whose place may be vacant at the time and



any fraction contained in that one third being rounded off as one) or two Directors whichever is higher. PROVIDED that where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the Total Strength, the number of the remaining Directors that is to say, the number of remaining who are not interested) present at the Meeting being not less than two shall be the quorum during such time.

- (2) for the purpose of clause(1)
  - a. "Total Strength" means total strength of the Board of Directors of the Company determined in pursuance of the Act after deducting there from number of the Directors if any, whose places may be vacant at the time, and
  - b. "Interested Directors" means any Directors whose presence cannot by reason of any provisions in the Act count for the purpose of forming a quorum at a meeting of the Board at the time of the discussion or vote on any matter.

#### Procedure when Meeting adjourned for want of quorum

#### Article 201 provides that:

If a meeting of the Board could not be held for want of quorum then, the Meeting shall automatically stand, adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place, unless otherwise adjourned to a specific date, time and place.

## **Chairman of Meeting**

# Article 202 provides that:

The Chairman of the Board of Directors shall be the Chairman of the meetings of Directors, provided that if the Chairman of the Board of Directors is not present within five minutes after the appointed time for holding the same, meeting of the Director shall choose one of their members to be Chairman of such Meeting.

#### Question at Board meeting how decided

#### Article 203 provides that:

Subject to the provisions of Section 316, 372(5) and 386 of the Act, questions arising at any meeting of the Board or in resolution to be passed by circular shall be decided by a majority of votes, and in case of any equality of votes, the Chairman shall have a second or casting vote; provided, however, that no resolution (whether passed at a meeting or by circular) shall be deemed to have been passed unless a director appointed by the Promoter(s) and Promoter Group under Article 149 of his alternate Director designated by the Promoter(s) and Promoter Group for the purpose of this article has voted in favour of this resolution.

#### Article 204 provides that:

The following item of business shall not be included in the Agenda of the meeting of the Board of Directors or transacted unless prior written approval of a director appointed/nominated by the Promoter(s) and Promoter Group under Article 149 has been obtained:

- a) Alteration in the capital structure of the Company by way of issue of bonus shares, rights issue, issue of preference shares, debentures, buy back of shares, conversion, capital reduction, etc.;
- b) issue of or cancellation of any 'Securities', as defined under the Securities Contract (Regulation) Act, 1956, including (i) grant of employee stock options or issue of sweat equity shares by the Company, (ii) preferential issue of shares of the Company;
- c) Declaration of or recommendation of any dividend;
- Any decision on (i) restructuring of the Company (including, without limitation, any amalgamation, merger, de-merger, reverse mergers, takeovers, acquisitions, consolidations, compromise and arrangements, joint ventures, partnerships, etc.) (ii) voluntary liquidation, dissolution or winding up of the Company;
- e) Borrowing of funds;
- f) Purchase or sale of land or building;
- g) Leasing of or lease out of land and/or building in excess of annual term for rental exceeding INR 100 million;



- h) To create charge on the properties of the company, present or future, by way of mortgage or hypothecation or any other methods;
- i) Investment in 'securities' and issue of guarantees on behalf of third party;
- j) Agreements for receiving or imparting technical know-how, intellectual property rights such as patents, copyrights, designs, trademarks, etc.;
- k) Capital expenditures involving expansions, diversification in manufacturing operations and making strategic investments by the Company beyond the scope of its yearly budgets and/or powers delegated to the Managing Director in this behalf;
- 1) Deviation from accounting policy and practices including rates of depreciation and amortization;
- m) Approving financial budgets and operating plans and any modifications of such budget or plans;
- n) Appointments, re-appointments and fixing of remuneration of Managing Director, whole Time Director and Executive Directors;
- o) Any amendments to the Memorandum and Articles of association of the Company.

## **Powers of Board meeting**

#### Article 205 provides that:

A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act, or the Articles for the time being of the Company which are vested in or exercisable by the Board of Directors generally.

## **Directors may appoint Committee**

## Article 206 provides that:

The Board of Directors may subject to the provisions of Section 292 and other relevant provisions of the Act, and of these Articles delegate any of the powers other than the powers to make calls and to issue debentures to such Committee or Committees and may from time to time revoke and discharge any such Committee of the Board, either wholly or in part and either as to the persons or purposes, but every Committee of the Board so formed shall in exercise of the powers so delegated conform to any regulation(s) that may from time to time be imposed on it by the Board of Directors. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointments, but not otherwise, shall have the like force and effect, as if done by the Board. Provided that every such committee shall have as one of its member the Director referred to in Article 152 or his alternate Director.

## Meeting of the Committee how to be governed

#### Article 207 provides that:

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding article. Quorum for the Committee meetings shall be two.

## **Circular resolution**

## Article 208 provides that:

- (1) A resolution passed by circulation without a meeting of the Board or a Committee of the Board appointed under Article 201 shall subject to the provisions of sub-clause (b) hereof and the Act, be as valid and effectual as the resolution duly passed at a meeting of Directors or of a Committee duly called and held.
- (2) A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation if the resolution has been circulated in draft together with necessary papers if any to all the Directors, or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and to all other Directors or members of the Committee at their usual addresses in India or to such other addresses outside India specified by any such Directors or members of the Committee, as are then in India, or by a majority of such of them as are entitled to vote on the resolution.



## Acts of Board or Committee valid notwithstanding defect in appointment Article 209 provides that:

All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered; that there was some defect in the appointment of one or more of such Directors or any person acting as aforesaid; or that they or any of them were disqualified or had vacated office or that the appointment of any of them is deemed to be terminated by virtue of any provision contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director; provided nothing in the Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

# POWERS OF THE BOARD

## General powers of management vested in the Board of Directors

#### Article 210 provides that:

The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

PROVIDED THAT the Board shall not, except with the consent of the Company in General Meeting :-

- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- (b) remit, or give time for the repayment of, any debut due by a Director,
- (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;
- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body;
  - (i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) of as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e)
  - (ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.

#### Certain powers to be exercised by the Board only at Meetings

Article 211 provides that:

(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;



- (a) the power to make calls, on shareholders in respect of money unpaid on their Shares,
- (b) the power to issue Debentures,
- (c) the power to borrow moneys otherwise than on Debentures,
- (d) the power to invest the funds of the Company, and
- (e) the power to make loans

PROVIDED THAT the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:

- (2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.
- (3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.
- (4) Every resolution delegating the power referred to in sub-clause (1) (e)above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

# Certain powers of the Board

## Article 212 provides that:

Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:

- a. To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- b. To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.
- c. Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- d. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- e. To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- f. To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed.
- g. To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.
- h. To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign



law and either in India or abroad and to observe and perform or challenge any award made thereon.

- i. To act on behalf of the Company in all matters relating to bankruptcy and insolvency, winding up and liquidation of companies.
- j. To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- k. Subject to the provisions of Sections 291, 292, 295, 370,372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being Shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- 1. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- m. To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
- n. To distribute by way of bonus amongst the staff of the Company a Share or Shares in the profits of the Company and to give to any, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of the working expenses of the Company.
- o. To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise.
- Before recommending any dividend, to set aside out of the profits of the Company such sums p. as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the



business of the Company or in the purchase or repayment of redeemable preference shares or debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

- q. To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.
- r. To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.
- s. From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.
- t. Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.
- u. At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
- v. Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- w. From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.
- x. To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock



company carrying on the business which the Company is authorized to carry on in any part of India.

- y. To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- z. To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exportedby the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
- aa. To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.
- bb. To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.
- cc. From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.
- dd. To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.
- ee. To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.
- ff. To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.
- gg. Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.
- hh. To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.

## DIVIDENDS AND CAPITALISATION OF RESERVES

#### **Division of profits**

Article 219 provides that:

- (1) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares;
- (2) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.



## The Company at General Meeting may declare dividend

#### Article 220 provides that:

The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.

# Dividends out of profits only

# Article 221 provides that:

No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

## Interim dividend

## Article 222 provides that:

The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.

## Debts may be deducted

Article 223 provides that:

- (1) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (2) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.

## Capital paid-up in advance to carry interest, not the right to earn dividend

Article 224 provides that:

Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

## Dividends in proportion to amounts paid-up

## Article 225 provides that:

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.

# No Member to receive dividend while indebted to the Company and the Company's right in respect thereof

# Article 226 provides that:

No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

#### Effect of transfer of Shares

Article 227 provides that:

A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.

## **Dividend to joint holders**

## Article 228 provides that:

Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

## Dividend how remitted

Article 229 provides that:



The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

## Notice of dividend

## Article 230 provides that:

Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Shares in the manner herein provided.

## Reserves

## Article 231 provides that:

The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

## Dividend to be paid within time required by law

## Article 232 provides that:

The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-

- (a) Where the dividend could not be paid by reason of the operation of any law; or
- (b) Where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or
- (c) Where there is dispute regarding the right to receive the dividend; or
- (d) Where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or
- (e) Where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

### Unpaid or unclaimed dividend

Article 233 provides that:

- (1) Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, to any shareholder entitled to the payment of dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called "the Unpaid Dividend Account of M AND B Switchgears Limited".
- (2) Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.
- (3) No unclaimed or unpaid divided shall be forfeited by the Board.

## Set-off of calls against dividends

Article 234 provides that:

Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.



## Dividends in cash

Article 235 provides that:

No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.

## Capitalisation

## Article 236 provides that:

(1) The Company in General Meeting may, upon the recommendation of the Board, resolve:

- (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and
- (b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.
- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;
  - (a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or
  - (b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or
  - (c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause (b)
- (3) A security premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.

## Board to give effect

## Article 237 provides that:

The Board shall give effect to the resolution passed by the Company in pursuance of above Article.

### Fractional certificates

Article 238 provides that:

- (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;
  - (a) Make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares and
  - (b) Generally do all acts and things required to give effect thereto.
- (2) The Board shall have full power:
  - (a) To make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also
  - (b) To authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf by the application thereof of the respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing Shares.
- (3) Any agreement made under such authority shall be effective and binding on all such Members.
- (4) That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or



difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.

## **REGISTERS AND DOCUMENTS**

## Registers and documents to be maintained by the Company

Article 250 provides that:

The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:

- (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act
- (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.
- (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act.
- (d) Foreign register, if so thought fit, as required by Section 157 of the Act
- (e) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act.
- (f) Register of Directors and Secretaries etc. as required by Section 303 of the Act.
- (g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act.
- (h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.
- (i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.
- (j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.

### **Inspection of registers**

## Article 251 provides that:

The registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in the case of the Register of Members of the Company provided for in clause (c) thereof. Copies of entries in the registers mentioned in the foregoing Article shall be furnished to the persons entitled to the same on such days and during such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.

### WINDING UP

## Distribution of assets

Article 252 provides that:

If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the Shares held by them respectively, and if in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

## Distribution in specie or kind

Article 253 provides that:

(1) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidator, with the like sanction, shall think fit.



- (2) 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 division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were by a Special Resolution passed pursuant to Section 494 of the Act.
- (3) In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable act accordingly.

## **Right of shareholders in case of sale**

## Article 254 provides that:

A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.

## Directors and others right to indemnity

## Article 255 provides that:

Subject to the provisions of Section 201 of the Act, every Director of officer, or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as Auditor, shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, charges, losses and damages which any such person may incur or become liable to pay by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such if any as he shall incur or sustain through or by his own wrongful act, neglect or default) including expenses, and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, officer or Auditor or other office of the Company in defending any proceedings whether civil or criminal in which judgment is given in his favour, or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

### Director, officer not responsible for acts of others

### Article 256 provides that:

Subject to the provisions of Section 201 of the Act no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for and on behalf of the Company or for the insufficiency or deficiency or deficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damages arising from the insolvency or tortuous act of any person, firm or Company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgment, omission, default or oversight on his part of for any other loss, damage, or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.



## SECTION IX – OTHER INFORMATION

## MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of filing of this Daft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus have been delivered to the Registrar of Companies, Gwalior, Madhya Pradesh and Chhattisgarh for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 11.00 a.m. to 5.00 p.m. on working days from the date of this Red Herring Prospectus until the Bid / Issue Closing Date of this Issue.

## Material Contracts

- 1. Memorandum of Understanding dated January 11, 2011 between our Company and the BRLM.
- 2. Memorandum of Understanding dated November 20, 2010 between our Company and the Registrar to the Issue.
- 3. Escrow Agreement dated September 14, 2011 between our Company, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
- 4. Syndicate Agreement dated September 14, 2011 between our Company, the BRLM and the Syndicate Members.
- 5. Underwriting Agreement dated [•] between our Company, the BRLM and the Syndicate Members.

## **Material Documents for Inspection**

- 1. Certificate of Incorporation.
- 2. Certified true copies of the Memorandum and Articles of Association of our Company, as amended from time to time.
- 3. Resolution of the Board of Directors dated November 19, 2010, authorising the Issue.
- 4. Resolution of the shareholders passed at the Extra Ordinary General Meeting dated December 20, 2010, authorising the Issue.
- 5. Shareholders' resolution dated September 29, 2001, confirming the remuneration and appointment of Mr. Shyam Sunder Mundra, as the Managing Director of our Company, with effect from September 01, 2001.
- 6. Shareholders' resolution dated October 15, 2010, confirming the remuneration and appointment of Mr. Shyam Sunder Mundra, as the Managing Director of our Company.
- 7. Board resolution dated October 15, 2010, appointing Mr. Shyam Sunder Mundra, as the Chairman of our Company.
- 8. Shareholders' resolution dated October 15, 2010 confirming the remuneration and appointment of Mr. Vikalp Mundra, as the Wholetime Director of our Company.
- 9. Shareholders' resolution dated October 15, 2010, confirming the remuneration and appointment of Mr. Anurag Mundra, as the Wholetime Director of our Company.
- 10. Consent of M/s Ashok Khasgiwala and Co., the Auditors of our Company, for inclusion of their report dated August 18, 2011 in this Red Herring Prospectus.



- 11. Copies of the annual reports of our Company for the financial years and 2006-2007, 2007-08, 2008-2009, 2009-10, 2010-2011
- 12. Copy of the Statement of Tax Benefits dated August 18, 2011 issued by M/s Ashok Khasgiwala and Co., Chartered Accountants.
- 13. Consents of Auditors, Bankers to our Company, BRLM, Legal Advisors to this Issue, Directors, Company Secretary and Compliance Officer, Registrar to this Issue, Escrow Collection Bank, Refund Bank, Syndicate Members, IPO Grading Agency, as referred to, in their respective capacities.
- 14. In-principle listing approvals dated February 16, 2011 from BSE vide letter No. DCS/IPO/PVN/IPO-IP/1421/2010-11.
- 15. In-principle listing approvals dated March 11, 2011 from NSE *vide* letter No. NSE/LIST/160460-Z.
- 16. Listing applications dated [•] filed with BSE.
- 17. Listing applications dated [•] filed with NSE.
- 18. Tripartite agreement between the NSDL, our Company and the Registrar dated February 15, 2011.
- 19. Tripartite agreement between the CDSL, our Company and the Registrar dated February 16, 2011.
- 20. Due diligence Certificate dated January 19, 2011 to SEBI from the BRLM.
- 21. SEBI Observation letter no CFD/DIL/ISSUES/SK/PM/12379/2011 dated April 13, 2011.
- 22. Report of the IPO Grading Agency dated April 21, 2011.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

In accordance with Section 61 of the Companies Act, in the event any of the material contracts mentioned in this section are required to be modified or amended, post the filing of the Prospectus with the RoC, reference shall be made to the shareholders of our Company for the same.



## DECLARATION

We, the Directors, hereby certify and declare that, all relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the regulations / guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or regulations / guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

## Signed by the Directors of our Company

Name	Designation	Signature
Mr. Shyam Sunder Mundra	Chairman and Managing Director	
Mr. Vikalp Mundra	Wholetime Director	
Mr. Anurag Mundra	Wholetime Director	
Ms. Aarti Jhaveri	Independent Director	
Mr. Narendra Beli	Independent Director	
Mr. Nilesh Rathi	Independent Director	

Chairman and Managing Director (*Mr. Shyam Sunder Mundra*)

Wholetime Director (*Mr. Anurag Mundra*)

Company Secretary and Compliance Officer (*Ms. Toshiba Sugandhi*)

Date: Place: Indore, Madhya Pradesh



## **M** AND **B** SWITCHGEARS LIMITED

## **Issue Details**

M and B Switchgears Limited (MBSL) proposes to come out with an Initial Public Offer (IPO) of 50 lakh shares through the book building route. Subsequent to reservation for the eligible shareholders, at least 50% of the Net Issue shall be reserved for Qualified Institutional Buyers (QIBs), not less than 15% of the Net Issue shall be reserved for non-institutional bidders and not less than 35% of the Net Issue shall be reserved for retail investors. Post-IPO, the shares will be listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

## **Proposed Use of IPO Proceeds**

The IPO proceeds are proposed to be used for -

- Setting up a 4 MWp solar photovoltaic power plant at Rajgharh, Madhya Pradesh
- General corporate purpose

#### Contacts:

#### Sabyasachi Majumdar

sabyasachi@icraindia.com 91-124-4545304

Manita Singh manitas@icraindia.com 91-124-4545366

#### Pravesh Khanna

pravesh.khanna@icraindia.com 91-124-4545844

## **Relationship Contacts:**

#### **Vivek Mathur**

Vivek@icraindia.com 91-124-4545310

Website www.icra.in

## **IPO Grading**

ICRA has assigned a IPO Grade 2 to the proposed IPO of M and B Switchgears Limited (MBSL), indicating below average fundamentals. ICRA assigns IPO gradings on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include, *inter alia*, business and competitive position, financial position and prospects, management quality, corporate governance, and history of compliance and litigation.

Disclaimer: Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.

## Strengths

- Long standing track record of promoters in the transformer manufacturing business
- Significant growth prospects in the transformer industry because of anticipated increase in power capacity in India and initiatives to reduce Transmission & Distribution (T&D) losses
- Good location of the solar power project being implemented by MBSL with solar irradiation of 5.8-5.5 Kwh /sqm/day Implementation of the solar power project. Choice of proven crystalline silicon technology reduces technological risks
- Reputed and experienced EPC contractor (Tata BP Solar India Limited ) appointed for execution of Phase I of the solar power project resulting in lower technological and implementation risks
- Lower year on year variation in solar power projects (as compared to wind or hydro power) expected to
  result in lesser variance in cash flows

## Concerns

- Small scale of operations of the company in the transformer business resulting in lower bargaining
  power vis a vis larger customers and moderate economies of scale.
- Highly competitive and fragmented nature of the transformer industry with significant competition from small and medium sized players
- High working capital intensity of operations arising out of high debtor days resulting in negative fund flow from operations over the last two years
- Early stage of implementation for solar power project resulting in higher execution risks; however engagement of reputed EPC contractor for Phase I of the project acts as a risk mitigant.
- High cost of power generation make solar power projects highly unviable in the absence of subsidised feed in tariffs or other financial incentives like revenues through sale of Renewable Energy Certificates (RECs). MSBL to derive significant portion of revenues from sale of RECs; however, nascent stage of REC trading in India gives rise to regulatory and market risks
- High off-take risks, as MBSL yet to tie up for sale of power with customers. However, risk is partially
  mitigated by the power shortage in the state of Madhya Pradesh and low capacity for the project
  (6MW).
- High funding risks as financial closure for Phase I is yet to be achieved; further funding of Phase II of the project is highly dependent on the successful funding raising through IPO
- Large quantum of equity funding for the solar project resulting in expectations of modest equity returns from the project

## **Grading Rationale**

The IPO Grade assigned by ICRA reflects the long standing track record of the promoters in the transformer manufacturing business; good demand prospects for transformer business given the anticipated additions to power capacity in India and initiatives to reduce Transmission & Distribution (T&D) losses; good location of the solar power project under implementation, moderate approval and technological risks for the project and the appointment of reputed EPC contractor for Phase I of the project. The grading is however constrained by the small scale of operations resulting in lower bargaining power vis a vis customers who are bigger players, highly competitive nature of transformer industry which leads to pressure on operating margins. The grading also takes into consideration the early stage of project implementation of the solar power project, high funding risks as the financial closure for Phase I of the project is yet to be achieved and large part of the funding requirement for Phase II is dependent on IPO proceeds, high regulatory and market risks as MBSL proposes to generate significant revenues from trading of RECs which is at present at nascent stage in India. Moreover, as the company is yet to place orders for Phase II of the project, there is risk of escalation in project cost. The Grading also takes into account the high off-take risks as the company is yet to tie up for sale of power with customers, however, this risk is partially mitigated by the power shortage in the state of Madhya Pradesh and small capacity for the project (6MW). Further, the overall returns from the project are expected to be low given the large quantum of equity funding for the project.

## Entity Profile

M and B Switchgears Limited (MBSL) is engaged in the business of manufacturing distribution transformers, power transformers, furnace transformers and special purpose transformers. The company is also planning to diversify its operations into solar power segment and is in the process of setting up a 2MWp grid connected PV solar power project in Madhya Pradesh. Further, the company is planning to set up an additional 4MWp grid connected PV solar power project (for which the company is proposing to come out with an IPO). The company began with a capacity to manufacture 550 transformers per annum and has gradually increased its capacity to 5,109 transformers per annum. Existing annual production capacity is 9, 00,000 KVA per annum on single shift basis.

## **Promoters and Management**

MBSL was promoted by Mr. Shyam Sunder Mundra in 1976 as a proprietorship concern. Subsequently it was converted into a private limited company in 1999 and a public limited company in November 2010. The company has been engaged in the manufacturing of transformers since the last 30 years and primarily caters to the requirements of state electricity boards and government controlled utilities.

Currently, the promoters (i.e Mr. Shyam Sunder Mundra and his family) and their associates have a 100% stake in MBSL. Post the IPO of the company, the shareholding of the promoter group would decline to 70.69%.

## Table 1: Shareholding Pattern of MBSL

Category	Pre-Issue	Post-Issue
Promoters & Promoter Group	94.26%	70.69%
Others	5.74%	4.31%
Public	-	25.0%
Total	100%	100%

Source: DRHP

## **Corporate Governance**

MBSL's Board of Directors comprises 6 Directors and includes three independent directors. These Directors are from diverse fields like finance, business, and engineering industry. The Board of Directors of the Company has a combination of executive and non-executive Directors. The company has constituted four committees to comply with corporate governance requirements which include Audit committee, Shareholders'/Investors' Grievance Committee and the Remuneration Committee of which three are chaired by Non Executive Directors.

## Business and competitive position

## Transformer Business

## Significant track record of operations in the transformer business

MSBL has been engaged in the business of manufacturing of transformers since the last 30 years and primarily caters to the requirements of state electricity boards and government controlled utilities. Moreover, over the years, MBSL has increased its presence in high KVA transformers segment and specialised transformers (like furnace duty transformers, dry type transformers, fire proof transformers, potential transformers) has improved its competitive position in the industry.

## Share of revenues from non-activities like trading and sale of scrap has declined over the years

Besides being present in the transformer manufacturing business, MBSL is also engaged in trading of iron and steel and sale of scrap. However over the years, the revenue contribution from this non-core business i.e. trading of iron and steel and sale of scrap has witnessed a declining trend which has also resulted in the company reporting higher operating margins over the last three years

### Table: Revenue contribution from different segments

Segment	FY 2006	FY 2007	FY 2008	FY 2009	FY2010	7M FY 011
Sale of Transformers	47.32%	72.14%	65.47%	94.91%	88.10%	86.24%
Trading &sale of scrap	52.68%	27.86%	34.53%	5.09%	11.90%	13.76%
Total	100%	100%	100%	100%	100%	100%
<b>Operating Margins</b>	3.62%	3.27%	3.84%	4.76%	8.87%	6.81%

## High client concentration risk, though company is taking steps to increase sales to private customer to reduce concentration on sales to State Utilities

MBSL mainly supplies transformers to State Electricity Boards and other Public Sector. In the past, a large part of the revenues of the company have been contributed by Madhya Pradesh Vidyut Vitaran Company (MPVVCL) and Tamil Nadu Electricity Board (TNEB). As top 3 customers of the company account for more than 70% of the its sales, the customer concentration risk is high. Revenue from SEB's constitute around 70% of company's operating income. The payment cycle from SEBs is typically long on account of long drawn process for approval of bills and weak financial profiles of the entities, which has resulted in high debtor days for the company. However, the company is now taking steps to increase sales to private customers, which is expected to diversify its customer profile over the medium term.

## Buoyant demand prospects for transformer business

As part of its mission to provide electricity to the entire country by 2012, the Government has set a target of adding over 60,000 circuit kilometres of new transmission lines. The Government is also carrying out expansion of the five regional systems as well as the interregional grid to boost transmission capacity from 17,000 MW to 37,000 MW. The network expansion is expected to continue beyond 2012 commensurate with generation capacity and demand growth projections. Growth of power generation capacity and, transmission and distribution network is expected to boost demand for power and distribution transformers in India. Replacement of transformers installed during the Sixth Plan (1980-85) and Seventh Plan (1985-89) periods is also expected to add to demand. While generation capacity is being augmented, smart-grid technologies are increasingly being deployed to reduce transmission and distribution losses. Going ahead, greater use of 765 kV extra high voltage (EHV) transmission highways and High Voltage Direct Current (HVDC) links are expected to open up new opportunities for the industry.

## Small scale of operations of the company resulting in lower bargaining power vis a vis customers and business certainty is dependent upon its ability to successfully bid for tenders: -

The Indian transformer industry is quite competitive. The transformers industry is highly fragmented with large number of players from organised and unorganized segments. Further, players in the unorganized segment catering to the smaller rating distribution transformers have over time moved up the value chain and have started manufacturing higher rating transformers, this has further increased the level of competition in the industry. Besides competing with smaller unorganized players, companies like MBSL also face competition from larger players with long track record of operations in the industry (like EMCO, Bharat Bijlee, Crompton Greaves, Transformers and Rectifiers India Limited (TRIL), Kirloskar Electric, Voltamp Transformers and Indian subsidiaries of multinational companies such as ABB, Siemens, and Areva T&D ) and Chinese manufacturers. MBSL's small scale of operations results in limited bargaining power with customers, moreover, as the company's main customers comprise of state electricity boards where the procurement is driven by tender, thus the company's future growth will be dependent on its ability to secure orders.

## Solar Power Business

## Good location of projects coupled with use of proven PV technology moderates technology related risks

The project site (for Phase I and Phase II) is located in Village Gagorni, District Rajghar, Madhya Pradesh. The project site falls under a solar irradiation zone of 5.8-5.5 Kwh/sqm/day, which results in it being a relatively high irradiation zone.

MBSL will be implementing the project using the Crystalline Silicon PV technology for the entire 6 MW of solar power project, which is an established and proven technology for implementation of solar power projects. Use of PV technology coupled with good location of the project reduces the technological risks. Moreover, solar power projects witness less annual variation as compared to wind and hydro power, causing lesser variance in cash flows.

## Moderate approval risk as all necessary approvals required for commencement of construction in place

The company has fully acquired the 18.52 hectares of land required for implementation of Phase I and Phase II of the project. All the necessary statutory approvals required for commencement of construction of the project has been obtained by the company, reducing the approval risk fof the project to a large extent.

Other approvals required for evacuation of power, registration for receipt of REC have been applied for by the company (for Phase I) and will be required at a later stage when the projects will be nearing completion.

# Execution risks exist due to early stage of project implementation, however, engagement of experienced and reputed equipment suppliers and contractors acts as mitigant

MBSL has appointed Tata BP Solar India Limited (Tata BP Solar) as the turnkey solution provider for Phase I of the project. Tata BP Solar would be responsible for providing equipment, setting up of the plant, commercial production, and evacuation of electricity and as EPC contractor. Tata BP is an experienced player with more than --- years experience in the solar power industry. Though the project is still in initial stages of implementation and the promoters have limited experience in implementation of solar power projects, however, appointment of Tata BP Solar as the EPC contractor provides comfort and acts as a key risk mitigant.

## High off-take risks due to lack of arrangement for sale of power; nascent stage of REC trading adds to risk

MBSL plans to generate revenues through two main revenue streams from the solar power project - sale of power to private parties and sale of RECs generated. While sale of power is expected to have limited contribution in the overall revenues from the solar power business, a large part of the revenues would be contributed by sale of RECs.

As per ICRA estimates sale of power on merchant basis along with REC is expected to result in adequate returns, but at the same time, returns would be highly exposed to market and regulatory risks. While the RECs will be traded on the power exchanges for market-based price discovery with ceiling and floor levels as set by the CERC, the overall risk profile for solar projects adopting the REC framework remains high, given the uncertainties over the pricing of RECs and the absence of a strong enforcement and penalty mechanism for ensuring RPOs by SERCs as of now.

## Project cost appears to be reasonable; however company exposed to funding risks

The project cost for Phase I and Phase II is estimated to be around Rs. 17.48 crore/MW, which is comparable to the projects implemented in India so far. Though the EPC contract for Phase I has been finalized with Tata BP Solar, the company is yet to finalise EPC/ equipment orders for Phase II, which may expose the project cost (for Phase II) to escalation risks. The funding risk for the company remain high, as the company is yet to achieve financial closure for Phase I of the project. MBSL proposes to fund Phase I of the project through term loans of Rs. 22.50 crore and equity / promoter contribution of Rs. 11.00 crore. Though the promoters have already brought in Rs. 7.46 crore till date, the company is yet to tie up with banks for the term loans, exposing the project to funding risk. The company plans to fund the entire project cost of Rs. 72.0 crore for Phase II through the proceeds of the proposed IPO. Thus, the funding plan for Phase II would be contingent on successful funding raising through the IPO.

## Table 8: Total project Cost and means of finance

Cost of Projects	Phase I	Phase II	Means of Finance	Phase I	Phase II
	Rs. Crore	Rs. Crore		Rs.	Rs.
				Crore	Crore
Land		0.36	Debt	22.50	-
Site Development and Civil works		3.00	Equity (promoter funding	11.00	-
Survey of land, technical survey, including installation and commission charges and project management and training fee	Break up not available	5.40	IPO Proceeds		71.36
Plant & Machinery		62.20			
Evacuation Infrastructure		0.40			
Total Cost	33.50	71.36	Total Funding	33.50	71.36

Source: DRHP, Company

## **Financial position**

# Significant improvement in operating margins in FY 2010 on the back of lower revenue share from trading business and focus on high value add products

MBSL has reported a healthy CAGR of 27% in revenues in the last five years albeit on a low base. The operating income of the company has increased from Rs. 14.8 crore in FY 2005-06 to 38.2 crore in FY 2009-10. The operating margins of the company have increased from around 3.5% in FY 2006 to FY 2008 to 4.76% in FY 2009 and further to 8.87% in FY 2010. The increase in operating margins has been on account of two factors – reducing share of trading sales in total revenues and increased focus of the company on sale of specialised transformers like furnace transformers, mining and dry type transformers where the company enjoys higher margins. However, with an increase in the scale of operations and increase in working capital borrowings, the interest expense has also increased, which has resulted in less than commensurate growth in PAT despite healthy growth in operating profits.

Going forward, income from solar power will constitute majority of the company's revenues the transformers business however may show a moderate rate of growth.

(Rs. Crore)	2007-08	2008-09	2009-10	FY11-(7M)
Net Sales	18.40	24.80	38.23	24.83
Operating Income	18.76	25.15	38.77	24.83
OPBDIT	0.72	1.20	3.44	1.69
Interest & Finance Charges	0.56	0.64	2.06	1.13
PAT	0.29	0.42	0.93	0.60
NCA	0.37	0.53	1.22	0.79
EPS*	37.79	53.87	120.17	
OPBDIT/OI	3.84%	4.76%	8.87%	6.81%
PAT/OI	1.54%	1.67%	2.40%	2.41%
RoCE	11.32%	10.04%	15.47%	12.24%
RoNW	4.73%	6.37%	10.30%	7.47%

### Table 6: Revenues and Profitability

Note: OPBDIT – Operating Profit before Depreciation, Interest and Tax, PAT – Profit After Tax, ROCE – Return on Capital Employed, RONW – Return on Net Worth, EPS – Earnings per share Source: Company, DRHP

\*The face value of shares during FY 2007-08, 2008-09 & 2009-10 was Rs.100.

## Increased debt to fund growth in operations has resulted in increased gearing

The net worth of the company has witnessed a substantial increase in FY 2010 on account of Rs. 3.25 crore equity infusion by the promoters and healthy profits. The total debt of the company has also increased significantly over the last few years. The total debt of the company increased from Rs. 1.95 crore as on March 31, 2008 to Rs. 4.85 crore as on March 31, 2009 and further to Rs. 14.43 crore as on March 31, 2010. The increase in debt has been on account of increase in both working capital borrowings as well as long term debt. While the increase in working capital borrowings has been largely to support the increased funding requirements owing to increase in scale of operations, long term loans have been used to fund the capacity expansion of the company.

With an increase in debt levels, the gearing of the company has increased from 0.31 times as on March 31, 2008 to 1.46 times as on March 31, 2009. Though the total debt of the company increased further in FY 2010, the gearing of the company witnessed a moderate decline on account of equity infusion by the promoters in FY 2010. The company is also planning to take an additional loan of Rs 22.5 cores to fund the phase one of solar power project Other debt coverage indicators like interest coverage and NCA / Debt have remained moderate over the past few years. Nevertheless, the proceeds from the IPO coupled with accretion to reserves on account of profits from solar business are expected to result in a decline in the gearing going forward.

## **Table 7: Capital Structure**

(Rs. Crore)	2007-08	2008-09	2009-10	FY 11-(7M)
Equity Capital	0.76	0.76	0.86	10.29
Net Worth	6.26	6.94	11.12	11.65
Total Debt	1.95	10.10	14.43	14.86
Long Term Debt	0.21	4.85	5.73	7.76
Short term debt	1.74	5.26	8.70	7.10
Gross Block	1.40	7.81	9.18	9.26
Gearing	0.31	1.46	1.30	1.28
Long Term Debt / Tangible Net Worth	0.02	0.70	0.51	0.66
Total outside liabilities / Tangible Net Worth	0.89	2.36	1.87	1.94
OPBDIT/Interest	1.28	1.86	1.67	1.50
DSCR	1.55	1.56	1.59	1.2
DSCR (excluding STD /prepayments)	1.55	1.56	1.59	1.2
Total Debt / OPBDITA	2.71	8.43	4.19	5.13
NCA / Total debt	19%	5%	8%	9%

Source: DRHP, Company

## **Contingent Liabilities**

## **Table 9: Contingent Liabilities**

Particulars	Outstanding as on October 31, 2010
Outstanding Bank Guarantee	2.07
Corporate Guarantee on behalf of - Ambika Conductors Private Limited	1.00
Income Tax Demand	0.79
Total	3.87

Source: DRHP

## **Compliance and Litigation History**

## Accounting quality

### **Significant Accounting Policies**

The accounts of the company are in compliance with the accounting standards and the provisions of the Companies Act. The significant accounting policies adopted by the company are give below –

## Fixed Assets depreciation and Capital Expenditure

- a. Fixed assets are carried at cost of acquisition less accumulated depreciation
- b. Depreciation on fixed assets is being provided on straight line basis as the rates prescribed in schedule XIV of the Companies Act, 1956. Depreciation on assets added/disposed off during the year has been provided on a pro rata basis with reference to the month of addition/disposal
- Inventories are values at cost or net realizable value whichever is lower, except work in progress is valued at cost

## Litigation

- Key Litigations against MBSL: There are two proceedings outstanding against the company (pertaingin to payment of grautuity and income tax) The litigation against the company one for income tax claim amount to Rs 1.09 crores
- Key Litigations against Directors of MBSL: There is no litigation against the Directors of the company

(April 2011)



## CORPORATE OFFICE

Building No. 8, 2<sup>nd</sup> Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122 002 Tel: +91 124 4545300 Fax: +91 124 4545350 Email: info@icraindia.com, Website: <u>www.icra.in</u>

## **REGISTERED OFFICE**

1105, Kailash Building, Ilth Floor, 26 Kasturba Gandhi Marg, New Delhi 110001 Tel: +91 11 23357940-50 Fax: +91 11 23357014

Branches: **Mumbai**: Tel.: + (91 22) 24331046/53/62/74/86/87, Fax: + (91 22) 2433 1390 □ **Chennai**: Tel + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294, Fax + (91 44) 2434 3663 □ **Kolkata**: Tel + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008, Fax + (91 33) 2287 0728 □ **Bangalore**: Tel + (91 80) 2559 7401/4049 Fax + (91 80) 559 4065 □ **Ahmedabad**: Tel + (91 79) 2658 4924/5049/2008, Fax + (91 79) 2658 4924 □ **Hyderabad**: Tel + (91 40) 2373 5061/7251, Fax + (91 40) 2373 5152 □ **Pune**: Tel + (91 20) 2552 0194/95/96, Fax + (91 20) 553 9231

© Copyright, 2011, ICRA Limited. All Rights Reserved.