



## DRAFT PROSPECTUS

### Fixed Price Issue

Please read Section 60B of the Companies Act, 1956

Dated August 5, 2013

## CITYON SYSTEMS (INDIA) LIMITED

Our Company was originally incorporated in Delhi as "Cityon systems (India) Pvt Ltd" on 27<sup>th</sup> April, 2004 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana. On March 12, 2008 it was converted to a Public Limited Company under the name of Cityon Systems (India) Ltd. and fresh Certificate of Incorporation consequent upon change of name was issued by ROC, Delhi & Haryana. For further details in relation to change in management and change in name, please refer to section titled "Our History & Corporate Structure" on Page no. 79 of this Draft Prospectus.

**Registered Office & Corporate Office:** 215, Delhi Chambers, Delhi Gate, New Delhi-110002.

**Tel:** 91-11-41563395, **Fax:** 91-11-26842875

**E-Mail:** [info@cityonsystems.in](mailto:info@cityonsystems.in); **Website:** [www.cityonsystems.in](http://www.cityonsystems.in)

**Contact Person & Compliance Officer:** Ms. Vibha Wadhwa, Company Secretary & Compliance Officer;

**PROMOTERS OF THE COMPANY:** Mr. Ankur Agarwal and Mr. Mukash Kumar.

**PUBLIC ISSUE OF 62,00,000 EQUITY SHARES OF RS. 10/- EACH ("EQUITY SHARES") OF CITYONS SYSTEMS (INDIA) LIMITED ("CSIL" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. 20/- PER SHARE (THE "ISSUE PRICE"), AGGREGATING TO RS. 1240 LACS ("THE ISSUE"), OF WHICH 3,10,000 EQUITY SHARES OF RS. 10 EACH WILL BE RESERVED FOR SUBSCRIPTION BY MARKET MAKERS TO THE ISSUE (AS DEFINED IN THE SECTION "DEFINITIONS AND ABBREVIATIONS") (THE "MARKET MAKER RESERVATION PORTION"). THE ISSUE LESS THE MARKET MAKER RESERVATION PORTION i.e. ISSUE OF 58,90,000 EQUITY SHARES OF RS. 10 EACH IS HEREINAFTER REFERRED TO AS THE "NET ISSUE". THE ISSUE AND THE NET ISSUE WILL CONSTITUTE 26.58% AND 25.25%, RESPECTIVELY OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF THE COMPANY.**

**THIS ISSUE IS BEING MADE IN TERMS OF CHAPTER X-B OF THE SEBI (ICDR) REGULATIONS, 2009 AS AMENDED FROM TIME TO TIME. For further details see "Issue Related Information" beginning on page no. 128 of this Draft Prospectus**

All potential investors may participate in the Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") for the same. For details in this regard, specific attention is invited to "Issue Procedure" on page no 134 of this Draft Prospectus. In case of delay, if any in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

**THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH AND THE ISSUE PRICE IS 2 (TWO) TIMES OF THE FACE VALUE.**

### RISK IN RELATION TO THE FIRST ISSUE TO THE PUBLIC

This being the first issue of our Company, there has been no formal market for the securities of the company. The face value of the Equity Shares is Rs. 10/ and the issue price is at 2 times of face value. The issue price (as determined by our Company in consultation with the Lead Manager and as stated in the chapter titled on "Basis For Issue Price" beginning on page no 53 of this Draft Prospectus 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 shares of the company or regarding the price at which the equity shares will be traded after listing.

### GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the BSE SME Platform nor BSE SME Platform guarantee the accuracy or adequacy of this Draft Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page no. 10 of this Draft Prospectus.

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft 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 Draft Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity Shares offered through Prospectus are proposed to be listed on the BSE SME Platform In terms of the Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time; we are not required to obtain an in-principle listing approval for the shares being offered in this issue. However, our company has received an approval letter dated [●] from BSE for using its name in this offer document for listing of our shares on the SME Platform of BSE. For the purpose of this Issue, the designated Stock Exchange will be the BSE Limited ("BSE").

MANAGER TO THE OFFER	REGISTRAR TO THE ISSUE
<p><b>MEFCOM</b> (financial services &amp; solutions)  <b>Mefcom Capital Markets Limited</b>  Regd Office.: 5th Floor, Sanchi Building,  77, Nehru Place, New Delhi- 110019  Phone: +91-11- 46500500  Fax No: +91-11- 46500550  SEBI Regn. No.- MB/INM0000000016  Website: <a href="http://www.mefcom.in">www.mefcom.in</a>  Contact Person: Mr. Anand Srivastava  Email: <a href="mailto:anand@mefcom.in">anand@mefcom.in</a></p>	<p><b>Skyline Financial Services Private Limited</b>  D-153A, 1st Floor, Okhla Industrial Area,  Phase-I, New Delhi -110020  Tel: +91-11- 2681 2682  Fax: +91-11- 3085 7562  SEBI Registration No.: INE00003241  Website: <a href="http://www.skylinerta.com">www.skylinerta.com</a>  Contact Person: Mr. Virender Rana  Email: <a href="mailto:viren@skylinerta.com">viren@skylinerta.com</a></p>

ISSUE OPENS ON: [●]

ISSUE CLOSES ON: [●]

## TABLE OF CONTENTS

SECTION	TITLE	PAGE NO
I	GENERAL	2
	DEFINITIONS AND ABBREVIATIONS	2
	PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA	8
	FORWARD LOOKING STATEMENTS	9
II	RISK FACTORS	10
III	INTRODUCTION	19
	SUMMARY	19
	SUMMARY OF FINANCIAL DATA	26
	ISSUE DETAILS IN BRIEF	29
	GENERAL INFORMATION	30
	CAPITAL STRUCTURE	35
	OBJECTS OF THE ISSUE	49
	BASIS FOR ISSUE PRICE	53
	STATEMENT OF TAX BENEFITS	55
IV	ABOUT OUR COMPANY	63
	INDUSTRY OVERVIEW	63
	OUR BUSINESS	74
	KEY INDUSTRY REGULATIONS AND POLICIES	76
	OUR HISTORY AND CORPORATE STRUCTURE	79
	OUR MANAGEMENT	82
	OUR PROMOTERS	92
	OUR PROMOTER GROUP / GROUP COMPANIES / ENTITIES	94
	RELATED PARTY TRANSACTIONS	96
	DIVIDEND POLICY	96
V	FINANCIAL INFORMATION	98
	AUDITOR'S REPORT	98
	MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	112
VI	LEGAL AND OTHER INFORMATION	116
	OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS	116
	GOVERNMENT & OTHER APPROVALS	118
	OTHER REGULATORY AND STATUTORY DISCLOSURES	119
VII	ISSUE RELATED INFORMATION	128
	TERMS OF THE ISSUE	128
	ISSUE STRUCTURE	132
	ISSUE PROCEDURE	134
VIII	MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION	148
IX	OTHER INFORMATION	168
	LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	168
	DECLARATION	170

## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### DEFINITIONS

TERMS	DESCRIPTION
“CITYON”, "CSIL", "our Company", "the Company", "we", "us" or "the Issuer"	Unless the context otherwise requires, refer to Cityon Systems (India) Limited, a public limited company incorporated under the Companies Act, 1956, vide a certificate of incorporation issued by the Registrar of Companies, Delhi & NCR

#### CONVENTIONAL/GENERAL TERMS

TERMS	DESCRIPTION
AOA/Articles/ Articles of Association	Articles of Association of Cityon Systems (India) Limited
Bankers to our Company	HDFC Bank Ltd. , Connaught Circus, New Delhi
Banker to the Issue	[•]
Board of Directors / Board/Director(s)	The Board of Directors of Cityon Systems (India) Limited
BSE	BSE Limited (the designated stock exchange)
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996 as amended from time to time
CIN	Company Identification Number
DIN	Directors Identification Number
Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time being NSDL and CDSL
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time.
Director(s)	Director(s) of Cityon Systems (India) Limited, unless otherwise specified
Equity Shares / Shares	Equity Shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof
EPS	Earnings Per Share
GIR Number	General Index Registry Number
GOI/ Government	Government of India
Statutory Auditor / Auditor/ Peer Group Review Auditor	M/s J Agarwal & Associates, Chartered Accountants the statutory auditors of our Company.
Promoters	Promoters of the Company being Mr. Ankur Agarwal and Mr. Mukash Kumar.

Promoter Group Companies /Group Companies / Group Enterprises	Unless the context otherwise specifies, refers to those entities mentioned in the section titled “Our Promoter Group / Group Companies / Entities” on Page no. 94 of this Draft Prospectus.
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
Key Managerial Personnel / Key Managerial Employees	The officers vested with executive powers and the officers at the level immediately below the Board of Directors as described in the section titled “Our Management” on page no 82 of this Draft Prospectus.
MOA/ Memorandum/ Memorandum of Association	Memorandum of Association of Cityon Systems (India) Limited
Non Resident	A person resident outside India, as defined under FEMA
Non-Resident Indian/ NRI	A person resident outside India, who is a citizen of India or a Person of Indian Origin as defined under FEMA Regulations
Overseas Corporate Body / OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
Registered office of our Company	215, Delhi Chambers, Delhi Gate, New Delhi-110002
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Regulation/ SEBI (ICDR) Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as Amended
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended
SME Platform of BSE/Stock Exchange	The SME platform of BSE for listing of equity shares offered under Chapter X-B of the SEBI (ICDR) Regulations
SWOT	Analysis of strengths, weaknesses, opportunities and threats
RoC	Registrar of Companies, National Capital Territory of Delhi & Haryana

## ISSUE RELATED TERMS

TERMS	DESCRIPTION
Allotment/Allot	Issue of Equity Shares pursuant to the Issue to the successful applicants as the context requires.
Allottee	The successful applicant to whom the Equity Shares are being / have been issued
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Draft Prospectus
Application Form	The Form in terms of which the applicant shall apply for the Equity Shares of the Company
Application Supported by Blocked Amount (ASBA)	Means an application for subscribing to an issue containing an authorization to block the application money in a bank account
ASBA Account	Account maintained with SCSBs which will be blocked by such SCSBs to the extent of the appropriate application Amount of the ASBA applicant, as specified in the ASBA Application Form
ASBA Applicant(s)	Prospective investors in this Issue who apply through the ASBA process. Pursuant to SEBI circular no. CIR/CFD/DIL/1/2011 dated April 29, 2011, non- retail Investors i.e. QIBs and Non-Institutional Investors participating in this Issue are required to mandatorily use the ASBA facility to submit their Applications.
ASBA Location(s)/Specified Cities	Location(s) at which ASBA Application can be uploaded by the Brokers, namely Mumbai, Chennai, Kolkata, Delhi, Ahmadabad, Rajkot, Jaipur, Bangalore, Hyderabad, Pune, Baroda and Surat
ASBA Public Issue Account	An Account of the Company under Section 73 of the Act, where the funds shall be transferred by the SCSBs from the bank accounts of the ASBA Investors
Basis of Allotment	The basis on which Equity Shares will be allotted to the Investors under the Issue and which is described in “Issue Procedure–Basis of Allotment” on page 139 of the Draft Prospectus
Designated Market Maker	Mefcom Securities Ltd having registered office at 5th Floor, Sanchi Building, 77, Nehru Place, New Delhi- 110019\
Eligible NRI	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Prospectus constitutes an invitation to subscribe to the Equity Shares Allotted herein
Issue/Issue size/ initial public issue/ Initial Public Offer/Initial Public Offering	Public issue of 62,00,000 Equity Shares of Rs. 10/- each (“Equity Shares”) of Cityon Systems (India) Limited (“CSIL” or the “Company” or the “Issuer”) for cash at a price of Rs. 20/- per share (the “Issue Price”), aggregating to Rs. 1240 LACS (“the Issue”)
Issue Opening date	The date on which the Issue opens for subscription
Issue Closing date	The date on which the Issue closes for subscription
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective Applicants may submit their application
Lead Manager/LM	Lead Manager to the Issue being Mefcom Capital Markets Limited
Listing Agreement	Unless the context specifies otherwise, this means the Equity Listing Agreement to be signed between our Company and the SME Platform of BSE
Market Maker Reservation Portion	The Reserved portion of 3,10,000 Equity shares of Rs. 10/- each at Rs. 20/- per Equity Share aggregating to Rs. 62 Lacs for Designated Market Maker in the Initial Public Issue of Cityon Systems (India) Limited
Net Issue	The Issue (excluding the Market Maker Reservation Portion) of 58,90,000 Equity Shares of Rs.10/- each at Rs. 20/- per Equity Share aggregating to Rs. 1178 Lacs by Cityon Systems (India) Limited
Business Day	Any day on which commercial banks in Mumbai are open for the business
MCML	Mefcom Capital Markets Limited

Depository Act	The Depositories Act, 1996
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996
Depository Participant	A depository participant as defined under the Depositories Act, 1956
Designated Market Maker	Mefcom Securities Limited
Escrow Account	Account opened/to be opened with the Escrow Collection Bank(s) and in whose favour the Applicant (excluding the ASBA Applicant) will issue cheques or drafts in respect of the Application Amount when submitting an Application
Escrow Agreement	Agreement entered / to be entered into amongst the Company, Lead Manager, the Registrar, the Escrow Collection Bank(s) for collection of the Application Amounts and for remitting refunds (if any) of the amounts collected to the Applicants (excluding the ASBA Applicants) on the terms and condition thereof
Escrow Bankers to the Issue / Escrow Collection Bank (s)	[●]
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue at which bank the Escrow Account of our Company, will be opened
Issue Price	The price at which the Equity Shares are being issued by our Company under this Draft Prospectus being Rs. 20/-
Mutual Funds	A mutual Fund registered with SEBI under SEBI (Mutual Funds) Regulations, 1996
Memorandum of Understanding	The arrangement entered into on July 16, 2013 between our Company, and Lead Manager pursuant to which certain arrangements are agreed in relation to the Issue
Non – resident	A person resident outside India, as defined under FEMA including eligible NRIs and FIIs
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue opening and closing dates and other information.
Issue Account / Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Issue Opening Date
Qualified Institutional Buyers or QIBs	The term "Qualified Institutional Buyers" or "QIBs" shall have the meaning ascribed to such term under the SEBI ICDR Regulations and shall mean and include (i) a Mutual Fund, VCF and FVCI registered with SEBI; (ii) an FII and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with SEBI; (iii) a public financial institution as defined in Section 4A of the Companies Act; (iv) a scheduled commercial bank; (v) a multilateral and bilateral development financial institution; (vi) a state industrial development corporation; (vii) an insurance company registered with the Insurance Regulatory and Development Authority; (viii) a provident fund with minimum corpus of Rs. 250 million; (ix) a pension fund with minimum corpus of Rs. 250 million; (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 eligible for applying in this Issue.
Registrar/Registrar to the Issue	Registrar to the Issue being Skyline Financial Services Private Limited D-153A, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi -110020
Retail Individual Investor(s)	Individual investors (including HUFs, in the name of Karta and Eligible NRIs) who apply for the Equity Shares of a value of not more than Rs. 2,00,000
Refund Account	The account opened / to be opened with Escrow Collection Bank(s), from which refunds, if any, of the whole or part of application Amount (excluding to the ASBA Applicants) shall be made.
Refund bank	[●]
Refunds through electronic transfer	Refunds through ECS, Direct Credit, RTGS or the ASBA process,

funds	as applicable
Self Certified Syndicate Banks or SCSBs	The banks which are registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and offer services in relation to ASBA, including blocking of an ASBA Account in accordance with the SEBI Regulations and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">www.sebi.gov.in/pmd/scsb.pdf</a> or at such other website as may be prescribed by SEBI from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Regulation/ SEBI (ICDR) Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as Amended
Underwriters	Mefcom Securities Limited & Mefcom Capital Markets Limited
Underwriting Agreement	The Agreement among the Underwriters and our Company
Working Days	All days on which banks in Mumbai are open for business except Sunday and public holiday, provided however during the Application period a working day means all days on which banks in Mumbai are open for business and shall not include a Saturday, Sunday or a public holiday
Market Maker	A market maker is a company, or an individual, that quotes both a buy and a sell price in a financial instrument or commodity held in inventory, hoping to make a profit on the bid-offer spread, or turn. Market makers are net sellers of an option to be adversely selected at a premium proportional to the trading range at which they are willing to provide liquidity.

#### ABBREVIATIONS

ABBREVIATION	FULL FORM
ADR	American Depositary Receipt
AGM	Annual General Meeting
AMBI	Association of Merchant Bankers of India
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
A.Y.	Assessment Year
B.A	Bachelor of Arts
BATE	Bid Ask Trade Exception
B.Com	Bachelor of Commerce
BG/LC	Bank Guarantee / Letter of Credit
BLADVI	Bill of lading Advice
BSE	Bombay Stock Exchange (The Stock Exchange, Mumbai)
CAGR	Compounded Annual Growth Rate
C. A.	Chartered Accountant
CD	Certificate of Deposit
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFR(C & F)	Cost and Freight
C.S.	Company Secretary
DP	Depository Participant
ECS	Electronic Clearing System
EFT	Electronic Funds Transfer
EGM / EOGM	Extra Ordinary General Meeting of the shareholders

EPS	Earnings per Equity Share
ESOP	Employee Stock Option Plan
EMD	Earnest Money Deposit
ETF	Exchange Traded Funds
FCNR Account	Foreign Currency Non Resident Account
FDIC	Federal Deposit Insurance Corporation
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued there under.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.
FI	Financial Institutions.
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
FOREX	Foreign Exchange
FY / Fiscal	Financial Year
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GATT	General Agreement on Tariff & Trade
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GOI/ Government	Government of India
HUF	Hindu Undivided Family
INR / Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India
IPO	Initial Public Offering
M. A.	Master of Arts
M.B.A.	Master of Business Administration
SME	Small And Medium Enterprises
SENSEX	Sensitivity Index
M. Com.	Master of Commerce
NAV	Net Asset Value
No.	Number
NR	Non Resident
NSDL	National Securities Depository Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PFD	Preferred stock
QTE	Quote
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
RoC/Registrar of Companies	The Registrar of Companies, National Capital Territory of Delhi & Haryana
RONW	Return on Net Worth
UCP	Uniform Customs and Practice for Document Credit
USD/ \$/ US\$	The United States Dollar, the legal currency of the United States of America
VAT	Value Added Tax



## **PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA**

### **FINANCIAL DATA**

Unless stated otherwise, the financial data in this Draft Prospectus is extracted from the financial statements of our Company for the fiscal years 2013, 2012, 2011, 2010, 2009 prepared in accordance with the applicable provisions of the Companies Act and Indian GAAP and restated in accordance with SEBI (ICDR) Regulations, 2009, as stated in the report of our Auditors and the SEBI Regulations and set out in the section titled 'Financial Information' on page no 98. Our restated financial statements are derived from our audited financial statements prepared in accordance with Indian GAAP and the Companies Act, and have been restated in accordance with the SEBI Regulations. Our fiscal years commence on April 1st and end on March 31st. In this Draft Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All decimals have been rounded off to two decimal points.

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

### **CURRENCY OF PRESENTATION**

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "\$", "US\$", "USD", "U.S. \$" or "U.S. Dollar(s)" are to United States Dollars, if any, the official currency of the United States of America. This Draft Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees (and certain Indian Rupee amounts into U.S. Dollars and other currency amounts). These have been presented solely to comply with the requirements of the SEBI Regulations. These translations should not be construed as a representation that such Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, at any particular rate, or at all.

In this Draft Prospectus, throughout all figures have been expressed in Lacs, except as otherwise stated. The word "Lacs", "Lac", "Lakh" or "Lakh" means "One hundred thousand".

Any percentage amounts, as set forth in "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Conditions and Results of Operation" and elsewhere in this Draft Prospectus, unless otherwise indicated, have been calculated based on our restated financial statement prepared in accordance with Indian GAAP.

### **INDUSTRY & MARKET DATA**

Unless otherwise stated, Industry & Market data used throughout this Draft Prospectus has been obtained from internal Company reports and Industry publications and the information contained in those publications has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

For additional definitions, please refer the section titled "Definitions and Abbreviations" on page no 2 of this Draft Prospectus.

## FORWARD LOOKING STATEMENTS

Our Company has included statements in this Draft Prospectus, that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "project", "shall", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will continue", "will pursue" and similar expressions or variations of such expressions that are "forward-looking statements". However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our Company objectives, plans or goals, expected financial condition and results of operations, business, plans and prospects are also forward-looking statements.

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

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industries in which we operate;
- Increased competition in these industries;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in countries that we may enter, 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; and
- The performance of the financial markets in India and globally;

For a further discussion of factors that could cause our actual results to differ, see the sections titled "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no 10, page no 74 and page no. 112, respectively of this Draft Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Forward looking statements speak only as of the date of the Draft Prospectus. None of our Company, our Directors, our officers, any Underwriter, or any of their respective affiliates or associates has any obligation to update or otherwise revise any statement 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. Our Company and the Lead Manager will ensure that investors in India are informed of material developments until the commencement of listing and trading.

## SECTION II RISK FACTORS

*An Investment in equity involves higher degree of risks. Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Prospectus before making any investment decision relating to the Equity Shares. The occurrence of any of the following events could have a material adverse effect on the business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to decline and you may lose all or part of your investment.*

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Draft Prospectus, including the sections titled "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Financial Information" included in this Draft Prospectus beginning on page no 74, page no 112 and page no. 98 respectively.

### **Materiality**

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

- Some events may not be material individually but may be found material collectively.
- Some events may have material impact qualitatively instead of quantitatively.
- Some events may not be material at present but may be having immaterial impact in future.

**Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:**

### **INTERNAL RISK FACTORS**

- 1. We have not made an application for registration of our trademark under the Trade Marks Act. Our ability to use the trademark may be impaired.**

Our Company's business may be affected due to our inability to protect our existing and future intellectual property rights. We have not made an application for registration of trademark over our name and logo under the Trade Marks Act and consequently do not enjoy the statutory protections accorded to a trademark registered in India and cannot prohibit the use of such name and logo by anybody by means of statutory protection.

- 2. Our Export license has expired.**

The export license (I.E.C. No. 0504026313) of the company has expired and the application for renewal of the same has been filed by the company. In case of Non- renewal of the export license the sales of the company could be negatively affected.

- 3. In the 12 months prior to the date of filing the Draft Prospectus, the Company had issued Equity Shares at a price, which is lower than the Issue Price.**

In the 12 months prior to the date of filing of the Draft Prospectus, the Company had issued Equity Shares at a price, which is lower than the Issue Price. The details of such shares are mentioned in the table on Annexure -'A' to Annexure-'G' on page no. 37 to page no. 41

- 4. There is no consistency and justification in the allotment price of the shares of the company in the past two years.**

There is no consistency and justification in the allotment price of the shares of the company in the past two years, as shown in the table on page no 36.

- 5. Our Promoters have recently acquired the control of our Company. Hence, there can be no assurance that we will achieve our business objective.**

Our Promoters have acquired control over our Company by purchase of Shares in 2012. As on the date of filing of this Draft Prospectus, our Promoters hold 61,48,120 Equity shares in the Company being 35.89 % of the pre-issue and 26.35% post issue paid-up capital. For further details relating to capital built up of our Promoters, please refer "Capital Structure" on page no 35 of this Draft Prospectus.

**6. Our Promoters have very small stake in the company (35.89% pre issue shareholding and 26.35% post issue shareholding).**

Our promoters have very small stake in the company which is 35.89 % of the pre-issue and 26.35% post issue paid-up capital. Hence there can be no assurance that they will continue to support this company and its operations.

**7. Our success depends on our ability to retain and attract key qualified personnel and, if we are not able to retain them or recruit additional qualified personnel, we may be unable to successfully develop and grow our business.**

We have, over time, built a strong team of experienced professionals on whom we depend to oversee the operations and growth of our business. We believe that our success in the future is substantially dependent on the experience and expertise of, and the longstanding relationships with key talent and other industry participants built by our senior management and key personnel. Any loss of any of our senior management or key personnel or any conflict of interest that may arise for such management or key personnel or the inability to recruit further senior managers or other key personnel could impede our growth by impairing our day-to-day operations and hindering our development of our business and our ability to develop, maintain and expand client relationships, which would have a material adverse effect on our business, results of operations, financial condition and prospects

**8. Our registered office from which we operate is not owned by the Company.**

Our Company does not own the premises on which our registered office is situated. Our Company operates from rented premises. If the owners of the premises do not renew the agreement under which we occupy the premises or renew such agreements on terms and conditions that are unfavorable to our Company, we may suffer a disruption in our operations or have to pay increased rentals which could have a material adverse effect on our business, financial condition and results of operations.

**9. We are dependent on our management team for success whose loss could seriously impair the ability to continue to manage and expand business efficiently.**

Our success largely depends on the continued services and performance of our management and other key personnel. The loss of service of the Promoters and other senior management could seriously impair the ability to continue to manage and expand the business efficiently. Further, the loss of any of the senior management or other key personnel may adversely affect the operations, finances and profitability of our Company. Any failure or inability of our Company to efficiently retain and manage its human resources would adversely affect our ability to implement new projects and expand our business.

**10. Delay in raising funds from the IPO could adversely impact the implementation schedule.**

The proposed expansion, as detailed in the section titled "Objects of the Issue" is to be largely funded from the proceeds of this IPO. We have not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. We therefore, cannot assure that we would be able to execute the expansion process within the given timeframe, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

**11. There is no monitoring agency appointed by Our Company and the deployment of funds are at the discretion of our Management and our Board of Directors, though it shall be monitored by the Audit Committee.**

As per SEBI (ICDR) Regulations, 2009 appointment of monitoring agency is required only for Issue size above Rs. 50,000 Lacs. Hence, we have not appointed a monitoring agency to monitor the utilization of Issue proceeds. However, the audit committee of our Board will monitor the utilization of Issue proceeds. Further, our Company shall inform about material deviations in the utilization of Issue proceeds to the BSE Limited and shall also simultaneously make the material deviations / adverse comments of the audit committee public.

**12. The Company has not appointed any independent agency for the appraisal of the proposed Project.**

The Project, for which we intend to use our Issue proceeds as mentioned in the objects of the Issue, has not been appraised by any bank or financial institution. The total cost of Project is our own estimates based on current conditions and are subject to changes in external circumstances or costs. Our estimates for total cost of Project has been based on various quotations received by us from different suppliers and our internal estimates and which may exceed which may require us to reschedule our Project expenditure and may have an adverse impact on our business, financial condition and results of operations.

**13. We have reported negative cash flows in three out of five preceding years. Any negative cash flows in the future would adversely affect our cash flow requirements.**

Presently we have, and may in the future, experience negative cash flows. 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 cash flows, business, future financial performance and results of operations could be materially and adversely affected. For further details, refer to the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no 112 of this Draft Prospectus. The detailed break up of cash flows is summarized in below mentioned table and our Company has reported negative cash flow in certain financial years and which could affect our business and growth.

Particulars	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Net Cash flow from Operating Activities	(5,67,29,918.03)	(17,65,89,255.19)	(66,97,926.32)	(9,24,85,334.01)	(55,84,565.12)
Net Cash flow from Investing Activities	(95,80,701.00)	(2,62,32,622.00)	24,43,000.00	(2,10,41,542.00)	(4,48,071.00)
Net Cash flow from Financing Activities	4,53,81,683.00	21,41,65,645.74	49,64,357.43	11,34,75,531.23	36,36,800.00
Net Cash flow from the Year	(2,09,28,936.03)	1,13,43,768.55	7,09,431.11	(51,344.78)	(23,95,836.12)

**14. The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. We have not entered into any definitive agreements to utilise the proceeds of the Issue. Any variation between the estimation and actual expenditure on these projects could result in execution delays or influence our profitability adversely.**

The deployment of funds as stated in the "Objects of the Issue" beginning on page 49 of this Draft Prospectus is entirely at the discretion of our management and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates. There has been no independent appraisal of the objects. We have not entered into any definitive agreements to utilize the proceeds of the Issue towards the purposes mentioned in the section titled "Objects of the Issue" on page 49 of this Draft Prospectus.

**15. We have not protected our assets through insurance coverage and our assets may not have good secondary value, which is a risk. This may have a material adverse impact on our business.**

We have not maintained any insurance policy to provide adequate coverage to our assets. Any damage or loss of our assets would have a material and adverse impact on our business operations and profitability.

**16. Our Company does not have any marketing tie-up contracts with our dealers/consignment agents and suppliers which may adversely affect our results of operations.**

Our Company neither has any long-term contract with any of dealers and suppliers nor any marketing tie up for our products with any of retail chain operators etc. Our inability to sell our existing products, may adversely affect our business and profitability in future.

**17. We have entered into certain related party transactions and may continue to do so.**

We have entered into related party transactions with our Promoters, Directors. While we believe that all such transactions have been conducted on the arms length basis, however it is difficult to ascertain whether more favorable terms would have been achieved had such transactions been entered with unrelated parties. Furthermore, it is likely that we will enter into related party transactions in the future. For details of these transactions, please refer to section titled "Related Party Transactions" at page 96 of this Draft Prospectus.

**18. We are subject to risks arising from exchange and/or interest rate fluctuations.**

We have incurred and expect to incur expenditure and earn revenue denominated in foreign currencies in the course of our operations when acquiring or monetising our content and in respect of overseas market. Any fluctuation of the Indian Rupee against the currency in which we have an exposure may increase the Indian Rupee costs to us of our expenditure or may reduce the revenue to us.

We do not currently use any instruments such as interest rate swaps, options and other derivative instruments for the purposes of mitigating our exposure to interest rate risk. However, this is kept under review, and we may enter into such instruments in the future

**19. We may not regularly be in a position to distribute dividends, and our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.**

If we experience any losses it could adversely affect our results of operations and financial condition. The amount of our future dividend payments, if any, will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends in the event we incur any losses in the future.

**20. Post listing of Equity Shares of our Company, the members of our Promoter Group will continue to hold very low control over Our Company, which may not allow them to determine the outcome of shareholder resolutions/ board resolutions.**

Upon completion of the Issue, the members of our Promoter Group will collectively hold only 0.39% of the paid-up equity capital of the Company. With this small equity stake in the Company, the Promoter Group may not be able to influence matters requiring, shareholders' approval, such as approval of financials of the Company, appointment or removal of directors, declaration of dividend etc.

**21. We may not be successful in implementing our business strategies.**

The success of our business depends substantially on our ability to implement our business strategies effectively or at all. Even though we have successfully executed our business strategies in the past, there is no guarantee that we can implement the same on time and within the estimated budget going forward, or that we will be able to meet the expectations of our targeted customers. Changes in regulations applicable to us may also make it difficult to implement our business strategies. Failure to implement our business strategies would have a material adverse effect on our business and results of operations.

**EXTERNAL RISK FACTORS**

**1. Natural calamities could have a negative impact on the Indian economy and cause the business of the Company to suffer.**

India has experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. The extent and severity of these natural disasters has an impact on the Indian economy. Any negative impact of natural disasters on the Indian economy could adversely affect the business and the market price of the Equity Shares.

**2. A significant change in the central and state governments' economic liberalization and deregulation policies could disrupt our business. A change in taxation laws could also adversely impact our financial condition and results of operations.**

Our performance and growth are dependent on the health of the Indian economy and more generally the global economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any change in the Government's policies in the future could adversely affect business and economic conditions in India and could also adversely affect our business prospects, financial condition and results of operations. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and specifically have an adverse effect on our operations.

**3. Significant differences exist between Indian GAAP used throughout our financial information and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar.**

Our financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and standards. If we were to prepare our financial statements in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are set forth in the notes to our financial statements included in this Draft Prospectus. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between these accounting principles and those with which they may be more familiar.

**4. Our business and activities may be regulated by the Competition Act, 2002.**

The Parliament has enacted the Competition Act, 2002 (the "Competition Act") for the purpose of preventing practices that have or are likely to have an adverse effect on competition in India under the auspices of the Competition Commission of India (the "CCI"). Under the Competition Act, any arrangement, understanding or action whether formal or informal which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement, which, inter alia, directly or indirectly determines purchase or sale prices, limits or controls production, supply or distribution of goods and services, shares the market or source of production by way of geographical area or number of customers in the market or where parties indulge in bid rigging is presumed to have an appreciable adverse effect on competition. The Competition Act also regulates combinations (i.e., acquisitions, acquiring of control, mergers or amalgamations). On March 1, 2011, the CCI issued new draft combination regulations and on March 4, 2011 the Government of India notified the combination regulation (merger control) provisions under the Competition Act relating to combinations which has been effective since June 1, 2011. Further, regulations governing the procedural and reporting aspects of combination transactions have been notified on June 1, 2011. Any combination which meets the thresholds specified in the Competition Act is required to be notified to the CCI for prior approval.

It is unclear at present as to how the Competition Act and the Competition Commission of India will affect industries in India. If we are affected, directly or indirectly, by any provision of the Competition Act, or its application or interpretation, including any enforcement proceedings initiated by the Competition Commission of India and any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission, it may have a material adverse effect on our business prospects, results of operations and financial condition.

**5. Any downgrading of India's debt rating by an independent agency may harm our ability to raise debt financing.**

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could adversely affect our business prospects, results of operations and financial condition and the price of our Equity Shares.

**6. Current economic conditions may adversely affect our industry, financial position and results of operations.**

The global economy is currently undergoing a period of unprecedented volatility, and the future economic environment may continue to be less favorable than that of recent years.

Significant changes and volatility in the consumer environment and in the competitive landscape may make it increasingly difficult for us to predict our future revenues and earnings.

**7. The recurrence of systemic events such as the recent global economic meltdown, instability of economic policies and the political situation in India or globally may adversely affect our performance.**

Economic conditions outside India, may adversely impact the growth of the Indian economy, and Government policy may change in response to such conditions. Unstable internal and international political environment may impact the economic performance of the aluminum industry, including our Company, in the short and long term. Our business, and the market price and liquidity of our Equity Shares, may be affected by reactionary changes in interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India on account of any changes in the global economic changes. The Indian financial market and the Indian economy are influenced by economic and market conditions in other countries. Financial turmoil in Asia, the United States, Europe and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investor's reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. The Indian financial markets experienced the contagion effect of the volatility and turmoil in the global financial markets, which was evident from the sharp decline in the benchmark indices of SENSEX and NIFTY from their peak levels in early 2008 to the first quarter of 2009. As a consequence of the severe tightening of credit associated with that financial turmoil, many economies experienced periods of severe recession accompanied by a significant deterioration of consumer confidence and demand. Additionally, due to the conditions in the global and domestic financial markets, we cannot be certain that we would be able to raise capital, if needed or to the extent required, or that we will be able to undertake our business without any disruptions and we may be unable to implement our growth strategy. Any recurrence of such events may have an adverse effect on our business, financial condition and results of operations as well as the price of our Equity Shares.

## **RISKS RELATING TO THE EQUITY SHARES**

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

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

**2. Our ability to pay any dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.**

The amount of our future dividend payments, if any, will depend upon our Company's future earnings, financial condition, cash flows, working capital requirements, capital expenditures, applicable Indian legal restrictions and other factors. There can be no assurance that our Company will be able to pay dividends.

**3. The price of our Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price, or at all.**

Prior to the offer, there has been no public market for our Equity Shares, and an active trading market on the SME Platform of BSE. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the fire fighting industry, crushing industry, developments relating to India and volatility in the Exchange and securities markets elsewhere in the world. However, the LM will arrange for compulsory market making for a period of 3 years from the date of listing as per the regulations applicable to the SME Platforms under SEBI (ICDR) Regulations, 2009.



**4. There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed on the SME Platform of BSE in a timely manner, or at all.**

In terms of Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time, we are not required to obtain any in-principle approval for listing of shares issued. We have only applied to BSE Limited to use its name as the Stock Exchange in this offer document for listing our shares on the SME Platform of BSE. In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to the Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the SME Platform of BSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares

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

Prior to this Issue, there has been no public market for our Equity Shares. Mefcom Securities Limited is acting as Designated Market Maker for the Equity Shares of our Company. However, the trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian Capital Markets, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could materially affect the price of our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue. For further details of the obligations and limitations of Market Makers please refer to the section titled "General Information – Details of the Market Making Arrangement for this Issue" on page 30 of this Draft Prospectus.

**6. 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.**

Following the Issue, we will be subject to a daily "circuit breaker" imposed by BSE, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE may not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance can be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

**PROMINENT NOTES:**

**1) SIZE OF THE ISSUE**

Public Issue of 62,00,000 Equity Shares of Rs. 10/- each ("Equity Shares") for cash at a price of Rs. 20/- per Equity Share aggregating to Rs. 1240.00 Lacs ("the Issue") by CITYON SYSTEMS (INDIA) LIMITED ("CSIL" or the "Company" or the "Issuer"). Out of the Issue 3,10,000 Equity Shares of Rs. 10 each at a price of Rs. 20 each per Equity Share aggregating to Rs. 62.00 Lacs, which will be reserved for subscription by Market Makers to the issue (the "market maker reservation portion") and Net Issue to the Public of 58,90,000 Equity Shares of Rs. 10 each at a price of Rs. 20/- each per Equity Share aggregating to Rs. 1178 Lacs (hereinafter referred to as the "Net Issue"). The Issue and the Net Issue will constitute 26.58% and 25.25%, respectively, of the post issue paid up Equity Share capital of the Company.

**2) The average cost of acquisition of Equity Shares by the Promoters:**

Name of the Promoter	No. of Shares held	Average cost of Acquisition (in Rs.)
Mr. Ankur Agarwal	32,35,788	6.25
Mr. Mukash Kumar	29,12,332	6.25

*\* The average cost of acquisition of our 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 the issue of bonus shares to them. The average cost of acquisition of our Equity Shares by our Promoters has been reduced due to the issuance of bonus shares to them, if any. For more information, please refer to the section titled "Capital Structure" on page no 35.*

- 3) Our Net worth as on 31 March, 2013 is 17,37,00,852.03 as per Restated Financial Statements.
- 4) The Book -Value per share as on March 31, 2013 is Rs. 111.77 as per Restated Financial Statements. (Book value as on date is (Rs 11.73)
- 5) There was no change in the name of the Company at any time during last three years.
- 6) Investors may please note that in the event of over subscription, allotment shall be made on proportionate basis in consultation with the BSE Limited, the Designated Stock Exchange. For more information, please refer to "Basis of Allotment" on page no 139 of the Draft Prospectus. The Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner as set out therein.
- 7) Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 53 of this Draft Prospectus before making an investment in this Issue.
- 8) No part of the Issue proceeds will be paid as consideration to Promoters, Promoter Group, Directors, key management employee, associate companies, or Group Companies.
- 9) Investors may contact the Lead Manager or the Compliance Officer for any complaint / clarifications /information pertaining to the Issue. For contact details of the Lead Manager and the Compliance Officer, refer the front cover page.
- 10) Other than as stated in the section titled "Capital Structure" beginning on page no. 35 of this Draft Prospectus, our Company has not issued any Equity Shares for consideration other than cash.
- 11) Except as mentioned in the sections titled "Capital Structure" beginning on page no 35 of this Draft Prospectus, we have not issued any Equity Shares in the last twelve months.
- 12) Except as disclosed in the sections titled "Our Promoters" or "Our Management" beginning on page no 92 and page no 82 respectively of this Draft Prospectus, none of our Promoters, our Directors and our Key Managerial Employees have any interest in our Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.
- 13) Any clarification or information relating to the Issue shall be made available by the LM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the LM for any complaints pertaining to the Issue. Investors are free to contact the LM for any clarification or information relating to the Issue who will be obliged to provide the same to the investor.
- 14) For transactions in Equity Shares of our Company by the Promoter Group and Directors of our Company in the last six (6) months, please refer to paragraph under the section titled "Capital Structure" on page no 35 of this Draft Prospectus.

- 15) There are no contingent liabilities as on 31 March, 2013.
- 16) For details of any hypothecation, mortgage or other encumbrances on the movable and immovable properties of our Company please refer to the section titled "Financial Information" on page no 98 of this Draft Prospectus.
- 17) Except as disclosed in the section titled "Our Promoter Group / Group Companies / Entities" on page no 94, none of our Group Companies have business interest in our Company.
- 18) For interest of Promoters/Directors, please refer to the section titled "Our Promoters" beginning on page no 92 of this Draft Prospectus.
- 19) The details of transactions with the Group Companies/Group Enterprises and other related party transactions are disclosed as Annexure 13 of restated financial statement under the section titled "Financial Information" on page no 98 of the Draft Prospectus.

## SECTION III: INTRODUCTION

### SUMMARY

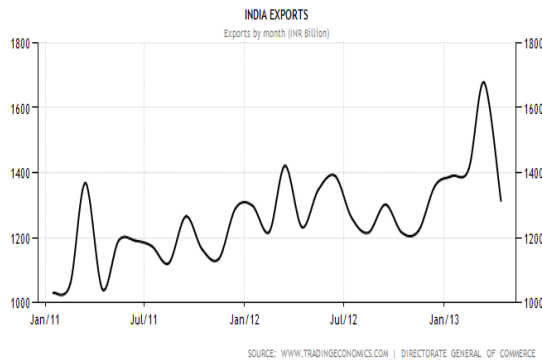
This is only the summary and does not contain all information that you shall consider before investing in Equity Shares. You should read the entire Draft Prospectus, including the information on “Risk Factors” and related notes on page no 10 of this Draft Prospectus before deciding to invest in Equity Shares.

### INDUSTRY OVERVIEW

#### Introduction

India's export performance and economic growth are closely inter-linked. Over time, the export sector has grown to be a significant earner of foreign exchange and a major contributor to India's national income. Further, the performance of this sector is highly dependent on domestic as well as global factors. As a consequence of this, domestic as well as international economic policies have a bearing on the overall export performance of India.

Exports in India are reported by the Directorate General of Commerce. Historically, from 1978 until 2013, India



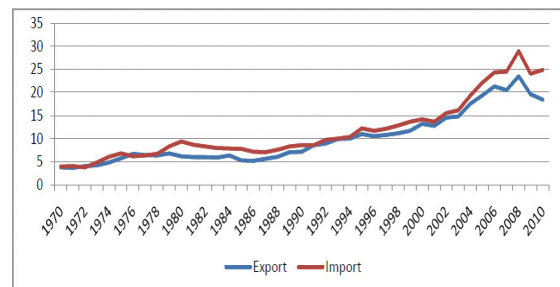
Exports averaged 238.26 INR Billion reaching an all time high of 1678.36 INR Billion in March of 2013 and a record low of 3.75 INR Billion in May of 1978. India's main exports are engineering goods (19 percent of total exports), gems and jewelry (15 percent), chemicals (13 percent), agricultural products (9 percent) and textiles (9 percent). India is also one of Asia's largest refined product exporters with petroleum accounting for around 18 percent of total exports. India's main export partners are United Arab Emirates (12 percent of total exports) and United States (11 percent). Others include: China, Singapore, Hong Kong and Netherlands.

### ELECTRONIC GOODS

The electronic industry in India has emerged as an important manufacturing sector in recent years and has contributed positively to the growth trajectory of the Indian economy. This industry has registered strong growth in the last ten years and has increased its contribution to India's exports, as seen in figure below. Although the share of the electronics industry (as compared to textile or gems and jewelry) is low, its performance at the domestic level has revealed the industry's strong potential to cater to international markets. Consequently, this sector is expected to play a greater role in India's manufactured exports in the years to come. During the period 2011-12 (April-October), exports of Electronic Goods as a group was estimated at US \$ 5024.92 million compared with US \$ 4299.36 million during the corresponding period of last year, registering a growth of 16.88 per cent.

(Source: Ministry of Commerce and Industry)

Figure 1: Export and Import share (%) in India's GDP

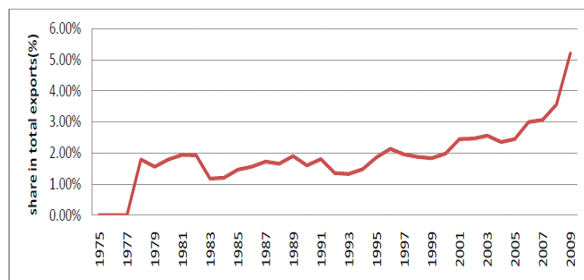


Source: Author's calculations based on World Development Indicators (WDI) and United Nations (UN) Comtrade database  
<http://data.worldbank.org/data-catalog/world-development-indicators> (last accessed on 5.9.2011)  
<http://comtrade.un.org/db> (last accessed on 2.9.2011)

The key segments of the Indian electronics sector include consumer electronics and telecom equipment which are the largest and cumulatively represent nearly 27 % of total production. IT hardware is the fastest growing segment; with a CAGR of 21 %. Other important segments of the electronics industry include electronic components and strategic electronics. Even though the Indian electronics market has grown at a remarkable CAGR of 25 % in the last five years and was estimated at \$45 billion in 2010, it has a minor share in the global

electronics market, accounting for just over 0.6 % of global exports of electronic goods in 2009. This may in part be explained by the fact that the Indian electronics industry exports only 5 % of total production and the majority is intended for domestic consumption.

Figure 18: Share of electronic goods exports in India's total exports (%)



Source: Author's calculations based on United Nations (UN) Comtrade database  
<http://comtrade.un.org/db> (last accessed on 17.9.2011)

In fact, the growing consumption demand of the Indian market has attracted global attention, despite the industry's low share in world market. As income levels rise, more people in India are able to afford better lifestyles and this raises the demand for durables like television sets, mobile phones, computers, etc. Foreign players have realized this immense potential and are thus seeking investment opportunities in the Indian electronics market. The electronics industry, therefore, attracts considerable foreign investment and comprises of major multinational companies like LG, Phillips and

Samsung among other international players.

## INDIAN CHEMICAL INDUSTRY

Chemical industry is an integral component of the Indian economy, with the current size of \$108 billion, it contributes around 7 % of the Indian GDP. It touches our lives in several different ways. Whether it is thermoplastic furniture we use, or a synthetic garment we wear, or a drug we take – we are inextricably associated to it. The industry is integral to the development of agricultural and industrial development in India and has key linkages with various other downstream, such as automotive, consumer durables, engineering, food processing and more.

Globalization poses many challenges to the industry, which has predominantly developed in a protected environment. With World Trade Organization assuming an increasing role in global economics, there is an inevitable move towards an inter-linked international economy. However, there have been cases where particular segments of the industry, such as pharmaceuticals and biotechnology have performed exceedingly well even at the world level. This sector accounts for about 14% in overall index of industrial production (IIP). Share of industry in national exports is around 11%. In terms of volume, India is the third-largest producer of in Asia, after China and Japan.

During the period 2012-13 (April-January), the value of exports of Chemicals and Related Products increased to US \$ 34686.90 million from US \$ 32319.14 million during the same period of the previous year registering a growth of 7.33 per cent. Basic Chemicals and Pharmaceuticals & Cosmetics and Rubber, Glass & Other Products have registered a positive growth and Residual Chemicals and allied products and Plastic & linoleum registered a negative growth.

(Source: Department of Commerce –Annual Report 2012-2013.)

### Overview

Growing at an average rate of 12.5%, the Indian chemical industry offers a wide spectrum of opportunities for the investors both from India and the world. The significant market potential, coupled with the existing pool of human resources, and the comprehensive variety of resources in the country make it a profitable destination in the new millennium. In the world production of chemicals, Indian industry stands at 12th position. Major segments of Indian chemical industry are shown below:–

### Agrochemicals

One of the most dynamic pesticide producers in the world, India is the 4th largest producer of pesticides after USA, Japan and China and second largest manufacturer of agrochemicals in Asia. Out of 145 pesticides registered in the country, 85 of a technical grade are locally manufactured. The country has established itself as a global sourcing base for generic agrochemicals. Pesticides industry has developed substantially and has contributed significantly towards India's agriculture and public health. In value terms the size of the Indian pesticide industry is \$3.8 billion in the year 2011. India is a predominant exporter of pesticides to USA, Europe and African countries.

### Pharmaceuticals & bulk drugs

In terms of volume and value, Indian pharmaceutical industry ranks 4th and 13th respectively. In 2004, industry

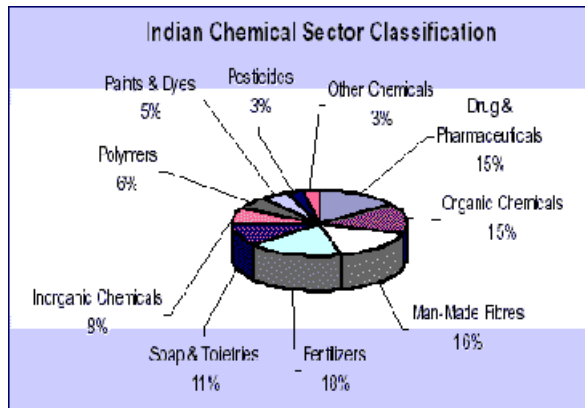
was valued at over \$6 billion, which is growing at an annual rate of 8 – 9 %. The industry can be divided into bulk drugs segment and formulations, and manufactures about 60,000 finished medicines and around 400 bulk drugs that are used in formulations.

#### **Petrochemicals and organic chemicals**

The petrochemical sector that primarily comprises polymers, synthetic fibers, fiber intermediates and plastic processing is growing at an annual rate of 14%. At the world level, India stands 9th in terms of polymer consumption and is expected to be the 3rd largest consumer of polymers after USA and China by 2010. To meet the growing domestic requirement, 9 global size ethylene crackers of 700 kt each would need to be set up by 2011–2012, over and above the present capacity of 2.4 million tons.

#### **Dyes**

The Indian dye industry is valued at around US\$ 3 billion, with exports of about US\$ 1 billion.. The industry is highly fragmented with 50 players in organized sector and 900 in unorganized sector. (400gms). The industry has undergone tremendous change over the years, starting as an intermediate manufacturing industry to a fully fledged industry with huge export potential. At present, India's share of the dye output globally stands at 5%, with a manufacturing capacity of 1, 50,000 tons per annum. The per capita consumption of dyes in India is 50 gms as compared to 400 gms in Europe, 300 gms in Japan which shows that there is tremendous potential for the Indian market to absorb additional production.



#### **Specialty Chemicals**

Specialty chemicals comprise fine chemicals and performance chemicals. The Indian fine chemical industry is in a growth phase with an estimated worth of US\$ 700 million. The industry primarily caters to the pharmaceutical industry. The Indian specialty chemicals industry is valued at an approximated worth of US\$ 3 billion. The specialty chemicals segment has grown at 11-13% p.a. over the XIth plan period (FY07 to FY11). Indian specialty chemical industry (excluding agrochemicals and dyes & pigments) is currently valued at \$17.7 billion and is an important growth driver for Indian economy. This segment has the potential to reach \$38 billion by the end of XIIth Five Year Plan period growing at a rate of 13-14% p.a.

(Source: Planning Commission: Five year plan (2012-2017) on Indian Chemical Industry.)

#### **Inorganic Chemicals**

Characterized by high degree of fragmentation even across high volume product areas, Indian inorganic chemicals industry account for less than 4.5% of global market. The sector comprises of production of chemicals, such as sulphuric acid, phosphoric acid, titanium dioxide, carbon black and chloralkali industry, which forms a major part of inorganic sector.

Two distinct scenarios for the future of the Indian chemical industry emerge, based on how effectively the industry leverages its strengths and manages challenges. In the base case scenario, with current initiatives of industry & government, the Indian chemical industry could grow at 11% p.a. to reach size of \$224 billion by 2017. However, the industry could aspire to grow much more and its growth potential is limited only by its aspirations. In an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry could lead to an overall growth rate greater than 15% p.a. and a size of \$ 290 billion by 2017.

### **METALS & ALLOYS**

#### **Indian Steel Industry**

Indian Iron and Steel industry contributes significantly to overall growth and development of the economy. As per estimate, the industry today directly contributes to 2% of India's GDP and its weightage in the official index of Industrial Production (IPP) is 6.2%. (Source: ASSOCHAM- Sixth India Steel Summit 2012)

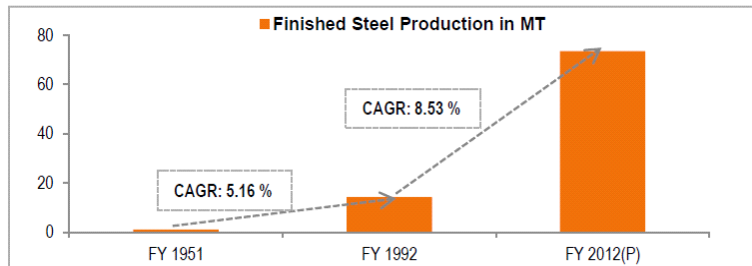
India is the largest producer of sponge iron and fourth largest producer of crude steel in the world. India registered a 5.7 % growth in crude steel production in 2011 against 2010. Japan was the only nation among top ten crude steel producers in the world posting negative growth of minus 1.8 % for crude steel production in 2011

against 2010. Indian steel industry which is not technologically as mature as steel industry of developed economies is implementing latest technology, adapting backward integration and improving efficiency in steel production to reduce cost, increase production and become competitive globally.

### **Competitiveness of the Indian Steel Industry**

Abundance of raw materials, iron ore and cheap workforce makes Indian steel industry competitive. However dependence on imported coking coal, low production efficiency, inadequate infrastructure & technology and delays in regulatory clearances & approvals are major hindrance to growth of Indian steel industry.

Historical trend of steel production in India: 1951 to 2012



Source: Public Information Bureau-Gol, Ministry of Steel-Gol

for steel production during this period. Steel consumption in India has grown substantially since evolving of modern steel industry during nineteenth century. During the past two decade steel consumption has grown at a faster pace driven by liberalization, decontrol of steel industry, growing population, infrastructure development and changing lifestyle of people. Per capita steel consumption in India (57kg: 2011) which is considerably low compared to global average (215 kg: 2011) is estimated to grow substantially during the next five years in proportionate with the growing economy.

During the period FY 07 to FY 12 crude steel production has attained growth at CAGR of about 7.7 %. While the average capacity utilization remained near 89 percent of the total production capacity. During the twelfth five year plan crude steel production is estimated to grow at CAGR of about 11.3 % due to large scale capacity addition plans

**Export of Iron and Steel:** Iron & steel are freely exportable and Advance Licensing Scheme allows duty free import of raw materials for exports. Duty Entitlement Pass Book Scheme (DEPB) was introduced to facilitate exports. Under this scheme exporters on the basis of notified entitlement rates, are granted due credits which would entitle them to import duty free goods. The DEPB benefit on export of various categories of steel items scheme is currently applicable for steel export.

(Source: <http://www.steel.gov.in>)

## **SHARE TRADING ACTIVITIES**

### **The Indian Economy**

India is the fourth largest economy in the world after the European Union, United States of America and China in purchasing power parity terms, with an estimated Gross Domestic Product ("GDP") (purchasing power parity) of U.S.\$ 4.46 trillion in 2011 (**Source: CIA World Fact book 2011**). India rebounded from the global financial crisis, largely because of strong fundamentals and robust banking policies, posting a GDP growth of 7.8% in 2011. The Gross Domestic Product (GDP) in India expanded 0.8 percent in the second quarter of 2012 over the previous quarter. Historically, from 1996 until 2012, India GDP Growth Rate averaged 1.65 Percent reaching an all time high of 6.10 Percent in March of 2010 and a record low of -1.50 Percent in March of 2004.

### **Indian Financial Services Sector**

The financial sector in India is characterized by liberal and progressive policies, vibrant equity and debt markets and prudent banking norms. India's financial sector has been one of the fastest growing sectors in the economy. India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets etc. The Indian financial sector attributes its growth to technology up gradation, consolidation of large broking houses, and evolution of e-broking business, growth in retail segment, regulatory reforms, diversified asset instruments and foreign investment participation. There is huge growth potential in the Indian financial sector. Sectors such as banking, asset management and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector.



## **Indian Capital Market**

India has a transparent; highly technology enabled and well regulated stock / capital market. A vibrant, well developed capital market facilitates investment and economic growth. Today the stock markets are buoyant and have a range of players including mutual funds, FIIs, hedge funds, corporate and other institutions. Domestic savings and capital inflows are channelized in the capital markets. There were over 1,652 listings as of July 2012 on the NSE and as of March 2012 there were over 5,133 listed Indian companies and over 8,196 scrips on the stock exchange. In recent years, the capital markets have undergone substantial reforms in regulation and supervision.

Reforms, particularly the establishment of SEBI, market-determined prices and allocation of resources, screen based nation-wide trading, t+2 settlement, scrip less settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are presently 23 recognized stock exchanges in India.

## **Primary Security Market**

Role of an efficient primary market is critical for resource mobilisation by corporates to finance their growth and expansion. Indian primary market witnessed renewed activity in terms of resource mobilisation and number of issues during 2010-11, continuing its momentum from 2009-10. In view of the recovery witnessed in equity markets post global financial crisis, companies, largely public sector with a divestment mandate, entered the primary market during 2010-11. Investors' response to public issues was encouraging in 2010-11. Capital (equity and debt) was raised to the tune of 67,609 crore through 91 issues during 2010-11, higher than 57,555 crore mobilised through 76 issues during 2009-10. Continued reforms in the primary market further strengthened investors' confidence. The primary market segment witnessed positive trend during 2010-11. Coal India Ltd. Came out with India's biggest-ever initial public offering (IPO) having issue size of 15,199.4 crore in October 2010. During 2010-11, a number of public sector undertakings (PSUs) raised money through primary market as part of disinvestment plan of Union Government. The total resource mobilisation by PSUs accounted for 56.5 percent of total resources mobilised by all companies in 2010-11 as against 54.1 percent share in 2009-10.

(Source – SEBI Annual Report)

## **Secondary Market**

Equity market in India witnessed a significant uptrend during 2010-11 till October 2010. This was of significant FII inflows into India and number of IPOs/FPOs of companies like Coal India Ltd, Power Grid Corporation of India Ltd, Tata Steels Ltd, etc. coming to primary market which attracted number of investors to capital market. However, post Diwali in November 2010 when market touched its peak, Indian Securities Market took downward trend from December 2010 to February 2011 on account of significant FII outflows and concerns raised on domestic and international issues. However, the markets got revived in March 2011 as compared to February 2011 on account of easing of concerns on domestic and international issues and FIIs being net investor in Indian Markets in March, 2011 which helped the market sentiments (Source – SEBI Annual Report).

## **Market Capitalisation**

The total market capitalization of securities available for trading on the CM segment increased from 63,350 crore (US \$ 115,606 million) as at end March 1995 to 60,96,518 crore (US \$ 11,10,679.18 million) as at end March 2012. (Source: NSE Fact book 2012)

## **Derivatives Market**

Derivatives are meant to facilitate hedging of price risk of inventory holding or a financial/commercial transaction over a certain period. By providing investors and issuers with a wider array of tools for managing risks and raising capital, derivatives improve the allocation of credit and the sharing of risk in the global economy, lowering the cost of capital formation and stimulating economic growth. The financial derivatives gained prominence in post- 1970 period due to growing instability in the financial markets and became very popular, in the recent years, the market for financial derivatives has grown both in terms of variety of instruments available, their complexity and turnover. India's experience with the equity derivatives market has been extremely positive. The derivatives turnover on the NSE has surpassed the equity market turnover. The turnover of derivatives on the NSE increased from 23,654 million in 2000–2001 to 292,482,211 million in 2010–2011, and reached 157,585,925 million in the first half of 2011–2012. The average daily turnover in these market segments on the NSE was 1,151,505 million in 2010– 2011 compared to 723,921 in 2009–2010. (Source: Indian Securities Market, A Review (ISMAR) of 2012 by NSE)



## OUR BUSINESS

*In this section, unless the context otherwise requires, a reference to "we", "us" and "our" refers to Cityon Systems (India) Limited. Unless otherwise stated or the context otherwise requires, the financial information used in this section is derived from our restated financial information. This section should be read together with "Risk Factors" on page no 10 and "Industry Overview" on page no 63.*

Our Company was originally incorporated in Delhi as "Cityon Systems (India) Pvt. Ltd" on 27<sup>th</sup> April 2004 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana. On March 12, 2008 it was converted to a Public Limited Company under the name of Cityon Systems (India) Ltd. and fresh Certificate of Incorporation consequent upon change of name was issued by ROC, Delhi & Haryana.

The main object for which the company was incorporated was basically to carry on the business of import, export, purchase, assemble, stockist, distributors, agents, dealers, traders, designers and jobbers in all type of computers, computers software, computer hardware, data entries etc. In the year 2008, the company was converted to a Public Limited Company and thereafter the object was amended to make the object clause more widen to carry on the business of general merchants, traders, importers and exporters, representatives in all types of Electric Goods, Iron & Steel, Shares, and Chemicals etc. and to cover wide range of all such activities.

Our Company is engaged in trading of diversified products ranging from Iron & Steel and chemicals to computer software and hardwares. We look forward to any such trading opportunity, where bulk orders are available. We procure those materials at a cheaper rate from the sources developed by our team after long years of experience. In 2012, the management of the company was taken over by Mr. Mukash Kumar and Mr. Ankur Agarwal, (who joined as promoters) with a view to further boost and stabilize the operations, provide efficiency in execution and to improve the overall performance of the company. Our ethical practices, transparent businesses, strong Corporate Governance and focused employees have contributed to make every endeavor a success.

## OUR STRENGTHS

We believe that the following are our primary competitive strengths:

### 1. Vast, Diverse and Growing Product Selection

We believe that our ability to identify a diverse product range, where bulk trading opportunities are available. Products like Iron & Steel are always in demand and may be readily procured from the manufacturing units.

### 2. Experienced Directors and Management Team

Our Directors and business management group are experienced within their respective specialised segments. Our Director Mr. Mukash Kumar with over 15 years of experience will have a major role in the growth and development of our business. We also have senior professionals, as a part of our management team, who have domain knowledge and experience. We believe that, our management team possesses an in-depth understanding of the trading activities, and is therefore well -positioned to focus on the continued expansion and strengthening of our business activities.

### 3. Strong Relationships in the Industry

As an established entity, in various aspects of the trading community in India, we believe that we have managed to create, maintain and build our goodwill with other industry participants. We believe that this has led to repeated business transactions with known names in the industry for acquisition and supply of various products.

## OUR STRATEGY:

Our overall strategy is to include more and more products for trading, and increase the turnover. We also propose to increase our exports to various countries where good demand is seen. Our strategy is designed to address predictability, scalability and sustainability, ultimately resulting in profitability.

The Company proposes to use the fund so raised through this issue to explore new business opportunities and expand its export activities by setting up marketing offices at two locations- New Delhi & Kanpur. Our Company proposes to explore and accept different business proposals to diversify product range for trading,

which would be profitable and feasible. Working Capital is basic requirement in order to achieve its goal. Our Company proposes to use part of the fund so raised to meet short term working capital requirements in order to further expand the product line as well as the trading range.

## **SWOT ANALYSIS**

### **STRENGTHS**

- Integrated Business Model
- Locational Advantage
- Experienced Management Team

### **WEAKNESS**

- Revenue and profitability is directly linked to the identification of new products and its economic procurement.
- Rapid changes in the demand behavior of the consumers.

### **OPPORTUNITIES**

- Growing awareness among customers about new products.
- New demand for electronic and other industrial products for expansion.
- Increase in construction and infra structure sector enabling large demand for steel and other construction materials.

### **THREATS**

- There are no entry barriers in our Industry which puts us to the threat of competition from new entrants.
- Any change or shift of focus of Government policies may adversely impact our financials.

## SUMMARY OF FINANCIAL DATA

### STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Amount in Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Assets</b>					
Fixed Assets-Gross Block	851965.00	7,21,264.00	7,21,264.00	6,64,264.00	5,49,846.00
Less: Depreciation	524430.00	4,60,203.00	3,85,723.00	2,80,175.00	1,11,276.00
<b>Net Block</b>	<b>327535.00</b>	<b>2,61,061.00</b>	<b>3,35,541.00</b>	<b>3,84,089.00</b>	<b>4,38,570.00</b>
Less: Revaluation Reserve	0	0.00	0.00	0.00	0.00
Net Block after adjustment for Revaluation Reserve	<b>327535.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Capital Work in Progress	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total (A)</b>	<b>327535.00</b>	<b>2,61,061.00</b>	<b>3,35,541.00</b>	<b>3,84,089.00</b>	<b>4,38,570.00</b>
<b>Investments</b>					
Investment in Shares	60171122.00	5,07,21,122.00	2,44,88,500.00	2,69,88,500.00	60,00,000.00
<b>Total Investments (B)</b>	<b>60171122.00</b>	<b>5,07,21,122.00</b>	<b>2,44,88,500.00</b>	<b>2,69,88,500.00</b>	<b>60,00,000.00</b>
<b>Current Assets, Loans and Advances</b>					
Receivables	65658555.64	5,08,87,374.04	5,66,19,772.00	17,76,005.00	30,87,038.95
Inventories	376050.00	0.00	45,75,000.00	74,67,273.64	40,52,588.00
Cash & Bank Balances	954139.37	1,24,33,075.40	10,89,306.85	3,79,875.74	4,31,220.52
Deposits & Advances	456606152.00	35,65,52,435.00	10,65,99,926.00	4,58,28,601.00	47,01,074.00
Other Assets	4027414.73	7,55,861.47	9,70,270.87	5,14,57,894.21	1,14,604.14
<b>Total Current Assets ( C )</b>	<b>527622311.74</b>	<b>42,06,28,745.91</b>	<b>16,98,54,276.00</b>	<b>10,69,09,649.59</b>	<b>1,23,86,525.61</b>
<b>Total Assets (D) = (A) + (B) + (C)</b>	<b>588120968.74</b>	<b>47,16,10,928.91</b>	<b>19,46,78,316.72</b>	<b>13,42,82,238.59</b>	<b>1,88,25,095.61</b>
<b>Liabilities &amp; Provisions</b>					
<b>Loan Funds :</b>					
Secured Loans	2061.70	1,79,32,100.00	24,54,591.27	49,65,044.02	0.00
Unsecured Loans	211124317.00	15,12,00,950.70	1,16,42,500.00	47,55,000.00	16,50,000.00
Share Application Money	0.00	0.00	0.00	0.00	36,36,800.00
<b>Current Liabilities &amp; Provisions:</b>					
Current Liabilities	203200453.01	128838210.76	6,34,81,254.48	76,48,942.76	34,53,553.09
Provisions	93285.00	73,977.00	56,878.00	41,878.00	40,561.00
<b>Total Liabilities &amp; Provisions (E)</b>	<b>414420116.71</b>	<b>29,80,45,238.46</b>	<b>7,76,35,223.75</b>	<b>1,74,10,864.78</b>	<b>87,35,914.09</b>
<b>Net Worth (D) - (E)</b>	<b>173700852.03</b>	<b>17,35,65,690.45</b>	<b>11,70,43,092.97</b>	<b>11,68,71,373.81</b>	<b>1,00,89,181.52</b>
<b>Represented By:</b>					
Share Capital	15540900.00	1,55,40,900.00	1,09,00,900.00	1,09,00,900.00	93,80,600.00
Reserves & Surplus	158159952.03	15,80,24,790.45	10,61,42,192.97	10,59,70,473.81	7,08,581.52
Less: Revaluation Reserve	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Less: Preliminary / Miscellaneous Expenses to the extent not written off	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Reserves (Net of Revaluation Reserve)	<b>158159952.03</b>	<b>15,80,24,790.00</b>	<b>10,61,42,192.97</b>	<b>10,59,70,473.81</b>	<b>7,08,581.52</b>
<b>Total Net Worth</b>	<b>173700852.03</b>	<b>17,35,65,690.45</b>	<b>11,70,43,092.97</b>	<b>11,68,71,373.81</b>	<b>1,00,89,181.52</b>

*Notes: The accompanying Significant Accounting Policy and Notes to the Restated Financial Information are an integral part of this Restated Statement of Assets & Liabilities*

**STATEMENT OF PROFIT AND LOSS, AS RESTATED**

**(Amount in Rupees)**

<b>Particulars</b>	<b>31.03.13</b>	<b>31.03.12</b>	<b>31.03.11</b>	<b>31.03.10</b>	<b>31.03.09</b>
Income					
Income from Operations:					
Sale of goods	12245110.00	7989338.05	46608059.90	5113727.50	2130136.89
Sale of shares	0.00	1,30,98,500.00	0.00	0.00	0.00
Other Income	4139472.00	3517873.31	1808385.34	1490281.21	1100041.04
Total	16384582.00	24605711.36	48416445.24	6604008.71	3230177.93
Expenditure					
Cost of goods purchased	11925007.75	18838778.00	36664090.50	8302761.00	5041083.94
Changes in inventory	(376050.00)	4575000.00	2892273.64	(3414685.64)	(3054816.00)
Employees Costs	500000.00	240000.00	552375.00	505523.00	515591.00
Other Operative Expenses	3728207.49	254650.00	7410795.89	363378.14	575397.25
Total	15777165.24	23908428.00	47519535.03	5756976.50	3077256.19
Profit before Depreciation, Interest and Tax	607416.76	697283.36	896910.21	847032.21	152921.74
Depreciation	64227.00	74480.00	105548.00	107523.00	111276.00
Profit before Interest & Tax	543189.76	622803.36	791362.21	739509.21	41645.74
Interest & Finance Charges	347592.18	4,45,388.88	5,41,688.05	299270.92	16878.74
Net Profit before Tax	195597.58	177414.48	249674.16	440238.29	24767.00
Less: Provision for Taxes:	60439.65				
Current Tax	63600.00	59818.00	77955.00	77729.00	0.00
Deferred Tax	(3164.00)	(5,001.00)	0.00	1317.00	19430.00
Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.00
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>135161.58</b>	<b>122597.48</b>	<b>171719.16</b>	<b>361192.29</b>	<b>5337.00</b>
Extra Ordinary Items (Net of Tax)	0	0.00	0.00	0.00	0.00
<b>Net Profit</b>	<b>135161.58</b>	<b>1,22,597.48</b>	<b>1,71,719.16</b>	<b>361192.29</b>	<b>5,337.00</b>

# STATEMENT OF CASH FLOW, AS RESTATED

(Amount in Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net profit before tax	195597.58	177414.48	249674.16	440238.29	24767.00
<b>Adjustment for:</b>					
Add: Depreciation	64227.00	74480.00	105548.00	107523.00	111276.00
Add: Preliminary Expenses		0.00	0.00	0.00	3440.00
Add: Interest expenses	340882.00	428936.69	528350.82	0.00	0.00
Less: Interest Income	3729237.00	3158623.00	1115661.00	971287.21	0.00
<b>Operating Profit before Working capital changes</b>	<b>(3128530.42)</b>	<b>(2477791.83)</b>	<b>(232088.02)</b>	<b>(423525.92)</b>	<b>139483.00</b>
<b>Adjustments for:</b>					
Decrease (Increase) in Trade & Other Receivables	(14771181.60)	5732397.96	(54843767.00)	(20949.55)	(1660509.16)
Decrease (Increase) in Inventory	(376050.00)	4575000.00	2892273.64	(3414685.64)	(3054816.00)
Decrease (Increase) in Loans & Advances	(100053717.00)	(249952509.00)	(60771325.00)	(4,2732527.00)	(2857441.00)
Decrease (Increase) in Other Assets	(3271553.26)	(214409.40)	(50487623.34)	(51343290.07)	(114604.14)
Increase (Decrease) in Current Liabilities	74365406.25	65356956.28	55832311.72	5527373.17	1976108.18
Increase (Decrease) in provisions (Other than Taxes)	19308.00	22100.00	15000.00	0.00	(12786.00)
<b>Net Changes in Working Capital</b>	<b>(53537787.61)</b>	<b>(174051645.36)</b>	<b>(6387883.30)</b>	<b>(91984079.09)</b>	<b>(5724048.12)</b>
<b>Cash Generated from Operations</b>	<b>(56666318.03)</b>	<b>(176529437.19)</b>	<b>(6619971.32)</b>	<b>(92407605.01)</b>	<b>(5584565.12)</b>
<b>Taxes (paid) / refund</b>	<b>63600.00</b>	<b>59818.00</b>	<b>77955.00</b>	<b>77729.00</b>	<b>0.00</b>
<b>Net Cash Flow from Operating Activities (A)</b>	<b>(56729918.03)</b>	<b>(176589255.19)</b>	<b>(6697926.32)</b>	<b>(92485334.01)</b>	<b>(5584565.12)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Sale /(Purchase) of Fixed Assets	(130701.00)	0.00	(57,000.00)	(53042.00)	(448071.00)
Sale /(Purchase) of Shares	(9450000.00)	(26232622.00)	25,00,000.00	(20988500.00)	0.00
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(9580701.00)</b>	<b>(26232622.00)</b>	<b>2443000.00</b>	<b>(21041542.00)</b>	<b>(448071.00)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Issue of share capital and Proceeds / (Refund) from Share Application Money	0.00	5,64,00,000.00	0.00	102784200.00	3636800.00
Interest paid	(340882.00)	(428936.69)	(528350.82)	0.00	0.00
Interest Received	3729237.00	3158623.00	1115661.00	971287.21	0.00
Increase / (Repayment) of Secured/unsecured loans	41993328.00	155035959.43	4377047.25	9720044.02	0.00
Preliminary Expenses incurred					
<b>Net Cash Flow from Financing Activities (C)</b>	<b>45381683.00</b>	<b>214165645.74</b>	<b>4964357.43</b>	<b>113475531.23</b>	<b>3636800.00</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(11478936.03)</b>	<b>11343768.55</b>	<b>709431.11</b>	<b>(51344.78)</b>	<b>(2395836.12)</b>
Cash and cash equivalents at the beginning of the year / Period	12433075.40	1089306.85	379875.74	431220.52	2827056.64
<b>Cash and cash equivalents at the end of the year/ Period</b>	<b>954139.37</b>	<b>12433075.40</b>	<b>1089306.85</b>	<b>379875.74</b>	<b>431220.52</b>

**Note:** The above Cash Flow Statement has been prepared under "Indirect Method" as set out in the Accounting Standard (AS) – 3 on Cash Flow Statements issued by the Institute of Chartered of Accountants of India

## ISSUE DETAILS IN BRIEF

### PRESENT ISSUE IN TERMS OF THIS DRAFT PROSPECTUS

Equity Shares Offered: Fresh Issue of Equity Shares by our Company	Issue of 62,00,000 Equity Shares of Rs. 10 each at a price of Rs. 20 per Equity Share aggregating Rs. 1240 Lacs.
Of which:	
Issue Reserved for the Market Makers	3,10,000 Equity Shares of Rs. 10/- each at a price of Rs. 20 per Equity Share aggregating Rs.62.00Lacs
Net Issue to the Public	58,90,000 Equity Shares of Rs. 10 each at a price of Rs. 20 per Equity Share aggregating Rs. 1178 Lacs
Equity Shares outstanding prior to the Issue	1,71,26,360 Equity Shares of face value of Rs. 10 Each
Equity Shares outstanding after the Issue	2,33,26,360 Equity Shares of face value of Rs. 10 Each
Objects of the Issue	Please refer section titled “Objects of the Issue” on page no 49 of this Draft Prospectus

This Issue is being made in terms of Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time. For further details please refer to “Issue Structure” on page no 132 of this Draft Prospectus.

## GENERAL INFORMATION

### CITYON SYSTEMS (INDIA) LIMITED

Our Company was originally incorporated in Delhi as “Cityon systems (India) Pvt. Ltd” on 27<sup>th</sup> April 2004 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Region of Delhi & Haryana. On March 12, 2008 it was converted to a Public Limited Company under the name of Cityon Systems (India) Ltd. and fresh Certificate of Incorporation consequent upon change of name was issued by ROC, Delhi & Haryana.

#### REGISTERED OFFICE

215, Delhi Chambers,  
Delhi Gate  
New Delhi-110002  
Tel: 91-11-41563395  
Fax: 91-11-26842875  
Website: [www.cityonsystems.in](http://www.cityonsystems.in)  
E-Mail: [info@cityonsystems.in](mailto:info@cityonsystems.in)

**COMPANY REGISTRATION NUMBER:** 126096

**COMPANY IDENTIFICATION NUMBER:** U72900DL2004PLC126096

#### ADDRESS OF REGISTRAR OF COMPANIES, DELHI & NCR

4th Floor, IFCI Tower,  
61, Nehru Place, New Delhi- 110019  
Tel: 011-26235707, 26235708, 26235709  
Fax: 011-26235702,  
Email: [roc.delhi@mca.gov.in](mailto:roc.delhi@mca.gov.in)

**DESIGNATED STOCK EXCHANGE:** BSE Limited

**LISTING OF SHARES OFFERED IN THIS ISSUE:** SME Platform of BSE Stock Exchange Ltd.

For details in relation to the changes to the name of our Company, please refer to the section titled “Our History and Corporate Structure” beginning on page no 79 of this Draft Prospectus.

#### BOARD OF DIRECTORS

Our Board of Directors comprise of the following members:

Sr. No.	Name of Directors	Designation	Nature of Directorship	Director's Identification Number (DIN)
1	Mukesh Kumar	Managing Director	Executive and Non-Independent	06573251
2	Ankur Agarwal	Director	Executive and Non-Independent	06598310
3	Abhishek Tandon	Director	Non Executive & Non-Independent	03530860
4	Gaya Prasad Gupta	Director	Non Executive and Independent	00335302
5	Anoop Srivastava	Director	Non Executive and Independent	06571462
6	Om Prakash Agarwal	Director	Non Executive and Independent	03358726

For further details of Management of our Company, please refer to section titled "Our Management" on page no 82 of this Draft Prospectus.

#### **COMPANY SECRETARY & COMPLIANCE OFFICER**

Name: Ms. Vibha Wadhva  
Tel: 91-11-32315575  
Fax: 91-11-32315575  
Website: [www.cityonsystem.in](http://www.cityonsystem.in)  
E-Mail: [info@cityonsystems.in](mailto:info@cityonsystems.in)

Investors can contact our Compliance Officer in case of any pre-Issue or post-Issue related matters such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders etc.

#### **STATUTORY AUDITORS/PEER REVIEW AUDITORS**

J Agarwal & Associates  
124, Hemant Vihar, Barra-2,  
Kanpur, Uttar Pradesh-208027  
Telephone: +91-9235444005  
Contact Person: Jalaj Agarwal  
Firm Registration No.: 002601C

#### **LEAD MANAGER**

Mefcom Capital Markets Limited  
5th Floor, Sanchi Building,  
77, Nehru Place,  
New Delhi-110019  
Tel: 011-46500500  
Fax: 011-46500550  
Email: [anand@mefcom.in](mailto:anand@mefcom.in)  
Website: [www.mefcom.in](http://www.mefcom.in)  
Contact Person: Mr. Anand Srivastava  
SEBI Regn. No: INM 000000016

#### **LEGAL ADVISORS TO THE ISSUE**

Ms. Saadvie Singh  
Law Intellect,  
W-122, Greater Kailash- II  
New Delhi -110 048  
Tel: + 91 11 29225511  
Fax: + 91 11 29225512  
Email : [info@lawintellect.com](mailto:info@lawintellect.com)

#### **REGISTRAR TO THE ISSUE**

Skyline Financial Services Private Limited  
D-153A, 1st Floor, Okhla Industrial Area, Phase-I,  
New Delhi -110020  
Tel: +91 – 11 – 2681 2682;  
Fax: +91 – 11 – 30857562  
Email: [admin@skylinerta.com](mailto:admin@skylinerta.com);  
Investor Grievance Email: [viren@skylinerta.com](mailto:viren@skylinerta.com)  
Website: [www.skylinerta.com](http://www.skylinerta.com)  
SEBI Registration No.: INE00003241  
Contact Person: Mr. Virender Rana



**BANKERS TO THE COMPANY:**

HDFC Bank Ltd  
H-69 Outer Circle, Connaught Circus  
New Delhi – 110001  
Contact Person: Amit Kumar Tiwari  
Tel: + +91-9313853242

**BANKER TO THE ISSUE AND ESCROW COLLECTION BANKS.**

[●] (To be appointed prior to filing of Prospectus with ROC)

**SELF CERTIFIED SYNDICATE BANKS**

The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.html>. For details on designated branches of SCSBs collecting the ASBA Application Form, please refer to the SEBI Website, [www.sebi.gov.in](http://www.sebi.gov.in).

**REFUND BANKER**

[●] (To be appointed prior to filing of Prospectus with ROC)

**CREDIT RATING**

As the Issue is of Equity shares, credit rating is not mandatory.

**TRUSTEES**

As the Issue is of Equity Shares, the appointment of Trustees is not mandatory.

**IPO GRADING**

Since the Issue is being made in terms of Chapter XB of the SEBI (ICDR) Regulations, there is no requirement of appointing an IPO Grading agency.

**BROKERS TO THE ISSUE**

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

**APPRAISAL AND MONITORING AGENCY**

As per Regulation 16(1) of the SEBI (ICDR) Regulations, 2009 the requirement of Monitoring Agency is not mandatory if the Issue size is below Rs. 500.00 Crores. Since the Issue size is only of Rs. 1240 LACS, our Company has not appointed any monitoring agency for this Issue. However, as per the Clause 52 of the SME Listing Agreement to be entered into with BSE upon listing of the equity shares and the corporate governance requirements, the audit committee of our Company, would be monitoring the utilization of the proceeds of the Issue.

**INTER-SE ALLOCATION OF RESPONSIBILITIES**

Since Mefcom Capital Markets Limited is the sole Lead Manager to this Issue, a statement of inter se allocation responsibilities among Lead Manager's is not required.

**EXPERT OPINION**

Except the report of the Statutory Auditor of our Company on the financial statements and statement of tax benefits included in the Draft Prospectus, our Company has not obtained any other expert opinion.

**ISSUE PROGRAMME**

ISSUE OPENS ON	[●]
ISSUE CLOSES ON	[●]

## UNDERWRITING AGREEMENT

This Issue is 100% Underwritten. The Underwriting agreement is dated July 30, 2013. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein. The Underwriters have indicated their intention to underwrite the following number of specified securities being offered through this Issue:

<b>Name and Address of the Underwriters</b>	<b>Number of Equity shares Underwritten</b>	<b>Amount Underwritten (Rupees In Lacs)</b>
Mefcom Securities Ltd	31,00,000	620.00
Mefcom Capital Markets Limited	31,00,000	620.00
<b>Total</b>	<b>62,00,000</b>	<b>1240.00</b>

As per Regulation 106 P (2) of SEBI (ICDR) Regulations, 2009, the Lead Manager has to underwrite to a minimum extent of 15 % of the Issue out of its own account.

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

## DETAILS OF THE MARKET MAKING ARRANGEMENT FOR THIS ISSUE

Our Company and the Lead Manager have entered into a tripartite agreement dated July 30, 2013 with the following Market Maker to fulfill the obligations of Market Making:

<b>Name</b>	Mefcom Securities Limited
<b>Address</b>	Sanchi Building, 77, Nehru Place, New Delhi- 110019
<b>Telephone No.</b>	011-46500500
<b>Fax No.</b>	011- 46500550
<b>E-mail</b>	invest@mefcom.in
<b>Contact Person</b>	Mr. Ravinder Singh
<b>SEBI Registration No.</b>	INB010903239
<b>Market Maker Registration No.</b>	SMEMM0078814012013

The Market Maker shall fulfill the applicable obligations and conditions as specified in the SEBI (ICDR) Regulations, and its amendments from time to time and the circulars issued by the BSE, and SEBI regarding this matter from time to time. Following is a summary of the key details pertaining to the Market Making arrangement:

The Market Maker(s) (individually or jointly) shall be required to provide a 2-way quote for 75% of the time in a day. The same shall be monitored by the Stock Exchange. Further, the Market Maker(s) shall inform the exchange in advance for each and every black out period when the quotes are not being offered by the Market Maker(s).

The minimum depth of the quote shall be Rs. 1, 00,000/- .However, the investors with holdings of value less than Rs. 1, 00,000/- shall be allowed to offer their holding to the Market Maker(s) (individually or jointly) in that scrip provided that he sells his entire holding in that scrip in one lot along with a declaration to the effect to the selling broker.

Execution of the order at the quoted price and quantity must be guaranteed by the Market Maker(s), for the quotes given by him.

There would not be more than five Market Makers for a script at any point of time and the Market Makers may compete with other Market Makers for better quotes to the investors.

The Market Maker(s) shall have the right to terminate said arrangement by giving a six months notice or on mutually acceptable terms to the Merchant Banker, who shall then be responsible to appoint a replacement Market Maker(s).

In case of termination of the above mentioned Market Making agreement prior to the completion of the compulsory Market Making period, it shall be the responsibility of the Lead Manager to arrange for another Market Maker in replacement during the term of the notice period being served by the Market Maker but prior to the date of releasing the existing Market Maker from its duties in order to ensure compliance with the requirements of regulation 106V of the SEBI (ICDR) Regulations, 2009. Further the Company and the Lead Manager reserve the right to appoint other Market Makers either as a replacement of the current Market Maker or as an additional Market Maker subject to the total number of Designated Market Makers does not exceed five or as specified by the relevant laws and regulations applicable at that particular point of time.

The Market Making Agreement is available for inspection at our Registered Office from 11.00 a.m. to 5.00 p.m. on working days.

## CAPITAL STRUCTURE

The share capital of the Company as at the date of this Draft Prospectus, before and after the Issue, is set forth below.

(Rs. in Lacs, except share data)

Sl. No.	Particulars	Aggregate value at face value	Aggregate value at Issue Price
<b>A</b>	Authorized Share Capital		
	2,40,00,000 Equity Shares of face value of Rs.10 each	2400.00	
<b>B</b>	Issued, subscribed and paid-up Equity Share Capital before the Issue		
	17126360 Equity Shares of face value of Rs. 10 each	1712.64	---
<b>C</b>	Present Issue in terms of the Draft Prospectus		
	Issue of 62,00,000 Equity Shares of Rs. 10 each at a price of Rs.20 per Equity Share.	620.00	1240.00
	Which comprises		
<b>D</b>	3,10,000 Equity Shares of Rs. 10/- each at a price of Rs. 10 per Equity Share reserved as Market Maker Portion	31.00	-
	Net Issue to Public of 58,90,000 Equity Shares of Rs. 10/- each at a price of Rs.20 per Equity Share to the Public	589.00	1178.00
	Of which		
	29,45,000 Equity Shares of Rs.10/- each at a price of Rs. 20 per Equity Share will be available for allocation for Investors of up to Rs. 2.00 Lacs	294.50	589.00
	29,45,000 Equity Shares of Rs. 10/- each at a price of Rs. 20 per Equity Share will be available for allocation for Investors of above Rs. 2.00 Lacs	294.50	589.00
<b>E</b>	Equity capital after the Issue		
	2,33,26,360 Equity Shares of Rs. 10 each	2332.64	---
<b>F</b>	Securities Premium Account		
	Before the Issue		188.55
	After the Issue		808.55

\*This Issue has been authorized by the Board of Directors pursuant to a board resolution July 30, 2013 and by the shareholders of our Company pursuant to a special resolution dated July 30, 2013 passed at the EGM of shareholders under section 81 (1A) of the Companies Act.

Our Company has no outstanding convertible instruments as on the date of the Draft Prospectus.

### DETAILS OF THE INCREASE IN AUTHORISED CAPITAL SINCE INCEPTION ARE AS FOLLOWS:

Sr. No.	Particulars Of Change		Date of Shareholder's Meeting	Meeting AGM/EGM
	From	To		
1	On incorporation 50,000 Equity Shares of Rs. 10 each	-	-	Incorporation
2	50,000 Equity shares of Rs. 10 each	10,00,000 Equity Shares of Rs. 10 each	04 February 2008	EGM
3	10,00,000 Equity Shares of Rs. 10 each	20,00,000 Equity Shares of Rs. 10 each	16 March, 2010	EGM

4	20,00,000 Equity Shares of Rs. 10 each	2,00,00,000 Equity Shares of Rs. 10 each	15 April,2013	EGM
5	2,00,00,000 Equity Shares of Rs. 10 each	2,30,00,000 Equity Shares of face value of Rs.10 each	03 June,2013	EGM
6	2,30,00,000 Equity Shares of face value of Rs.10 each	2,40,00,000 Equity Shares of face value of Rs.10 each	17 June, 2013	EGM

## NOTES FORMING PART OF CAPITAL STRUCTURE

### 1. Equity Share capital history of our Company

Date of/ issue allotment of Shares	No. of Equity Shares Issued	Face value (Rs)	Issue price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Nature of Allotment (Bonus, swap etc.)	Cumulative no. of Equity Shares	Cumulative paid-up share capital (Rs.)	Cumulative share premium (Rs.)
27.04.2004	10,000	10	10	Cash	Subscription to MOA	10,000	1,00,000	NIL
02.01.2008	40,000	10	10	Cash	Preferential Allotment	50,000	5,00,000	NIL
29.03.2008	8,72,000	10	10	Cash	Preferential Allotment	9,22,000	92,20,000	NIL
08.07.2008	16,060	10	40	Cash	Preferential Allotment	9,38,060	93,80,600	6,42,400
19.03.2010	1,52,030	10	690	Cash	Preferential Allotment	10,90,090	1,09,00,900	10,55,43,100
28.03.2012	4,64,000	10	10	Cash	Preferential Allotment	15,54,090	1,55,40,900	14,73,03,100

2. We have not issued any Equity Shares for consideration other than cash.

3. We have not issued any Equity Shares out of revaluation reserves or in terms of any scheme approved under Sections 391- 394 of the Companies Act, 1956

### 4. Issue of Equity Shares in the last one (1) year:

Except as stated below we have not issued any Equity Shares in the preceding one year and some of these Equity Shares have been issued at a price lower than the Issue Price:

Date of Allotment	Number of Equity Shares	Name of the Allottee	Relationship with the Promoters	Reasons for the Allotment	Face Value (in Rs.)	Issue Price (in Rs.)
06.05.2013	4,80,000	As shown below in Annexure 'A'	None	Preferential	10	10
27.05.2013	7,65,000	As shown below in Annexure 'B'	None	Preferential	10	10
30.05.2013	2,20,000	As shown below in Annexure 'C'	None	Preferential	10	10
03.06.2013	3,15,000	As shown below in Annexure 'D'	None	Preferential	10	10
11.06.2013	3,15,000	As shown below in Annexure 'E'	None	Preferential	10	10

08.07.2013	4,77,500	As shown below in Annexure 'F'	None	Preferential	10	10
13.07.2013	1,55,000	As shown below in Annexure 'G'	None	Preferential	10	10
15.07.2013	1,28,44,770	Issue of Bonus share in the ratio of 3 shares for 1 share		Bonus	10	nil

#### ANNEXURE 'A'

Allotment as on 06.05.2013			
S.No	Name of Shareholders	No of shares	Amt (in Rs.)
1	Sarvesh Dubey	25,000	2,50,000
2	Sunil Kumar Khanna	10,000	1,00,000
3	Varinder Kumar Gupta	10,000	1,00,000
4	Rohit Gupta	10,000	1,00,000
5	Rahul Gupta	10,000	1,00,000
6	Prakash Chandra Jain	10,000	1,00,000
7	Sanjay Jain	10,000	1,00,000
8	Vibha Jain	20,000	2,00,000
9	Ravinder Kaur	10,000	1,00,000
10	Harshina Talwar	10,000	1,00,000
11	Sanjeet Singh Talwar	10,000	1,00,000
12	Nitin Aggarwal	10,000	1,00,000
13	Pawan Kumar Aggarwal	10,000	1,00,000
14	Savita Aggarwal	10,000	1,00,000
15	Kanika Aggarwal	10,000	1,00,000
16	Arvind Kumar Srivastava	10,000	1,00,000
17	Vandana Srivastava	10,000	1,00,000
18	Raj Kumar Agarwal	15,000	1,50,000
19	Neelam Agarwal	15,000	1,50,000
20	Rajeev Agarwal	10,000	1,00,000
21	Hari Shankar Pandey	5,000	50,000
22	Anshuman Singh	10,000	1,00,000
23	Rishabh Agarwal	10,000	1,00,000
24	Charu Sehgal	20,000	2,00,000
25	Navin Kumar Jain HUF	20,000	2,00,000
26	Sudhir Agarwal	20,000	2,00,000
27	Raghav Agarwal HUF	20,000	2,00,000
28	Chitranshi Agarwal	20,000	2,00,000
29	Rahgav Agarwal	20,000	2,00,000
30	Neetu Jain	20,000	2,00,000
31	Navin Jain	20,000	2,00,000
32	Alka Agarwal	20,000	2,00,000
33	Sudhir Agarwal HUF	20,000	2,00,000
34	Abhigyan Prakash	20,000	2,00,000
	<b>TOTAL</b>	<b>4,80,000</b>	<b>48,00,000</b>

**ANNEXURE 'B'**

<b>Allotment as on 27.05.2013</b>			
<b>S.No</b>	<b>Name of Shareholders</b>	<b>No of shares</b>	<b>Amt (in Rs.)</b>
1	Mahendra Kumar Sarawgi	10,000	1,00,000
2	Shrimati Jain	20,000	2,00,000
3	Naresh Kumar Jain	20,000	2,00,000
4	Naresh Kumar Jain HUF	20,000	2,00,000
5	Karan Mahana	20,000	2,00,000
6	Karan Mahana HUF	20,000	2,00,000
7	Satish Mahana HUF	20,000	2,00,000
8	Radhika Mahana	20,000	2,00,000
9	Minni Chawla	10,000	1,00,000
10	Geeta Chawla	10,000	1,00,000
11	Brij Mohan Gupta	10,000	1,00,000
12	Kalpana Gupta	10,000	1,00,000
13	Deepak Sehgal	2,50,000	25,00,000
14	Nirmala Agarwal	10,000	1,00,000
15	Naveen Agarwal	10,000	1,00,000
16	Naveen Agarwal HUF	10,000	1,00,000
17	Anil Kumar	30,000	3,00,000
18	Soniya Jaiswal	30,000	3,00,000
19	Sudhanshu Trivedi	30,000	3,00,000
20	Shalini Trivedi	20,000	3,00,000
21	Namita Saksena	10,000	1,00,000
22	Tisha Saksena	10,000	1,00,000
23	Mala Singh	10,000	1,00,000
24	Vivek Sehgal	10,000	1,00,000
25	Rekha Sehgal	10,000	1,00,000
26	Kalika Prasad Gupta	10,000	1,00,000
27	Shakuntala Gupta	10,000	1,00,000
28	Ashish Kumar	10,000	1,00,000
29	Manish Kumar	10,000	1,00,000
30	Seema Yadav	2,500	25,000
31	Mridula Singh	2,500	25,000
32	Shree Bhagwan Singhal	10,000	1,00,000
33	Shree Bhagwan HUF	10,000	1,00,000
34	Deep Singhal	10,000	1,00,000
35	Ranjana Singhal	10,000	1,00,000
36	Prashasti Arya	10,000	1,00,000
37	Akshay Pratap Arya	10,000	1,00,000
38	Reeta Arya	10,000	1,00,000
39	Vikram Singh HUF	10,000	1,00,000
40	Rekha Jeewani	5,000	50,000
41	Maya Jeewani	5,000	50,000
	<b>TOTAL</b>	<b>7,65,000</b>	<b>76,50,000</b>

**ANNEXURE'C'**

<b>Allotment as on 30.05.2013</b>			
<b>S.No</b>	<b>Name of Shareholders</b>	<b>No of shares</b>	<b>Amt (in Rs.)</b>
1	Virendra Kumar Tandon	5,000	50,000
2	Uma Tandon	5,000	50,000
3	Aayush Saxena	10,000	1,00,000
4	Meesam Ali Khan	30,000	3,00,000
5	Zaw Ali Khan	10,000	1,00,000
6	Mohsin Ali Khan	30,000	3,00,000
7	Manish Dhawan HUF	5,000	50,000
8	Manish Tandon	5,000	50,000
9	Shilpa Tandon	5,000	50,000
10	Hana Khan	20,000	2,00,000
11	Farzana Bano	20,000	2,00,000
12	Saiyada Ali Khan	20,000	2,00,000
13	Rohit Tusian	5,000	50,000
14	Monika Tulsian	5,000	50,000
15	Rohit Tulsian HUF	5,000	50,000
16	Abhishek Agarwal	10,000	1,00,000
17	Bimla Devi Agarwal	10,000	1,00,000
18	Mandeep Sandhu	20,000	2,00,000
	<b>TOTAL</b>	<b>2,20,000</b>	<b>22,00,000</b>

**ANNEXURE'D'**

<b>Allotment as on 03.06.2013</b>			
<b>S.No</b>	<b>Name of Shareholders</b>	<b>No of shares</b>	<b>Amt (in Rs.)</b>
1	Suman Arya	10,000	1,00,000
2	Sanjita Arya	10,000	1,00,000
3	Ashok Kumar	10,000	1,00,000
4	Chandra Kala Devi	10,000	1,00,000
5	Renu Verma	10,000	1,00,000
6	Mishri Lal Verma	10,000	1,00,000
7	Awadesh Kumar Verma	10,000	1,00,000
8	Saurabh Puri	10,000	1,00,000
9	Pooja Puri	10,000	1,00,000
10	Punita Seth	50,000	5,00,000
11	Reeta Seth	50,000	5,00,000
12	Ajit Kumar Wadhwa	50,000	5,00,000
13	Ravinder Gupta	5,000	50,000
14	Manoj Kumar Gupta	5,000	50,000
15	Narendra Kumar	5,000	50,000
16	Anand Bansal	10,000	1,00,000
17	Ankita Bhartia	10,000	1,00,000
18	Deen Dayal Bhartia	10,000	1,00,000
19	Sharad Bhartia	10,000	1,00,000
20	Kiran Bhartia	10,000	1,00,000
21	Viva Merchants Pvt. Ltd	10,000	1,00,000
	<b>TOTAL</b>	<b>3,15,000</b>	<b>31,50,000</b>



**ANNEXURE'E'**

<b>Allotment as on 11.06.2013</b>			
<b>S.No</b>	<b>Name of Shareholders</b>	<b>No of shares</b>	<b>Amt (in Rs.)</b>
1	Manoj Kumar Gupta HUF	5,000	50,000
2	Meenakshi Gupta	5,000	50,000
3	Pankaj Kumar Gupta	5,000	50,000
4	Radhey Shyam Gupta	5,000	50,000
5	Sanjay Kumar Gupta	5,000	50,000
6	Ajay Gupta	5,000	50,000
7	Pradeep Kapoor	5,000	50,000
8	Binder Pal Mittal	20,000	2,00,000
9	Pankaj Gupta	10,000	1,00,000
10	Manish Gupta	10,000	1,00,000
11	Manav Gupta	10,000	1,00,000
12	Rajesh Gupta	10,000	1,00,000
13	Ghanshyam Dass Gupta	10,000	1,00,000
14	Raksha Devi	20,000	2,00,000
15	Saket Banka	15,000	1,50,000
16	Rekha Banka	25,000	2,50,000
17	Vimal Banka	25,000	2,50,000
18	Vimal Banka HUF	7,500	75,000
19	Saket Banka HUF	7,500	75,000
20	Pradeep Mehta	10,000	1,00,000
21	Shekhar Agarwal HUF	20,000	2,00,000
22	Shashi Agarwal	20,000	2,00,000
23	Shekhar Agarwal	20,000	2,00,000
24	Shuchi Agarwal	20,000	2,00,000
25	Shantanu Agarwal	20,000	2,00,000
	<b>TOTAL</b>	<b>3,15,000</b>	<b>31,50,000</b>

**ANNEXURE'F'**

<b>Allotment as on 08.07.2013</b>			
<b>S.No</b>	<b>Name of Shareholders</b>	<b>No of shares</b>	<b>Amt (in Rs.)</b>
1	Anubhav Agarwal	10,000	1,00,000
2	Jagan Nath Mittal	20,000	2,00,000
3	Surya Goyal	7,500	75,000
4	Anil Kumar Verma	5,000	50,000
5	Neena Verma	5,000	50,000
6	Tejinder Kumar Arora	10,000	1,00,000
7	Kulbhushan Arora	10,000	1,00,000
8	Rishabh Kapoor	5,000	50,000
9	Tejinder Singh Talwar	10,000	1,00,000
10	Ashish Talwar	30,000	3,00,000
11	Amarjeet Kaur	30,000	3,00,000
12	Savita Misra	5,000	50,000
13	Rakesh Rastogi HUF	20,000	2,00,000
14	Viral Singh	20,000	2,00,000
15	Smita Singh	10,000	1,00,000
16	Reena Singh	20,000	2,00,000
17	Abhishek Singh	10,000	1,00,000
18	Ashwini Singh	10,000	1,00,000
19	Rakesh Rastogi	20,000	2,00,000
20	Saroj Rastogi	10,000	1,00,000
21	Amod Agarwal	10,000	1,00,000

22	Smita Gupta	10,000	1,00,000
23	Aditya Singh	10,000	1,00,000
24	Harish Popli & Family HUF	70,000	7,00,000
25	Naresh Khurana HUF	10,000	1,00,000
26	Awadhesh Chahar	10,000	1,00,000
27	Ravi Bansal	10,000	1,00,000
28	Laxmi Bansal	10,000	1,00,000
29	Mona Bansal	10,000	1,00,000
30	Aruna Garg	10,000	1,00,000
31	Samit Garg	10,000	1,00,000
32	Sandeep Ummat	10,000	1,00,000
33	Sumita Singh	25,000	2,50,000
34	Sandeep Bansal	5,000	50,000
	<b>TOTAL</b>	<b>4,77,500</b>	<b>47,75,000</b>

#### ANNEXURE 'G'

<b>Allotment as on 11.06.2013</b>			
<b>S.No</b>	<b>Name of Shareholders</b>	<b>No of shares</b>	<b>Amt (in Rs.)</b>
1	Ajay Agarwal	30,000	3,00,000
2	NK Gupta HUF	10,000	1,00,000
3	Mrs. Sadhna	10,000	1,00,000
4	Vivek Ummat	10,000	1,00,000
5	Rajeev Kumar Singh	25,000	2,50,000
6	Akshay Chandra	25,000	2,50,000
7	Pranav Chandra	25,000	2,50,000
8	Gagan Sikka	5,000	50,000
9	Sandeep Sikka	5,000	50,000
10	Meenakshi Sikka	10,000	1,00,000
	<b>TOTAL</b>	<b>1,55,000</b>	<b>15,50,000</b>

#### 5. Shareholding of our Promoters:

Set forth below are the details of the build-up of shareholding of our Promoters

<b>1. Mr. Ankur Agarwal</b>							
<b>Date of Allotment/ Transfer</b>	<b>Consideration</b>	<b>No. of Equity Shares</b>	<b>Face value per Share (Rs.)</b>	<b>Issue / Acquisition / Transfer price (Rs.)</b>	<b>Nature of Transactions</b>	<b>Pre-issue share holding %</b>	<b>Post-issue share holding %</b>
23.11.2012	Cash	8,08,947	10	20	Purchase through Transfer		
15.07.2013	Consideration other than cash	24,26,841	10	Nil	Bonus issue (in the ratio of 3:1)		
<b>Total</b>		<b>32,35,788</b>				<b>18.89</b>	<b>13.87</b>

<b>2. Mr. Mukash Kumar</b>							
Date of Allotment / Transfer	Consideration	No. of Equity Shares	Face value per Share (Rs.)	Issue / Acquisition/ Transfer price (Rs.)	Nature of Transactions	Pre-issue share holding %	Post-issue share holding %
23.11.2012	Cash	7,28,083	10	20	Purchase through Transfer		
15.07.2013	Cash	21,84,249	10	Nil	Bonus issue (in the ratio of 3:1)		
<b>Total</b>		<b>29,12,332</b>				<b>17.00</b>	<b>12.48</b>

#### **6. Details of Promoters' contribution locked in for three years:**

Pursuant to Regulation 32 and 36 of SEBI (ICDR) Regulations aggregate of 20% of the post-Issue capital held by our Promoters shall be considered as promoters' contribution ("Promoters Contribution") and locked-in for a period of three years from the date of allotment. The lock-in of the Promoters Contribution would be created as per applicable law and procedure and details of the same shall also be provided to the Stock Exchange before listing of the Equity Shares.

Our Promoters have granted consent to include such number of Equity Shares held by them as may constitute 20% of the post-Issue Equity Share capital of our Company as Promoters Contribution and have agreed not to sell or transfer or pledge or otherwise dispose of in any manner, the Promoters Contribution from the date of filing of this Draft Prospectus until the commencement of the lock-in period specified above.

Name of Promoter	No. of shares locked in	Date of Allotment/ Acquisition/ Transfer	Issue Price / Purchase Price / Transfer Price (Rs. per share)	% of Pre-Issue Paid up Equity capital	% of Post Issue Paid up Equity capital
Mr. Ankur Agarwal	8,08,947	23.11.2012	25		
	24,26,841	15.07.2013	NIL		
<b>Total</b>	<b>32,35,788</b>			<b>18.89</b>	<b>13.87</b>
Mr. Mukash Kumar	7,28,083	23.11.2012	25		
	21,84,249	15.07.2013	NIL		
<b>Total</b>	<b>29,12,332</b>			<b>17.00</b>	<b>12.48</b>
<b>Total Promoters Lock-in</b>				<b>35.89</b>	<b>26.35</b>

We further confirm that the minimum Promoter Contribution of 20% which is subject to lock-in for three years does not consist of:

- Equity Shares acquired during the preceding three years for consideration other than cash and out of revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources.
- Equity Shares acquired by the Promoters during the preceding one year, at a price lower than the price at which Equity Shares are being offered to public in the Issue.
- Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.

- The Equity Shares held by the Promoters and offered for minimum 20% Promoters' Contribution are not subject to any pledge.
- Equity Shares for which specific written consent has not been obtained from the shareholders for inclusion of their subscription in the minimum Promoters' Contribution subject to lock-in.
- Equity shares issued to our Promoters on conversion of partnership firms into limited companies.

Specific written consent has been obtained from the Promoters for inclusion of the Equity Shares for ensuring lock-in of three years to the extent of minimum 20% of post -Issue paid-up Equity Share Capital from the date of allotment in the proposed public Issue. Promoters' Contribution does not consist of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary. The minimum Promoters' Contribution has been brought to the extent of not less than the specified minimum lot and from the persons defined as Promoters under the SEBI (ICDR) Regulations, 2009. The Promoters' Contribution constituting 20% of the post-Issue capital shall be locked-in for a period of three years from the date of Allotment of the Equity Shares in the Issue.

All Equity Shares, which are to be locked-in, are eligible for computation of Promoters' Contribution, in accordance with the SEBI (ICDR) Regulations, 2009. Accordingly we confirm that the Equity Shares proposed to be included as part of the Promoters' Contribution:

- have not been subject to pledge or any other form of encumbrance; or
- have not been acquired, during preceding three years, for consideration other than cash and revaluation of assets or capitalization of intangible assets is not involved in such transaction;
- is not resulting from a bonus issue by utilization of revaluation reserves or unrealized profits of the Issuer or from bonus issue against Equity Shares which are ineligible for minimum Promoters' Contribution;
- have not been acquired by the Promoters during the period of one year immediately preceding the date of filing of this Draft Prospectus at a price lower than the Issue Price.

The Promoters' Contribution can be pledged only with a scheduled commercial bank or public financial institution as collateral security for loans granted by such banks or financial institutions, in the event the pledge of the Equity Shares is one of the terms of the sanction of the loan. The Promoters' Contribution may be pledged only if in addition to the above stated, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of this Issue.

The Equity Shares held by our Promoters may be transferred to and among the Promoter Group 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 the Takeover Code, as applicable.

## **7. Details of share capital locked in for one year:**

In addition to 20% of the post-Issue shareholding of our Company held by the Promoters (locked in for three years as specified above), in accordance with regulation 36 of SEBI (ICDR) Regulations, 2009, the entire pre-Issue share capital of our Company (including the Equity Shares held by our Promoters) shall be locked in for a period of one year from the date of Allotment in this Issue.

The Equity Shares held by persons other than our Promoters and locked-in for a period of one year from the date of Allotment, in accordance with regulation 37 of SEBI (ICDR) Regulations, 2009, in the Issue may be transferred to any other person holding Equity Shares which are locked-in, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Takeover Code.

## 8. Shareholding pattern of our Company:

**A: The following table presents the shareholding pattern of Our Company**

Category of Shareholder	No. of Shareholders	Pre-Issue		Post issue		Shares Pledged or otherwise	
		No. of Equity Shares	As a % of Issued Equity	No. of Equity Shares	As a % of Issued	No. of Equity Shares	As a % of Issued
Shareholding of Promoters & Promoter Group							
INDIAN							
Individuals/ HUFs/Directors/Relatives	7	6216360	36.29	6216360	26.65		
Central Govt./State Govts.							
Bodies Corporate	-	---	---	---	---	---	---
Financial Institutions/Banks	-	---	---	---	---	---	---
Sub Total A (1)	7	6216360	36.29	6216360	26.65	---	---
FOREIGN							
Bodies Corporate	-	---	---	---	---	---	---
Individual	-	---	---	---	---	---	---
Institutions	-	---	---	---	---	---	---
Any others (specify)	-	---	---	---	---	---	---
Sub Total A (2)	-	---	---	---	---	---	---
Total Shareholding of Promoter group A (1) + A (2)	7	6216360	36.29	6216360	26.65	---	---
PUBLIC SHAREHOLDING							
Institutions							
Central Govt./State Govts.	-	---	---	[●]	[●]	---	---
Financial Institutions/Banks	-	---	---	[●]	[●]	---	---
Mutual Funds/UTI	-	---	---	[●]	[●]	---	---
Venture Capital Funds	-	---	---	[●]	[●]	---	---
Insurance Companies	-	---	---	[●]	[●]	---	---
Foreign Institutions Investors	-	---	---	[●]	[●]	---	---
Foreign Venture Capital Investors	-	---	---	[●]	[●]	---	---
Any Others (Specify)	-	---	---	[●]	[●]	---	---
Sub Total B (1)	-	---	---	[●]	[●]	---	---
Non Institutions	-						
Bodies Corporate	1	40000	0.23	[●]	[●]	---	---
Individuals-shareholders holding normal share capital up to Rs. 1 Lac	2	20000	0.13	[●]	[●]	---	---
Individuals-shareholders holding normal Share capital in excess of Rs.1 Lac	180	10850000	63.35	[●]	[●]	---	---
Trust	-	---	---	[●]	[●]	---	---
Any Other (i) Clearing Member	-	---	---	[●]	[●]	---	---
Directors/Relatives	-	---	---	[●]	[●]	---	---
Employees	-	---	---	[●]	[●]	---	---
Foreign Nationals	-	---	---	[●]	[●]	---	---
NRI's	-	---	---	[●]	[●]	---	---
OCB'S	-	---	---	[●]	[●]	---	---
Person Acting in Concert	-	---	---	[●]	[●]	---	---
Sub Total B(2)				[●]	[●]	---	---
Total Public Shareholding B(1) + B(2)	183	10910000	63.71	16800000	72.02	---	---
Total A+B	190	17126360	100	23016360	98.67	---	---
Shares held by Custodians and against which Depository receipts have been issued (C)	-	---	---	---	---	---	---
Shares held by Market Makers (D)	-	---	---	310000	1.33	---	---
Grand Total A+B+C+D	190	17126360	100	23326360	100		

**[B] Shareholding of our Promoters and Promoter Group**

The table below presents the current shareholding pattern of our Promoters and Promoter Group (individuals and companies) as per clause 37 of the SME Listing Agreement.

Sr. No.	Name of the shareholder	Pre-Issue		Post-Issue		Shares pledged or otherwise encumbered		
		No. of Equity Shares	As a % of Issued Share Capital	No. of Equity Shares	As a % of Issued Share Capital	Number	As a percentage	As a % of grand Total (a)+(b)+(c) of Sub-clause (i)(a)
<b>A</b>	<b>Promoters</b>							
1	Mukash Kumar	29,12,332	17.00	29,12,332	12.48		-	-
2	Ankur Agarwal	32,35,788	18.89	32,35,788	13.87		-	-
<b>B</b>	<b>Promoter Group, Relatives and other Associates</b>							
1	Ashok Kumar Sharma	2800	0.016	2800	0.01		-	-
2	Pranav Sarin	64240	0.375	64240	0.27		-	-
3	OM Prakash Jaiswal	400	0.002	400	0.001		-	-
4	Sandeep Jindal	400	0.002	400	0.001		-	-
5	Sanjay Kumar	400	0.002	400	0.001		-	-
	<b>TOTAL (A+B)</b>	<b>6216360</b>	<b>36.29</b>	<b>6216360</b>	<b>26.63</b>		-	-

**[C] Shareholding of persons belonging to the category 'Public' and holding more than 1% of our Equity Shares**

S.No.	Name of shareholder	Pre-Issue		Post-Issue	
		No. of Shares	Shares as % of total no. of shares	No. of Shares	Shares as % of total no. of shares
1	Deepak Sehgal	10,00,000	5.83	10,00,000	4.28
2	Punita Seth	2,00,000	1.17	2,00,000	0.85
3	Reeta Seth	2,00,000	1.17	2,00,000	0.85
4	Ajit Kumar Wadhwa	2,00,000	1.17	2,00,000	0.85
5	Harish Popli & Family HUF	2,80,000	1.63	2,80,000	1.20

9. The average cost of acquisition or subscription to Equity Shares by our Promoters is set forth in the table below:

Name of the Promoter	No. of Shares held	Average cost of Acquisition (in Rs.)
Ankur Agarwal	32,35,788	6.25
Mukash Kumar	29,12,332	6.25

10. None of our Directors or Key Managerial Personnel holds Equity Shares in our Company.

# 11. Equity Shares held by top ten shareholders

## A. Our top ten shareholders and the number of Equity Shares held by them as on date of the Draft Prospectus are as under

Sr. No.	Name of shareholder	No. of Shares	% age of pre-Issue capital	% age of post-Issue capital
1	Sumita Singh	2,10,000	1.22	0.90
2	Harish Popli & Family HUF	90,000	0.52	0.38
3	NK Gupta HUF	75,000	0.43	0.32
4	Mrs. Sadhna	75,000	0.43	0.32
5	Vivek Ummat	75,000	0.43	0.32
6	Sandeep Ummat	75,000	0.43	0.32
7	Ajay Agarwal	30,000	0.17	0.12
8	Rajeev Kumar Singh	30,000	0.17	0.12
9	Akshay Chandra	30,000	0.17	0.12
10	Pranav Chandra	30,000	0.17	0.12
10	Aditya Singh	30,000	0.17	0.12
10	Naresh Khurana HUF	30,000	0.17	0.12
10	Awadhesh Chahar	30,000	0.17	0.12
10	Ravi Bansal	30,000	0.17	0.12
10	Laxmi Bansal	30,000	0.17	0.12
10	Mona Bansal	30,000	0.17	0.12
10	Aruna Garg	30,000	0.17	0.12
10	Samit Garg	30,000	0.17	0.12
10	Sandeep Sikka	30,000	0.17	0.12
	<b>Total</b>	<b>10,20,000</b>	<b>5.67</b>	<b>4.12</b>

## B. Our top ten shareholders and the number of Equity Shares held by them ten days prior to the date of the Draft Prospectus are as under:

Sr. No.	Name of shareholder	No. of Shares	% age of pre-Issue capital	% age of post-Issue capital
1	Sumita Singh	2,10,000	1.22	0.90
2	Harish Popli & Family HUF	90,000	0.52	0.38
3	NK Gupta HUF	75,000	0.43	0.32
4	Mrs. Sadhna	75,000	0.43	0.32
5	Vivek Ummat	75,000	0.43	0.32
6	Sandeep Ummat	75,000	0.43	0.32
7	Ajay Agarwal	30,000	0.17	0.12
8	Rajeev Kumar Singh	30,000	0.17	0.12
9	Akshay Chandra	30,000	0.17	0.12
10	Pranav Chandra	30,000	0.17	0.12
10	Aditya Singh	30,000	0.17	0.12
10	Naresh Khurana HUF	30,000	0.17	0.12

10	Awadhesh Chahar	30,000	0.17	0.12
10	Ravi Bansal	30,000	0.17	0.12
10	Laxmi Bansal	30,000	0.17	0.12
10	Mona Bansal	30,000	0.17	0.12
10	Aruna Garg	30,000	0.17	0.12
10	Samit Garg	30,000	0.17	0.12
10	Sandeep Sikka	30,000	0.17	0.12
	<b>Total</b>	<b>10,20,000</b>	<b>5.67</b>	<b>4.12</b>

**C. Our top ten shareholders and the number of Equity Shares held by them two years prior to date of the Draft Prospectus are as under**

<b>Sr. No.</b>	<b>Name of shareholder</b>	<b>No. of Shares</b>	<b>% age of pre-Issue capital</b>
1	M/s Rich Udyog Network Ltd.	458304	2.68
2	M/s Big Brokers House stocks Ltd.	225000	1.31
3	M/s Rich International Financial services Ltd.	200643	1.17
4	M/s Rich Capital & financial services Ltd.	80000	0.47
5	Mr. Shashwat Agarwal	65940	0.39
6	Mr. Rajeev Agarwal	19143	0.11
7	M/s Cityon Systems Inc.	16060	0.09
8	Mr. Preet Kumar Gupta	11000	0.06
9	Mrs. Ritu Khanna	5000	0.03
10	Mr. Adhir Khanna	5000	0.03
	<b>Total</b>	<b>1086090</b>	<b>6.34</b>

12. There is no "Buyback", "Standby", or similar arrangement for the purchase of Equity Shares by our Company/Promoters/Directors/Lead Manager for purchase of Equity Shares offered through the Draft Prospectus.

13. There have been no purchase or sell of Equity Shares by the Promoters, Promoter Group and the Directors during a period of six months preceding the date on which the Draft Prospectus is filed with BSE.

14. Our Company has not raised any bridge loans against the proceeds of this Issue.

15. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in paragraph on "Basis of Allotment" on page no 139 of this Draft Prospectus.

16. An over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of allotment to the nearest integer during finalizing the allotment, subject to minimum allotment lot.

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

17. As on date of filing of this Draft Prospectus with SEBI, the entire issued share capital of our Company is fully paid-up. The Equity Shares offered through this Public Issue will be fully paid up.



18. On the date of filing the Draft Prospectus with SEBI, there are no outstanding financial instruments or any other rights that would entitle the existing Promoters or shareholders or any other person any option to receive Equity Shares after the Issue.
19. Our Company has not issued any Equity Shares out of revaluation reserves and not issued any bonus shares out of capitalization of revaluation reserves.
20. Lead Manager to the Issue viz. Mefcom Capital Markets Limited does not hold any Equity Shares of our Company.
21. Our Company has not revalued its assets since incorporation.
22. Our Company has not made any public issue since incorporation.
23. There will be only one denomination of the Equity Shares of our Company unless otherwise permitted by law, our Company shall comply with such disclosure, and accounting norms as may be specified by SEBI from time to time.
24. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Draft Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
25. Except as disclosed in the Draft Prospectus, our Company presently does not have any intention or proposal to alter its capital structure for a period of six (6) months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise. However, during such period or a later date, it may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by its Board of Directors to be in the interest of our Company.
26. At any given point of time, there shall be only one denomination for a class of Equity Shares of our Company.
27. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed Issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
28. An investor cannot make an application for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
29. No payment, direct, indirect in the nature of discount, commission, and allowance, or otherwise shall be made either by us or by our Promoters to the persons who receive allotments, if any, in this Issue.
30. Our Company has 190 members as on the date of filing of this Draft Prospectus.

## OBJECTS OF THE ISSUE

The objects of the Issue are to finance our business expansion plans and achieve the benefits of listing on the SME platform of BSE Ltd. We believe that listing will enhance our corporate image and brand name of our Company.

The objects of the Issue are as stated below:

The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution.

Our funding requirements are dependent on a number of factors which may not be in the control of our management, changes in our financial condition and current commercial conditions. Such factors may entail rescheduling and / or revising the planned expenditure and funding requirement and increasing or decreasing the expenditure for a particular purpose from the planned expenditure.

### Cost of Project:

The details of the project cost are summarized in the table below: -

(Rs. in lacs)		
No.	Particulars	Amount
I	Brand Building	24.00
II	Setting up of new marketing offices in Delhi & Kanpur	255.00
III	Issue Expenses	45.00
IV	Long term working capital requirement	700.00
	<b>TOTAL</b>	<b>1240.00</b>

### Means of Finance (Rs. in lacs)

Particulars	Amount
Initial Public Offer	1240.00
Internal Accrual*	-
<b>TOTAL</b>	<b>1240.00</b>

#### \*Note:-

If there will be any shortfall the same shall be covered from internal accrual.

## DETAILS OF THE OBJECTS OF THE ISSUE

### BRAND BUILDING

Brand building exercise is proposed to strengthen our marketing and distribution capabilities subject to compliance with the necessary provisions of the Companies Act. Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time, and consequently, our funding requirement and deployment of funds may also change. In accordance with the policies of our Board, our management will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

## SETTING UP OF NEW MARKETING OFFICES

The cost of Setting up a new facility is estimated as under:

(Rs. in lacs)

Particulars	Amount
Purchase of Building:-	
For Kanpur office (1500sq feet @ Rs.8000)	127.50
Lease Rentals & advance payments for Delhi office (1500sq feet @ Rs.250)	45.00
<b>Sub Total</b>	<b>172.50</b>
Buildings & Other Civil Works:-	
For Kanpur office (1500sq feet @ Rs.2100)	31.50
For Delhi office (1500sq feet @ Rs. 1500)	22.50
<b>Sub Total</b>	<b>54.00</b>
Miscellaneous Fixed Assets:-	
Air-conditioners	4.50
Furniture & Fixtures	11.75
Computers& Laptops	2.80
Kitchen Equipments	3.55
Electrical Appliances	2.25
<b>Sub Total</b>	<b>24.85</b>
<b>Contingencies</b>	<b>3.65</b>
<b>GRAND TOTAL</b>	<b>255.00</b>

## ISSUE EXPENSES

The total expenses of the Issue are estimated to be approximately 45 lakhs. The Issue related expenses consist of underwriting fees, selling commission, fees payable to the BRLMs, legal counsels, Escrow Collection Banks and Registrar to the Issue, IPO grading, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchange.

Particulars	Amount (Rs. in Lacs)	% of Total Issue Expenses	% of Total Issue Size
Issue management fees including fees and reimbursements of Market Making fees, selling commissions, brokerages, and payment to other intermediaries such as Legal Advisors, Registrars and other out of pocket expenses.	30.00	66.67	2.42
Printing & Stationery, Distribution, Postage, etc	[●]	[●]	[●]
Advertisement & Marketing Expenses	[●]	[●]	[●]
Regulatory & other expenses	[●]	[●]	[●]
<b>Total</b>	<b>45.00</b>	<b>100</b>	<b>3.62</b>

\* To be incorporated at the time of filing the Prospectus.

## Long term working capital requirement

Considering the existing growth rate of our Company, our working capital needs are expected approximately 7.81 Crore for FY 2013-14 and 14.58 Crore for FY 2014-15 as assessed based on the working of our Company. We propose to meet this working capital requirement from the IPO proceeds to the tune of 7.00 crores. Any further working capital need would either be funded through internal sources or bank finances. We have worked out the requirement of working capital as per the given table below:

Particulars	Year – 1 2013-14	Year – 2 2014-15	Year – 3 2015-16	Year – 4 2016-17	Year – 5 2017-18
Sales	30.00	55.00	66.00	79.20	95.04
Cost of Goods Sold	26.55	48.95	58.74	70.49	84.59

<b>Non Cash Current Asset Projections</b>					
Accounts Receivable	10.00	18.33	22.00	26.40	31.68
Inventories	5.00	9.17	11.00	13.20	15.84
<b>Total</b>	<b>15.00</b>	<b>27.5</b>	<b>33.00</b>	<b>39.60</b>	<b>47.52</b>
<b>Non Debt Current Liabilities Projections</b>					
Accounts Payable	6.64	12.24	14.69	17.62	21.15
Other Current Liabilities	0.55	0.69	0.86	1.07	1.34
<b>Total</b>	<b>7.19</b>	<b>12.93</b>	<b>15.54</b>	<b>18.70</b>	<b>22.49</b>
<b>Net Working Capital</b>	<b>7.81</b>	<b>14.58</b>	<b>17.46</b>	<b>20.90</b>	<b>25.03</b>
Change in Net Working Capital	-	6.76	2.88	3.45	4.13

## IMPLEMENTATION SCHEDULE

As per our current business plan, the implementation schedule is as follows:

The status of implementation as per our current business plan is as follows:			
No	Activity	Start Date	Completion Date
<b>1.</b>	<b>Purchase/ Lease Rentals of Building :-</b>		
	For Delhi office (on lease)	Oct 2013	Nov 2013
	For Kanpur office	Oct 2013	Oct 2013
<b>2.</b>	<b>Buildings &amp; Other Civil Works:-</b>		
	For Delhi office	Nov 2013	Jan 2014
	For Kanpur office	Oct 2013	March 2014
<b>3.</b>	<b>Purchase of Miscellaneous Fixed Assets:-</b>		
	For Delhi office	Dec 2013	Jan 2014
	For Kanpur office	Feb 2014	Mar 2014

## DETAILS OF FUNDS ALREADY DEPLOYED TILL DATE AND SOURCES OF FUNDS DEPLOYED

The funds deployed up to 30<sup>th</sup> July, 2013 pursuant to the object of this Issue on the Project as certified by the Auditors of our Company, viz. M/s J Agarwal & Associates, Chartered Accountants pursuant to their certificate dated 30<sup>th</sup> July, 2013 is given below:

Deployment of Funds	Rs. in Lacs
Project Related	-
Public Issue Expenses	16.46
<b>Total</b>	<b>16.46</b>

Souces of Funds	Rs. in Lacs
Internal Accrual	16.46
Bank Finance	-
<b>Total</b>	<b>16.46</b>

## INTERIM USE OF FUNDS

The Company in accordance with compliance of section 61 of the Companies Act, 1956 and with the policies established by the Board will have flexibility in deploying Issue proceeds received by us from the Issue during the interim period pending utilization for the Objects of the Issue as described above. The particular composition, timing and schedule of deployment of the Issue proceeds will be determined by us based upon the deployment of the projects. Pending utilization for the purposes described above, we may intend to temporarily invest the funds from the Issue in interest bearing liquid instruments including deposits with banks and investments in mutual funds and other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments and rated debentures.

## **MONITORING OF UTILIZATION OF FUNDS**

As the Net Proceeds of the Issue will be less than Rs. 500 crores, under the SEBI Regulations it is not mandatory for us to appoint a monitoring agency.

The management of the Company will monitor the utilization of funds raised through this public issue. Pursuant to Clause 52 of the SME Listing Agreement, our Company shall on half-yearly basis disclose to the Audit Committee the applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than stated in this Draft Prospectus and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

## BASIS FOR ISSUE PRICE

Investors should read the following basis with the “Risk Factors” beginning on Page no 10 and the details about the “Business of Our Company” and its “Financial Statements” included in this Draft Prospectus on page no 74 and page no 98 respectively to get a more informed view before making any investment decisions.

### QUALITATIVE FACTORS

Some of the qualitative factors which form the basis for computing the Issue Price are:

#### **Leveraging the experience of our Promoters:**

Our Promoters Mr. Ankur Agarwal and Mr. Mukash Kumar have enough experience of doing business in trading industry and are well versed with the nittigrittis of different aspects of trading industry.

#### **Experienced management team and a motivated and efficient work force**

Our Company is managed by a team of experienced and professional personals having knowledge of every aspect of trading activities, marketing and finance. The faith of the management in the staff and their performance has enabled us to build up capabilities to expand our business.

### QUANTITATIVE FACTORS

Information presented in this section is derived from our restated financial statements certified by the Statutory Auditors of the Company.

#### **1. Basic Earningper Equity Share (EPS) (on Face value of Rs. 10 per share)**

Year	Earnings per Share (Rs.)	Weight
FY 2008-09	0.004	1
FY 2009-10	0.33	2
FY 2010-11	0.16	3
FY 2011-12	0.08	4
FY 2012-13	0.09	5
Weighted Average	<b>0.13</b>	

- EPS Calculations have been done in accordance with Accounting Standard 20-“Earning per Share” issued by the Institute of Chartered Accountants of India.
- Basic earnings per share are calculated by dividing the net profit after tax by the weighted average number of Equity Shares outstanding during the period. Weighted Average number of Equity Shares is the number of Equity Shares outstanding at the beginning of the year/period adjusted by the number of Equity Shares issued during year/period multiplied by the timeweightingsfactor. The time weighting factor is the number of days for which the specific shares are outstanding as a proportion of total number of days during the year.
- The weighted average number of Equity Shares outstanding during the period is adjusted for events of bonus issue.
- For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

#### **2. Price/Earnings Ratio (P/E) in relation to the Issue Price Rs. 20.00**

- Based on fiscal year as on 31st March, 2013; at EPS of Rs. 0.09 as per Restated Financial Statements, the P/E ratio is 222.22.
- Based on weighted average EPS of Rs. 0.13 as per Restated Financial Statements, the P/E ratio is 153.84.
- Industry P/E: We could not assess the industry P/E, as there are no listed companies engaged in similar kind of business activities. However we have selected few companies which are either having some common products or are engaged in trading and export activities.

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

Year	RONW (%)	Weight
FY 2008-09	0.005	1
FY 2009-10	0.33	2
FY 2010-11	0.15	3
FY 2011-12	0.07	4
FY 2012-13	0.09	5
Weighted Average	<b>0.64</b>	

4. Minimum return on post Issue Net Worth to maintain the Pre-issue EPS at 31st March, 2013 is 3.56%

### 5. Net Asset Value per Equity Share

Sr.	Particulars	(Rs.)
a)	As on 31st March, 2013	111.77
b)	After Issue	11.73
c)	Issue Price	20.00

### 6. Peer Group Comparison of Accounting Ratios

The peer group comparison of various accounting ratio is as below:

(Rupees In Crore)

Name of Company	Price Per Share (Rs)	Face Value(Rs.)	EPS (Rs.)	P/E Multiple	Book Value (Rs.)	RONW (%)
Shree Global Tradefin Ltd	40.00	5.00	0.1	400.00	17.7	1.34
Hexa Tradex	18.00	2.00	-	-	39.2	-
Pearl Electronics Limited	63.00	10.00	-	-	17.1	-
Florence Investech Ltd.	174.00	10.00	19.10	9.10	328.2	192.19
Sicagen India Ltd.	14.00	10.00	3.8	3.68	101.0	37.90

\*Source: Capital Markets as on 8th July, 2013.

**Note:** - We could not find any listed company engaged in similar kind of business activities. However we have selected a few companies which are either having some common products or are engaged in trading and export activities.

7. The face value of our shares is Rs.10/- per share and the Issue Price is of Rs. 20 per share is 2 (two) times of the face value.

8. The Company in consultation with the Lead Manager believes that the Issue Price of Rs. 20.00 per share for the Public Issue is justified in view of the above parameters. The investors may also want to peruse the risk factors and financials of the company including important profitability and return ratios, as set out in the Auditors' Report in the offer Document to have more informed view about the investment proposition.

## STATEMENT OF TAX BENEFITS

To,

The Board of Directors  
Cityon Systems (India) Limited  
215, Delhi Chambers,  
Delhi Gate  
Delhi-110002

Dear Sirs,

**Sub:** Statement of possible tax benefits available to the Company and its shareholders on proposed Public Issue of Shares under the existing tax laws

We hereby confirm that the enclosed Annexure, prepared by Cityon Systems (India) Limited ('the Company'), states the possible tax benefits available to the Company and the shareholders of the Company under the Income-tax Act, 1961 ('IT Act') and the Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which, based on business imperatives which the Company may face in the future, the Company may or may not fulfill.

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

Our confirmation is 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 the interpretation of the current tax laws in force in India.

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

- The Company or its shareholders will continue to obtain these benefits in future; or
- The Conditions prescribed for availing the benefits have been or would be met.

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

No assurance is given that the revenue authorities / courts will concur with the views expressed herein. The views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We would not assume responsibility to update the view, consequence to such change. We shall not be liable to Cityon Systems (India) Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith of intentional misconduct.

Thanking you.

Yours faithfully,

For M/S J Agarwal & Associates,  
Chartered Accountants.  
Firm Registration No. - 002601C

Sd/-

Mr. Jalaj Agarwal.  
M. No. 071738.  
Partner  
Place: KANPUR  
Date: 12.07.2013



## ANNEXURE

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

#### A) SPECIAL TAX BENEFITS AVAILABLE TO OUR COMPANY AND ITS SHAREHOLDERS

I. Special Benefits available to Our Company

II. Special Benefits available to the Shareholders of Our Company

There are no special tax benefits available to the Equity Shareholders.

#### B) OTHER GENERAL TAX BENEFITS TO THE COMPANY AND ITS SHAREHOLDERS

The following tax benefits shall be available to the Company and its Shareholders under Direct tax law:

##### Under the Income-Tax Act, 1961 (“the Act”):

I. Benefits available to the Company:

##### 1. Depreciation

As per the provisions of Section 32 of the Act, the Company is eligible to claim depreciation on tangible and specified intangible assets as explained in the said section and the relevant Income Tax rules there under.

##### 2. Dividend Income

Dividend income, if any, received by the Company from its investment in shares of another domestic Company will be exempt from tax under Section 10(34) read with Section 115-O of the Income Tax Act, 1961.

##### 3. Income from Mutual Funds / Units

As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

- Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
- Income received in respect of units from the Administrator of the specified undertaking; or
- Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

For this purpose (i) “Administrator” means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) “Specified Company” means a company as referred to in section 2(h) of the said Act.

##### 4. Income from Long Term Capital Gain

As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

For this purpose, “Equity Oriented Fund” means a fund –

- (i) Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and
- (ii) Which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

As per section 115JB, the Company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating “book profits” under the provisions of section 115JB of the Act and will be required to pay Minimum Alternative Tax as follows-

<b>Book Profit</b>	<b>A.Y. 2012-13</b>	<b>A.Y. 2013-14</b>
If book profit is less than or equal to Rs. 1 Crore	19.055	19.055
If book profit is more than Rs. 1 Crore	20.008	19.055

5. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.

6. As per the provisions of Section 112 of the Income Tax Act, 1961, long-term capital gains as computed above that are not exempt under Section 10(38) of the Income Tax Act, 1961 would be subject to tax at a rate of 20 percent (plus applicable surcharge plus education cess plus secondary and higher education cess). However, as per the provision to Section 112(1), if the tax on long-term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge plus education cess plus secondary and higher education cess).

7. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- (ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

8. As per section 111A of the Act, short-term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge plus education cess plus secondary and higher education cess)

## 9. Preliminary Expenses

Under Section 35D of the Act, the company will be entitled to the deduction equal to 1/5th of the Preliminary expenditure of the nature specified in the said section, including expenditure incurred on present issue, such as Brokerage and other charges by way of amortization over a period of 5 successive years, subject to stipulated limits.

## 10. Credit for Minimum Alternate Taxes ("MAT")

Under Section 115JAA (2A) of the Income Tax Act, 1961, tax credit shall be allowed in respect of any tax paid (MAT) under Section 115JB of the Income Tax Act, 1961 for any Assessment Year commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income Tax Act, 1961. Such MAT credit shall not be available for set-off beyond 10 years immediately succeeding the year in which the MAT credit initially arose.

## II. Benefits to the Resident Shareholders of the Company under the Income-Tax Act, 1961:

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax in the hands of the shareholders.

2. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, it offers a benefit by permitting 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 Income Tax Act, 1961, 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 STT. However, the long-term capital gain of a shareholder being company shall be subject to income tax computation on book profit under section 115JB of the Income Tax, 1961.

4. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.

5. As per section 112 of the Act, if the shares of the company are listed on a recognized stock exchange, taxable long-term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge plus education cess plus secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge plus education cess plus secondary and higher education cess) without indexation benefits, whichever is less.

6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long-term specified asset" within a period of 6 months after the date of such transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately provided that the investment made in the long-term specified asset during any financial year does not exceed fifty Lac rupees. In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the longterm specified asset is transferred or converted into money.

A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

7. Under section 54F of the Income Tax Act, 1961 and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Income Tax Act, 1961) 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.

8. Under section 111A of the Income Tax Act, 1961 and other relevant provisions of the Income Tax Act, 1961, 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 plus education cess plus secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to STT. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the Income Tax Act, 1961, would be subject to tax as calculated under the normal provisions of the Income Tax Act, 1961.

9. As per section 36(1) (xv) of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered in the course of the business will be eligible for deduction from the income

chargeable under the head —Profits and Gains of Business or Profession if income arising from taxable securities transaction is included in such income.

### **III. Non-Resident Indians/Non-Resident Shareholders (Other than FIIs and Foreign Venture Capital Investors)**

1. Dividend income, if any, received by the Company from its investment in shares of another domestic company will be exempt from tax under Section 10(34) read with Section 115-O of the Income Tax Act, 1961. Income, if any, received on units of a Mutual Funds specified under Section 10(23D) of the Income Tax Act, 1961 will also be exempt from tax under Section 10(35) of the Income Tax Act, 1961, received on the shares of the Company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising to the shareholders from the transfer of a longterm capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

3. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.

4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long-term specified asset” within a period of 6 months after the date of such transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately provided that the investment made in the long-term specified asset during any financial year does not exceed fifty Lac rupees. In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the longterm specified asset is transferred or converted into money.

A “long-term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

5. Under Section 54F of the Income Tax Act, 1961 and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Income Tax Act, 1961) 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.

6. Under Section 111A of the Income Tax Act, 1961 and other relevant provisions of the Income Tax Act, 1961, 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 plus education cess plus secondary and higher education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to STT. Short-term capital gains arising from transfer of shares in a company, other than those covered by Section 111A of the Income Tax Act, 1961, would be subject to tax as calculated under the normal provisions of the Income Tax Act, 1961.

7. Under section 115-C (e) of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. “Special Provisions Relating to Certain Incomes of Non-Residents” which are as follows:

- (i) As per provisions of section 115D read with section 115E of the Act, where shares in the Company are acquired or subscribed to in convertible foreign exchange by a Non-Resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge plus education cess plus secondary and higher education cess) (without indexation benefit but with protection against foreign exchange fluctuation).
- (ii) As per section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months from 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) As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long-term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- (iv) As per section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the 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.
- (v) As per section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provision of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XIIA shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance the other provisions of the Act.

8. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

#### **IV. Foreign Institutional Investors (FIIs)**

1. Dividend income, if any, received by the Company from its investment in shares of another domestic company will be exempt from tax under Section 10(34) read with Section 115-O of the Income Tax Act, 1961. Income, if any, received on units of a Mutual Funds specified under Section 10(23D) of the Income Tax Act, 1961 will also be exempt from tax under Section 10(35) of the Income Tax Act, 1961 received on the shares of the Company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising to the FIIs from the transfer of a long-term capital asset being an equity share in the Company or a unit of equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.

3. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

#### **Nature of Income Rate of Tax (%)**

Nature of Income	Rate of Tax (%)
Long Term Capital Gain	10
Short Term Capital Gain (Referred to Section 111A)	15
Short Term Capital Gain (Other than under Section 111A)	30

The above tax rates have to be increased by the applicable surcharge, education cess, and secondary and higher education cess.

4. In case of long-term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

5. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long-term specified asset” within a period of 6 months after the date of such transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately provided that the investment made in the long-term specified asset during any financial year does not exceed fifty Lac rupees. In such a case, the cost of such long-term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the longterm specified asset is transferred or converted into money.

A “long-term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- (ii) By the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

6. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

7. However, where the equity shares form a part of its stock-in-trade, any income realized in the disposition of such equity shares may be treated as business profits, taxable in accordance with the DTAA between India and the country of tax residence of the FII. The nature of the equity shares held by the FII is usually determined on the basis of the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases, sales and the ratio between purchases and sales and the holding etc. If the income realized from the disposition of equity shares is chargeable to tax in India as business income, FII’s could claim, STT paid on purchase/sale of equity shares as allowable business expenditure. Business profits may be subject to applicable Tax Laws.

## **V. Venture Capital Companies/Funds**

1. Under Section 10(23FB) of the Income Tax Act, 1961, any income of Venture Capital company / 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 Income Tax Act, 1961, 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.

## **VI. Mutual Funds**

1. As per Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

## **Under the Wealth Tax Act, 1957**

### **Benefits to shareholders of the Company**

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2 (ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

### **Tax Treaty Benefits**

An investor has an option to be governed by the provisions of the Income Tax Act, 1967 or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

### **Notes:**

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

## SECTION IV- ABOUT OUR COMPANY INDUSTRY OVERVIEW

### SUMMARY

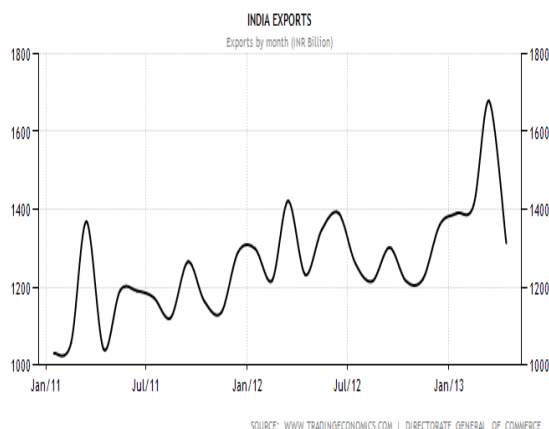
This is only the summary and does not contain all information that you shall consider before investing in Equity Shares. You should read the entire Draft Prospectus, including the information on “Risk Factors” and related notes on page no 10 of this Draft Prospectus before deciding to invest in Equity Shares.

### INDUSTRY OVERVIEW

#### Introduction

India's export performance and economic growth are closely inter-linked. Over time, the export sector has grown to be a significant earner of foreign exchange and a major contributor to India's national income. Further, the performance of this sector is highly dependent on domestic as well as global factors. As a consequence of this, domestic as well as international economic policies have a bearing on the overall export performance of India.

Exports in India are reported by the Directorate General of Commerce. Historically, from 1978 until 2013, India



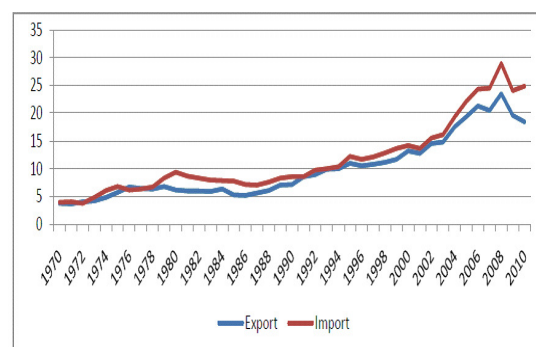
Exports averaged 238.26 INR Billion reaching an all time high of 1678.36 INR Billion in March of 2013 and a record low of 3.75 INR Billion in May of 1978. India's main exports are engineering goods (19 percent of total exports), gems and jewelry (15 percent), chemicals (13 percent), agricultural products (9 percent) and textiles (9 percent). India is also one of Asia's largest refined product exporters with petroleum accounting for around 18 percent of total exports. India's main export partners are United Arab Emirates (12 percent of total exports) and United States (11 percent). Others include: China, Singapore, Hong Kong and Netherlands.

#### ELECTRONIC GOODS

The electronic industry in India has emerged as an important manufacturing sector in recent years and has contributed positively to the growth trajectory of the Indian economy. This industry has registered strong growth in the last ten years and has increased its contribution to India's exports, as seen in figure below. Although the share of the electronics industry (as compared to textile or gems and jewelry) is low, its performance at the domestic level has revealed the industry's strong potential to cater to international markets. Consequently, this sector is expected to play a greater role in India's manufactured exports in the years to come. During the period 2011-12 (April-October), exports of Electronic Goods as a group was estimated at US \$ 5024.92 million compared with US \$ 4299.36 million during the corresponding period of last year, registering a growth of 16.88 per cent.

(Source: Ministry of Commerce and Industry)

Figure 1: Export and Import share (%) in India's GDP



Source: Author's calculations based on World Development Indicators (WDI) and United Nations (UN) Comtrade database

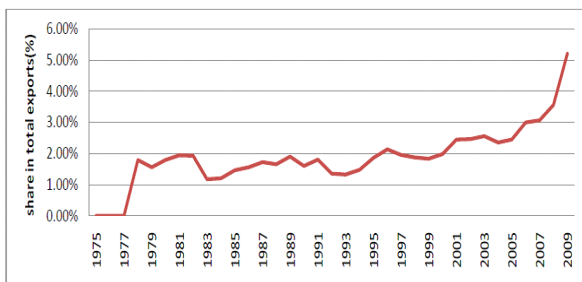
<http://data.worldbank.org/data-catalog/world-development-indicators> (last accessed on 5.9.2011)

<http://comtrade.un.org/db> (last accessed on 2.9.2011)



The key segments of the Indian electronics sector include consumer electronics and telecom equipment which are the largest and cumulatively represent nearly 27 % of total production. IT hardware is the fastest growing

Figure 18: Share of electronic goods exports in India's total exports (%)



Source: Author's calculations based on United Nations (UN) Comtrade database  
<http://comtrade.un.org/db> (last accessed on 17.9.2011)

segment; with a CAGR of 21 %. Other important segments of the electronics industry include electronic components and strategic electronics. Even though the Indian electronics market has grown at a remarkable CAGR of 25 % in the last five years and was estimated at \$45 billion in 2010, it has a minor share in the global electronics market, accounting for just over 0.6 % of global exports of electronic goods in 2009. This may in part be explained by the fact that the Indian electronics industry exports only 5 % of total production and the majority is intended for domestic consumption. In fact, the growing consumption demand of the Indian market has attracted global attention, despite

the industry's low share in world market. As income levels rise, more people in India are able to afford better lifestyles and this raises the demand for durables like television sets, mobile phones, computers, etc. Foreign players have realized this immense potential and are thus seeking investment opportunities in the Indian electronics market. The electronics industry, therefore, attracts considerable foreign investment and comprises of major multinational companies like LG, Phillips and Samsung among other international players.

## INDIAN CHEMICAL INDUSTRY

Chemical industry is an integral component of the Indian economy, with the current size of \$108 billion, it contributes around 7 % of the Indian GDP. It touches our lives in several different ways. Whether it is thermoplastic furniture we use, or a synthetic garment we wear, or a drug we take – we are inextricably associated to it. The industry is integral to the development of agricultural and industrial development in India and has key linkages with various other downstream, such as automotive, consumer durables, engineering, food processing and more.

Globalization poses many challenges to the industry, which has predominantly developed in a protected environment. With World Trade Organization assuming an increasing role in global economics, there is an inevitable move towards an inter-linked international economy. However, there have been cases where particular segments of the industry, such as pharmaceuticals and biotechnology have performed exceedingly well even at the world level. This sector accounts for about 14% in overall index of industrial production (IIP). Share of industry in national exports is around 11%. In terms of volume, India is the third-largest producer of in Asia, after China and Japan.

During the period 2012-13 (April-January), the value of exports of Chemicals and Related Products increased to US \$ 34686.90 million from US \$ 32319.14 million during the same period of the previous year registering a growth of 7.33 per cent. Basic Chemicals and Pharmaceuticals & Cosmetics and Rubber, Glass & Other Products have registered a positive growth and Residual Chemicals and allied products and Plastic & linoleum registered a negative growth.

(Source: Department of Commerce –Annual Report 2012-2013.)

### Overview

Growing at an average rate of 12.5%, the Indian chemical industry offers a wide spectrum of opportunities for the investors both from India and the world. The significant market potential, coupled with the existing pool of human resources, and the comprehensive variety of resources in the country make it a profitable destination in the new millennium. In the world production of chemicals, Indian industry stands at 12th position. Major segments of Indian chemical industry are shown below:–

### Agrochemicals

One of the most dynamic pesticide producers in the world, India is the 4th largest producer of pesticides after USA, Japan and China and second largest manufacturer of agrochemicals in Asia. Out of 145 pesticides registered in the country, 85 of a technical grade are locally manufactured. The country has established itself as a global sourcing base for generic agrochemicals. Pesticides industry has developed substantially and has contributed significantly towards India's agriculture and public health. In value terms the size of the Indian pesticide industry is \$3.8 billion in the year 2011. India is a predominant exporter of pesticides to USA, Europe and African countries.

### **Pharmaceuticals & bulk drugs**

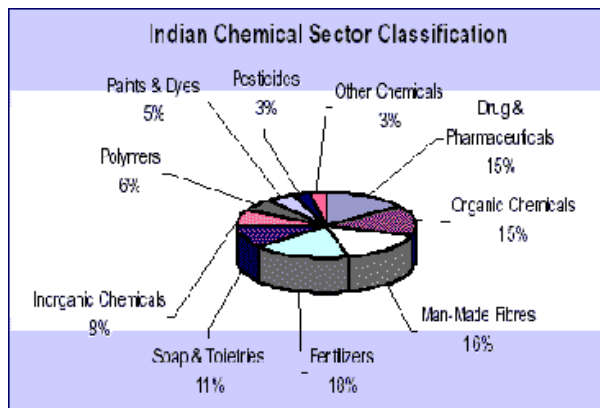
In terms of volume and value, Indian pharmaceutical industry ranks 4th and 13th respectively. In 2004, industry was valued at over \$6 billion, which is growing at an annual rate of 8 – 9 %. The industry can be divided into bulk drugs segment and formulations, and manufactures about 60,000 finished medicines and around 400 bulk drugs that are used in formulations.

### **Petrochemicals and organic chemicals**

The petrochemical sector that primarily comprises polymers, synthetic fibers, fiber intermediates and plastic processing is growing at an annual rate of 14%. At the world level, India stands 9th in terms of polymer consumption and is expected to be the 3rd largest consumer of polymers after USA and China by 2010. To meet the growing domestic requirement, 9 global size ethylene crackers of 700 kt each would need to be set up by 2011–2012, over and above the present capacity of 2.4 million tons.

### **Dyes**

The Indian dye industry is valued at around US\$ 3 billion, with exports of about US\$ 1 billion.. The industry is highly fragmented with 50 players in organized sector and 900 in unorganized sector. (400gms). The industry has undergone tremendous change over the years, starting as an intermediate manufacturing industry to a fully fledged industry with huge export potential. At present, India's share of the dye output globally stands at 5%, with a manufacturing capacity of 1, 50,000 tons per annum. The per capita consumption of dyes in India is 50 gms as compared to 400 gms in Europe, 300 gms in Japan which shows that there is tremendous potential for the Indian market to absorb additional production.



### **Specialty chemicals**

Specialty chemicals comprise fine chemicals and performance chemicals. The Indian fine chemical industry is in a growth phase with an estimated worth of US\$ 700 million. The industry primarily caters to the pharmaceutical industry. The Indian specialty chemicals industry is valued at an approximated worth of US\$ 3 billion. The specialty chemicals segment has grown at 11-13% p.a. over the XIth plan period (FY07 to FY11). Indian specialty chemical industry (excluding agrochemicals and dyes & pigments) is currently valued at \$17.7 billion and is an important growth driver for Indian economy. This segment has the potential to reach \$38 billion by the end of XIIth Five Year Plan period growing at a rate of 13-14% p.a

(Source: Planning Commission: Five year plan (2012-2017) on Indian Chemical Industry.)

### **Inorganic Chemicals**

Characterized by high degree of fragmentation even across high volume product areas, Indian inorganic chemicals industry account for less than 4.5% of global market. The sector comprises of production of chemicals, such as sulphuric acid, phosphoric acid, titanium dioxide, carbon black and chloralkali industry, which forms a major part of inorganic sector.

Two distinct scenarios for the future of the Indian chemical industry emerge, based on how effectively the industry leverages its strengths and manages challenges. In the base case scenario, with current initiatives of industry & government, the Indian chemical industry could grow at 11% p.a. to reach size of \$224 billion by 2017. However, the industry could aspire to grow much more and its growth potential is limited only by its aspirations. In an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry could lead to an overall growth rate greater than 15% p.a. and a size of \$ 290 billion by 2017.

## **METALS & ALLOYS**

### **Indian Steel Industry**

Indian Iron and Steel industry contributes significantly to overall growth and development of the economy. As per estimate, the industry today directly contributes to 2% of India's GDP and its weightage in the official index of Industrial Production (IPP) is 6.2%. (Source: Assocham- Sixth India Steel Summit 2012)

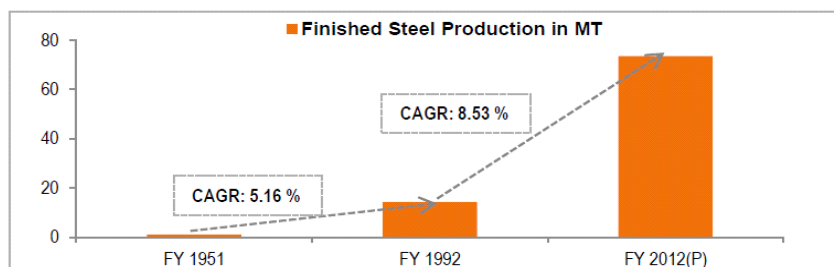
India is the largest producer of sponge iron and fourth largest producer of crude steel in the world. India registered a 5.7 % growth in crude steel production in 2011 against 2010. Japan was the only nation among top

ten crude steel producers in the world posting negative growth of minus 1.8 % for crude steel production in 2011 against 2010. Indian steel industry which is not technologically as mature as steel industry of developed economies is implementing latest technology, adapting backward integration and improving efficiency in steel production to reduce cost, increase production and become competitive globally.

### **Competitiveness of the Indian Steel Industry**

Abundance of raw materials, iron ore and cheap workforce makes Indian steel industry competitive. However dependence on imported coking coal, low production efficiency, inadequate infrastructure & technology and delays in regulatory clearances & approvals are major hindrance to growth of Indian steel industry.

**Historical trend of steel production in India: 1951 to 2012**



Source: Public Information Bureau-Gol, Ministry of Steel-Gol

production is estimated to grow at CAGR of about 11.3 % due to large scale capacity addition plans for steel production during this period. Steel consumption in India has grown substantially since evolving of modern steel industry during nineteenth century. During the past two decade steel consumption has grown at a faster pace driven by liberalization, decontrol of steel industry, growing population, infrastructure development and changing lifestyle of people. Per capita steel consumption in India (57kg: 2011) which is considerably low compared to global average (215 kg: 2011) is estimated to grow substantially during the next five years in proportionate with the growing economy.

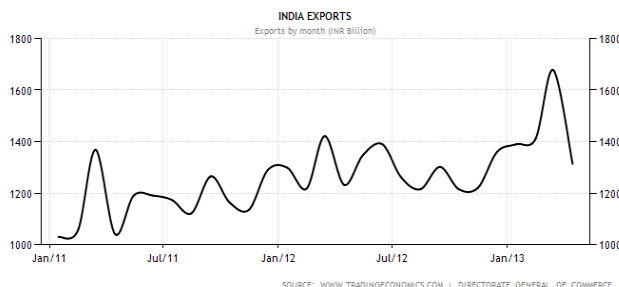
During the period FY 07 to FY 12 crude steel production has attained growth at CAGR of about 7.7 %. While the average capacity utilization remained near 89 percent of the total production capacity. During the twelfth five year plan crude steel

### **Export of Iron and Steel:**

Iron & steel are freely exportable and Advance Licensing Scheme allows duty free import of raw materials for exports. Duty Entitlement Pass Book Scheme (DEPB) was introduced to facilitate exports. Under this scheme exporters on the basis of notified entitlement rates, are granted due credits which would entitle them to import duty free goods. The DEPB benefit on export of various categories of steel items scheme is currently applicable for steel export. (Source: <http://www.steel.gov.in>)

### **Introduction**

India's export performance and economic growth are closely inter-linked. Over time, the export sector has grown to be a significant earner of foreign exchange and a major contributor to India's national income. Further, the performance of this sector is highly dependent on domestic as well as global factors. As a consequence of this, domestic as well as international economic policies have a bearing on the overall export performance of India.



Exports in India are reported by the Directorate General of Commerce. Historically, from 1978 until 2013, India Exports averaged 238.26 INR Billion reaching an all time high of 1678.36 INR Billion in March of 2013 and a record low of 3.75 INR Billion in May of 1978. India's main exports are engineering goods (19 percent of total exports), gems and jewelry (15 percent), chemicals (13 percent), agricultural products

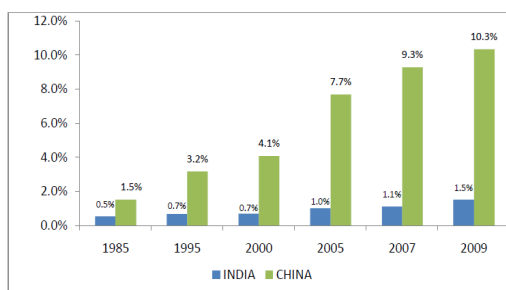
(9 percent) and textiles (9 percent). India is also one of Asia's largest refined product exporters with petroleum accounting for around 18 percent of total exports. India's main export partners are United Arab Emirates (12 percent of total exports) and United States (11 percent). Others include: China, Singapore, Hong Kong and Netherlands.

As per WTO's International Trade Statistics, 2012, in merchandise trade, India is the 19th largest exporter in the world with a share of 1.7 per cent and the 12th largest importer with a share of 2.5 per cent in 2011. (Source: Ministry of Commerce Annual Report 2012-13)

A comparison of India's export composition with that of its competitors reveals a major point of difference.

While for India, services has grown to be a major contributor to its world exports, some of its key competitors like China, Brazil and South Africa continue to earn close to 90 percent of their export revenue through merchandise exports alone.<sup>23</sup> Therefore, the merchandise component plays a bigger role in the exports of other emerging economies, a fact which could explain why India's share in world merchandise exports has remained low, as seen in Figure 4. Figure 4 also reveals how China has become a leading market for merchandise exports and also highlights the difference between India and China's market positions. Between 1995 and 2009, China's share in world merchandise

Figure 4: Share in world merchandise exports



Source: Author's calculations based on UNCTAD (United Nations Conference on Trade and Development) database

changes in its composition over time. Petroleum and related products have continued to be a major component of India's manufactured exports between 1990 and 2009 and their contribution has increased from 5.3 percent in 1990 to over 14 percent in 2009. Other than petroleum, gems and jewelry has been an important export commodity throughout the period, though its share in manufacturing exports has declined from 27.2 percent in 1990 to 15 percent in 2009. It is also seen that cotton, which was traditionally an important export item for India, has declined in its contribution, from 5.7 percent in 1990 to under 1 percent in 2009.

Exports of the top five commodities during the period 2012-13 (April-January) registered a share of 50.8 per cent in US \$ terms mainly due to significant contribution in the exports of Petroleum (Crude & Products), Gems & Jewellery, Transport Equipments, Machinery and Instruments and Drugs, Pharmaceuticals & Fine chemicals.

(Source: Ministry of Commerce Annual Report 2012-2013)

Share of Top Five Commodities in India's Exports 2012-13 (April- January)

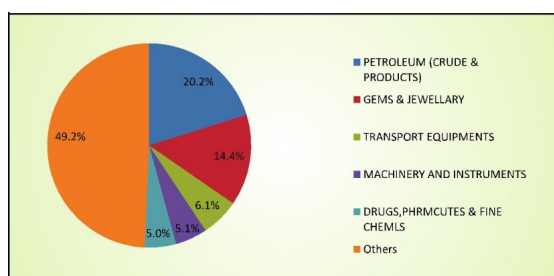
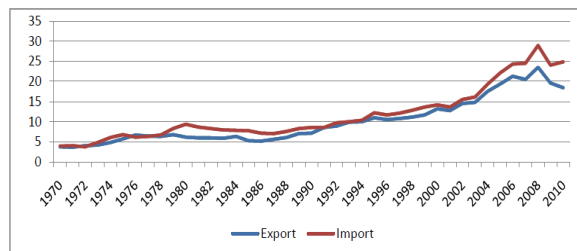


Figure 1: Export and Import share (%) in India's GDP



Source: Author's calculations based on World Development Indicators (WDI) and United Nations (UN) Comtrade database  
<http://data.worldbank.org/data-catalog/world-development-indicators> (last accessed on 5.9.2011)  
<http://comtrade.un.org/db> (last accessed on 2.9.2011)

whereas India's share rose from a mere 0.7 percent to 1.5 percent in the same period.

## INDIA'S KEY MANUFACTURED EXPORTS

### Composition of Manufactured exports

Since manufactured goods constitute a majority of India's merchandise exports, it is important to analyze the composition of manufactured exports to identify India's key export commodities. The distribution of top manufactured goods exports and reveals certain

Overall, the figure depicts a structural shift in India manufactured exports, away from cotton and textile oriented exports and towards more technique and technology-based items such as pharmaceutical products (medicaments & chemicals), telecommunication equipments, electronic goods, Metals & Alloys (Iron & Steel) etc.

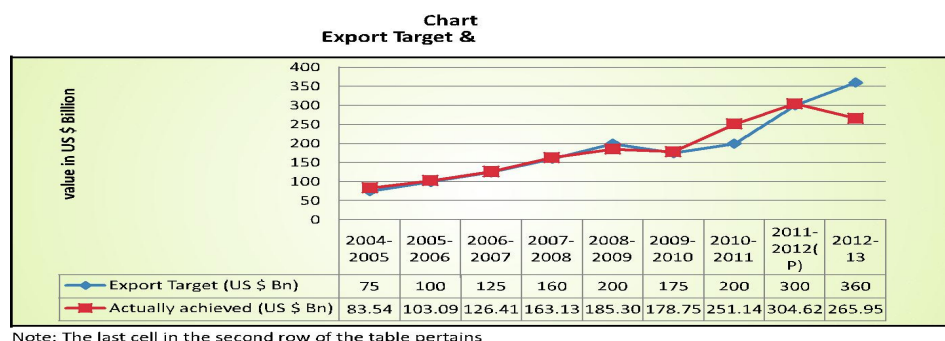
The following discussion focuses on three commodities which have played an important role in India's manufactured exports between 1975 and 2012. The commodities identified are:

- **Electronic goods** which is an upcoming industry and employs a large number of technically-skilled workers.
- **Pharmaceutical products** (medicaments & chemicals) are integral to the development of agriculturaand industrial development in India.
- **Metals & Alloys** (Iron & Steel) which contribute over 16 percent to India's exports and is a high labor-intensive as well as an import-intensive industry.

In addition to contributing an important share to India's exports, the selected industries also represent a combination of traditional as well as contemporary exports of India. Moreover, as the following discussion will reveal, there is a distinct variation in the structure of these industries.

## ELECTRONIC GOODS

The electronic industry in India has emerged as an important manufacturing sector in recent years and has contributed positively to the growth trajectory of the Indian economy. This industry has registered strong growth in the last ten years and has increased its contribution to India's exports, as seen in Figure. Although the share of the electronics industry (relative to textile or gems and jewellery) is low, its performance at the domestic level has revealed the industry's strong potential to cater to international markets. Consequently, this sector is expected to play a greater role in India's manufactured exports in the years to come.



(Source: Ministry of Commerce-Annual Report 2012-13)

The key segments of the Indian electronics sector include consumer electronics and telecom equipment which are the largest and cumulatively represent nearly 27 % of total production. IT hardware is the fastest growing segment; with a CAGR of 21 %. Other important segments of the electronics industry include electronic components and strategic electronics. Even though the Indian electronics market has grown at a remarkable CAGR of 25 % in the last five years and was estimated at \$45 billion in 2010, it has a minor share in the global electronics market, accounting for just over 0.6 % of global exports of electronic goods in 2009. This may in part be explained by the fact that the Indian electronics industry exports only 5 % of total production and the majority is intended for domestic consumption. In fact, the growing consumption demand of the Indian market has attracted global attention, despite the industry's low share in world market.

During the period 2011-12 (April-October), exports of Electronic Goods as a group was estimated at US \$ 5024.92 million compared with US \$ 4299.36 million during the corresponding period of last year, registering a growth of 16.88 per cent.

(Source: Ministry of Commerce and Industry)

As income levels rise, more people in India are able to afford better lifestyles and this raises the demand for durables like television sets, mobile phones, computers, etc. Foreign players have realized this immense potential and are thus seeking investment opportunities in the Indian electronics market. The electronics industry, therefore, attracts considerable foreign investment and comprises of major multinational companies like LG, Phillips and Samsung among other international players.

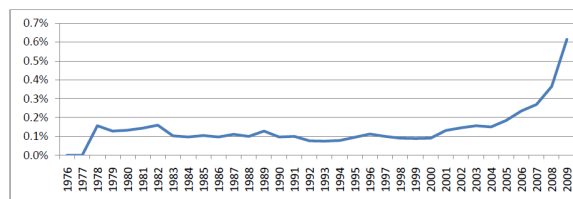


India's electronic exports have grown steadily over the years, largely fueled by contract manufacturing. In particular, the electronic components segment contributes the largest share to the sector's exports [the export items include passive components such as capacitors and resistors; wound components; CD-ROMS; connectors; color picture tubes and computer components/assemblies, such as head stacks, memory modules and RFID products]. The other important export segments are industrial and consumer electronic goods and computer electronics.

The major export markets for Indian electronic goods are the US, UK and Singapore. The share of Indian exports in these markets, however, continues to be under 1 percent, though this has improved since 1995. Overall, India's electronics exports have remained uncompetitive (compared to world exports), as seen in the Figure below.

However, the upward trend in the RCA (for electronic exports) since 2000 is indicative of an improvement in global competitiveness over time. Factors which have contributed to this include the growing presence of global multinational companies in India and increased outsourcing of manufacturing by Indian as well as global equipment manufacturers. An important resource which has contributed and can further improve India's competitive advantage is the availability of skilled manpower at competitive costs in India. Being an industry which crucially relies on technical knowledge, this industry has the potential to absorb high quality labor from the large pool of technologically skilled workforce in India. The National Skill Development Corporation has estimated that the industry will employ between 3-3.2 million skilled workers by 2022 and 70 percent of them are likely to be absorbed into the manufacturing and servicing support. This industry can exploit this advantage of skilled human capital to fuel its productivity and thereby maximize exports of this sector.

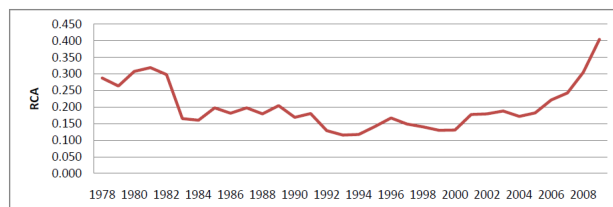
Figure 19: India's share in world export of electronics goods



Economic reforms and regulatory policies have also played an important role in supporting the electronics industry. Following the economic crisis in the early nineties, industrial licensing has been virtually abolished from the electronics and IT hardware sector (excluding manufacturing electronic aerospace and defense equipment). Additionally, the Indian government signed the ITA-I agreement (as imposed by WTO and effective

from March 2005) which abolished all the custom duties to facilitate trade in this sector. Under this agreement, there was no reservation for PSU's in this industry and private investments were allowed in every segment. This sector also opened up to foreign participation and allowed foreign companies to establish operations in India under the Indian companies Act, 1956, in addition to wholly owned subsidiaries. The state-level governments have continued to encourage joint

Figure 20: RCA- Indian (World) exports of electronics goods



Source: Author's calculations based on United Nations (UN) Comtrade database  
<http://comtrade.un.org/db> (last accessed on 17.9.2011)

ventures as they provide the advantage of established contracts, financial support and a distribution-marketing network for the Indian partner. In general, the foreign trade policy permits the import of all electronics and IT products, with the exception of some defense related items. The schemes provided for setting up Export Oriented Units for the electronics industry provide drawbacks on duties and are designed to also attract foreign participation. The Software Technology Parks of India (STPI) Scheme in particular has been a major success. The challenges which afflict this sector result from the broader difficulties faced by the Indian manufacturing sector. The policies are designed to improve the overall efficiency by attracting the most competitive firms and skilled human capital, but higher investments in research and development (R&D) can improve the productivity of this sector and subsequently its contribution to India's manufacturing exports. In this regard, the electronics sector is likely to benefit from the New Manufacturing Policy (2011). While it is expected that electronics will possibly account for a major share of India's total manufacturing by 2022, the various investment and tax incentives provided (under the NMP) for electronics, LED and semi-conductor industries can succeed in attracting many more multinational companies to India, thereby making India an important part of the global electronics supply chain.

### **Conclusion and scope for future work**

It is evident from the preceding discussion that India has followed a development model unlike that of the East Asian Economies. While the services sector has registered remarkable growth and contributed significantly to

India's GDP, the manufacturing sector has grown at a comparatively slower pace. The overall performance of the Indian manufacturing sector has widespread implications for various aspects of the economy; employment, being one of the chief areas of impact. Since this sector generates large scale employment for low and medium skilled workers, it is imperative to develop features which will create a conducive environment for industries to grow further. The paper identifies the various inadequacies which prevail within the sector. In particular, the presence of the unorganized component within industries reduces the benefits that can be derived from economies of scale. Such constraints cumulatively prevent the manufacturing sector from achieving its potential.

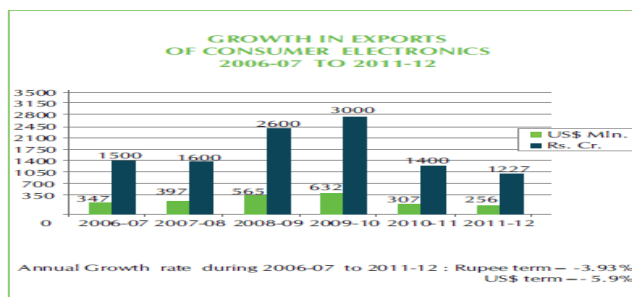
India's production of consumer electronics goods during the year 2011-12 registered a growth of 3 percent (-5 percent in US\$ terms) over the year 2010-11. In value terms, production of consumer electronics goods is estimated at Rs. 34300 crore (US\$ 7146 million) up from Rs. 33400 crore (US\$ 7331million) estimated in the year 2010-11. Production of consumer electronics items has been growing at an annual average growth rate of 11.39percent (9.09 Percent in US\$ terms) during the past five years.

## EXPORT OF CONSUMER ELECTRONIC GOODS DURING 2011-12

Export of consumer electronic goods registered a decline of 12.36 percent (16.81 percent in US\$ terms) during the year 2011-12 over the year 2010-11. In value terms, export of consumer electronics goods fell from Rs. 1400 crore (US\$ 307 million) estimated in the year 2010-11 to Rs. 1227 crore (US\$ 256 million) during the year 2011-12.

### Inorganic Chemicals

Characterized by high degree of fragmentation even across high volume product areas, Indian inorganic chemicals industry account for less than 4.5 % of global market. The sector comprises of production of chemicals, such as sulphuric acid, phosphoric acid, titanium dioxide, carbon black and chloralkali industry, which forms a major part of inorganic sector. During 2012-13 (April–January), import of Organic and Inorganic Chemicals increased to US \$ 16116.77 million from US \$ 15837.29 million during the same period of last year, registering a growth of 1.76 per cent. Import of Medicinal and Pharmaceutical Products increased to US \$2550.01 million from US \$ 2446.88 million during the corresponding period of last year registering a growth of 4.21 per cent



### Future Forecasts

A decade of economic reforms has resulted in major changes in the way the Indian chemical manufacturers work and operate. Individual enterprises have realized their strengths and weaknesses and are gearing up to face the new challenges. Success stories in dyes and agrochemicals have boosted the confidence of Indian manufacturers to take on global competition squarely. Some of the advantages of Indian chemical industry include –

- Due to its low cost infrastructure, the country has huge export potential. According to a recent report, India's chemical exports have the potential to raise US\$ 300 billion by 2015. This defines an investment of US\$ 50 billion in chemical industry alone.
- The country has the capacity for high value addition being close to Middle East. This is a cheap and ample source for petrochemical feedstock.
- In some categories of chemicals, India does have the advantage for exports (dyes, pharmaceuticals and agrochemicals) by establishing strategic alliances with countries like Russia. With the expertise and know-how available in the country, there is a tremendous export potential in dyestuff and agrochemical market.
- Availability and abundance of raw materials for titanium dioxide and agro-based products, such as castor oil provide an opportunity to yield significant value addition. This, however, would require substituting their exports in raw form by producing high value derivatives.
- The major challenges are pursuit for feedstock and knowledge management. The naphtha-based crackers that have been providing feedstock to the industry traditionally have now been replaced by new gas-based crackers. Along with China, India poses a stiff competition to the Middle East due to the vibrant exports and huge unexplored reserves of oil and gas. The Govt. of India is acting as a facilitator by establishing LNG terminals and acquiring equity interests in overseas proven oil reserves. This will fuel the fast growth in chemical industry. The govt. is also engaged in the development and formulation of a National Policy on Pharmaceuticals and mega-industrial chemical estates.

Two distinct scenarios for the future of the Indian chemical industry emerge, based on how effectively the industry leverages its strengths and manages challenges. In the base case scenario, with current initiatives of industry & government, the Indian chemical industry could grow at 11% p.a. to reach size of \$224 billion by 2017. However, the industry could aspire to grow much more and its growth potential is limited only by its aspirations. In an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry could lead to an overall growth rate greater than 15% p.a. and a size of \$ 290 billion by 2017.

Steel consumption in India has grown substantially since evolving of modern steel industry during nineteenth century. During the past two decade steel consumption has grown at a faster pace driven by liberalization, decontrol of steel industry, growing population, infrastructure development and changing lifestyle of people. Per capita steel consumption in India (57kg: 2011) which is considerably low compared to global average (215 kg: 2011) is estimated to grow substantially during the next five years in proportionate with the growing economy.

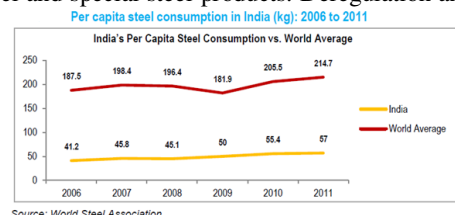
## INDIA'S STEEL EXPORT TREND AND FUTURE SCENARIO

### Steel Import Trend And Future Scenario

India has been a net importer of steel, primarily of high grade steel and special steel products. Deregulation and reduction in import duties on steel imports has favored steel imports. Steel imports have increased during the past decade due to surge in domestic demand and reduction in price



Source: Joint Plant Committee - MoS, Working group report 2012-17- MoS



Source: World Steel Association

differential between imported steel and domestic steel. Import volumes have been fluctuating during the past five years and as per working group estimates steel imports during 12th FYP are estimated to be in 5-6 MT range.

Liberalization and free trade policy helped growth of steel exports from India. Most of the steel exports from India consist of value added steel products with higher margins. To remain competitive globally India needs to grow share of value added and sophisticated steel product in its export basket. Steel exports from India declined during 2008-11 period due to subdued demand of steel globally. Steel export is expected to regain momentum as the global economy revives. Steel exports are estimated to grow gradually from about 4 MT during FY 13 to 7 MT by FY 17.

Last five year's export of total finished steel (alloy + non alloy) is given below:-

Indian steel industry : Exports (in million tons)					
Category	2007-08	2008-09	2009-10	2010-11	2011-12*
Total Finished Steel (alloy + non alloy)	5.08	4.44	3.25	3.64	4.04
Source: Joint Plant Committee; *provisional					

## SHARE TRADING

### The Indian Economy

India is the fourth largest economy in the world after the European Union, United States of America and China in purchasing power parity terms, with an estimated Gross Domestic Product ("GDP") (purchasing power parity) of U.S.\$ 4.46 trillion in 2011 (Source: CIA World Fact book 2011). India rebounded from the global financial crisis, largely because of strong fundamentals and robust banking policies, posting a GDP growth of 7.8% in 2011. The Gross Domestic Product (GDP) in India expanded 0.8 percent in the second quarter of 2012 over the previous quarter. Historically, from 1996 until 2012, India GDP Growth Rate averaged 1.65 Percent reaching an all time high of 6.10 Percent in March of 2010 and a record low of -1.50 Percent in March of 2004.



## **Indian Financial Services Sector**

The financial sector in India is characterized by liberal and progressive policies, vibrant equity and debt markets and prudent banking norms. India's financial sector has been one of the fastest growing sectors in the economy. India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets etc. The Indian financial sector attributes its growth to technology up gradation, consolidation of large broking houses, and evolution of e-broking business, growth in retail segment, regulatory reforms, diversified asset instruments and foreign investment participation. There is huge growth potential in the Indian financial sector. Sectors such as banking, asset management and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector.

## **Indian Capital Market**

India has a transparent; highly technology enabled and well regulated stock / capital market. A vibrant, well developed capital market facilitates investment and economic growth. Today the stock markets are buoyant and have a range of players including mutual funds, FIIs, hedge funds, corporate and other institutions. Domestic savings and capital inflows are channelized in the capital markets. There were over 1,652 listings as of July 2012 on the NSE and as of March 2012; there were over 5,133 listed Indian companies and over 8,196 scrips on the stock exchange. In recent years, the capital markets have undergone substantial reforms in regulation and supervision.

Reforms, particularly the establishment of SEBI, market-determined prices and allocation of resources, screen based nation-wide trading, t+2 settlement, scrip less settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are presently 23 recognized stock exchanges in India.

## **Primary Security Market**

Role of an efficient primary market is critical for resource mobilisation by corporates to finance their growth and expansion. Indian primary market witnessed renewed activity in terms of resource mobilisation and number of issues during 2010-11, continuing its momentum from 2009-10. In view of the recovery witnessed in equity markets post global financial crisis, companies, largely public sector with a divestment mandate, entered the primary market during 2010-11. Investors' response to public issues was encouraging in 2010-11. Capital (equity and debt) was raised to the tune of 67,609 crore through 91 issues during 2010-11, higher than 57,555 crore mobilised through 76 issues during 2009-10. Continued reforms in the primary market further strengthened investors' confidence. The primary market segment witnessed positive trend during 2010-11. Coal India Ltd. Came out with India's biggest-ever initial public offering (IPO) having issue size of 15,199.4 crore in October 2010. During 2010-11, a number of public sector undertakings (PSUs) raised money through primary market as part of disinvestment plan of Union Government. The total resource mobilisation by PSUs accounted for 56.5 percent of total resources mobilised by all companies in 2010-11 as against 54.1 percent share in 2009-10.

*(Source – SEBI Annual Report)*

## **Secondary Market**

Equity market in India witnessed a significant uptrend during 2010-11 till October 2010. This was of significant FII inflows into India and number of IPOs/FPOs of companies like Coal India Ltd, Power Grid Corporation of India Ltd, Tata Steels Ltd, etc. coming to primary market which attracted number of investors to capital market. However, post Diwali in November 2010 when market touched its peak, Indian Securities Market took downward trend from December 2010 to February 2011 on account of significant FII outflows and concerns raised on domestic and international issues. However, the markets got revived in March 2011 as compared to February 2011 on account of easing of concerns on domestic and international issues and FIIs being net investor in Indian Markets in March, 2011 which helped the market sentiments *(Source – SEBI Annual Report)*.

## **Market Capitalisation**

The total market capitalization of securities available for trading on the CM segment increased from 63,350 crore (US \$ 115,606 million) as at end March 1995 to 60,96,518 crore (US \$ 11,10,679.18 million) as at end March 2012. **(Source: NSE Fact book 2012)**

## **Derivatives Market**

Derivatives are meant to facilitate hedging of price risk of inventory holding or a financial/commercial transaction over a certain period. By providing investors and issuers with a wider array of tools for managing risks and raising capital, derivatives improve the allocation of credit and the sharing of risk in the global

economy, lowering the cost of capital formation and stimulating economic growth. The financial derivatives gained prominence in post- 1970 period due to growing instability in the financial markets and 27 became very popular, in the recent years, the market for financial derivatives has grown both in terms of variety of instruments available, their complexity and turnover. India's experience with the equity derivatives market has been extremely positive. The derivatives turnover on the NSE has surpassed the equity market turnover. The turnover of derivatives on the NSE increased from 23,654 million in 2000–2001 to 292,482,211 million in 2010–2011, and reached 157,585,925 million in the first half of 2011–2012. The average daily turnover in these market segments on the NSE was 1,151,505 million in 2010– 2011 compared to 723,921 in 2009–2010. (Source: Indian Securities Market, A Review (ISMR) of 2012 by NSE)

## OUR BUSINESS

*In this section, unless the context otherwise requires, a reference to "we", "us" and "our" refers to Cityon Systems (India) Limited. Unless otherwise stated or the context otherwise requires, the financial information used in this section is derived from our restated financial information. This section should be read together with "Risk Factors" on page no 10 and "Industry Overview" on page no 63*

### BUSINESS OVERVIEW

Our Company was originally incorporated in Delhi as "Cityon systems (India) Pvt. Ltd" on 27<sup>th</sup> April, 2004 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana. On March 12, 2008 it was converted to a Public Limited Company under the name of Cityon Systems (India) Ltd. and fresh Certificate of Incorporation consequent upon change of name was issued by ROC, Delhi & Haryana. For further details in relation to the changes to the name of our Company, please refer to the section titled "Our History and Corporate Structure" beginning on page no 79 of this Draft Prospectus.

The main object for which the company was incorporated was basically to carry on the business of import, export, purchase, assemble, stockist, distributors, agents, dealers, traders, designers and jobbers in all type of computers, computers software, computer hardware, data entries etc. In the year 2008, the company was converted to a Public Limited Company and thereafter the object was amended to make the object clause more widen to carry on the business of general merchants, traders, importers and exporters, representatives in all types of Electric Goods, Iron & Steel, Shares, and Chemicals etc. and to cover wide range of all such activities.

Our Company is engaged in trading of diversified products ranging from Iron & Steel and chemicals to computer software and hardwares. We look forward to any such trading opportunity, where bulk orders are available. We procure those material at a cheaper rate from the sources developed by our team after long years of experience. In 2012, the management of the company was taken over by Mr. Mukash Kumar and Mr. Ankur Agarwal, (who joined as promoters) with a view to further boost and stabilize the operations, provide efficiency in execution and to improve the overall performance of the company. Our ethical practices, transparent businesses, strong Corporate Governance and focused employees have contributed to make every endeavor a success.

### OUR STRENGTHS

We believe that the following are our primary competitive strengths:

#### 1. Vast, Diverse and Growing Product selection

We believe that our ability to identify a diverse product range, where bulk trading opportunities are available. Products like Iron & Steel are always in demand and may be readily procured from the manufacturing units.

#### 2. Experienced Directors and Management Team

Our Directors and business management group are experienced within their respective specialised segments. Our Director Mr. Mukash Kumar with over 15 years of experience will have a major role in the growth and development of our business. We also have senior professionals, as a part of our management team, who have domain knowledge and experience. We believe that, our management team possesses an in-depth understanding of the trading activities, and is therefore well -positioned to focus on the continued expansion and strengthening of our business activities.

#### 3. Strong Relationships in the Industry

As an established entity, in various aspects of the trading community in India, we believe that we have managed to create, maintain and build our goodwill with other industry participants. We believe that this has led to repeated business transactions with known names in the industry for acquisition and supply of various products.

### OUR STRATEGY:

Our overall strategy is to include more and more products for trading, and increase the turnover. We also propose to increase our exports to various countries where good demand is seen. Our strategy is designed to address predictability, scalability and sustainability, ultimately resulting in profitability.

The Company proposes to use the fund so raised through this issue to explore new business opportunities and expand its export activities by setting up marketing offices at two locations- New Delhi & Kanpur. Our Company proposes to explore and accept different business proposals to diversify product range for trading, which would be profitable and feasible. Working Capital is basic requirement in order to achieve its goal. Our Company proposes to use part of the fund so raised to meet short term working capital requirements in order to further expand the product as well as the trading range.

## **SWOT ANALYSIS**

### **STRENGTHS**

- Integrated Business Model
- Locational Advantage
- Experienced Management Team

### **WEAKNESS**

- Revenue and profitability is directly linked to the identification of new products and its economic procurement.
- Rapid changes in the demand behavior of the consumers.

### **OPPORTUNITIES**

- Growing awareness among customers about new products.
- New demand for electronic and other industrial products for expansion.
- Increase in construction and infra structure sector enabling large demand for steel and other construction materials.

### **THREATS**

- There are no entry barriers in our Industry which puts us to the threat of competition from new entrants.
- Any change or shift of focus of Government policies may adversely impact our financials.

## **Expanding our business**

We intend to establish our presence in markets by leveraging our domestic experience and seeking Cost and operational advantages. We will continue to focus on expansion of market share and existing client base. We propose to increase our presence through establishing two new offices in Kanpur and Delhi. We carry on the business of general merchants, traders, importers, exporters, representatives in all types of Electric Goods, Iron & Steel, Shares, and Chemicals etc. We believe our experience in these industries enables us to effectively identify and drive new business opportunities.

## **Ensure High Working Capital Adequacy**

We believe that during times when the entire supply chain of metal, chemicals and other markets are facing liquidity problems, there exists an inherent need for a strong trading company which can increase operational and financial efficiencies of the supply chain. We intend to maintain high Working Capital Adequacy in our company in order to give us ready liquidity when it is needed. Sufficient Working capital would help boost our company's efficiency as well as its short-term financial health.

## **Description of our Products and Services**

We are a trading company in India and have been providing services to the all types of Electric Goods, Iron & Steel, Shares, and Chemicals etc. Our current and proposed core business models include Trading of the following: (i) Iron and Steel Products (ii) Chemicals (iii) Share Trading (iv) Electric goods. Our business operations are geographically spread across India and conducted through the Registered Office, Corporate Office and its Branches.

### **Steel**

Steel is the widely used metal and is an indispensable part of Household and Industry. For details regarding the Industry Scenario of Steel please refer to —Industry Overview beginning on page no 63 of this Draft Red Herring Prospectus.

## **KEY REGULATIONS AND POLICIES**

The following description is a summary of various sector-specific laws and regulations in India, which are applicable to our Company. The information below has been obtained from publications in the public domain. It may not be exhaustive, and is only intended to provide general information and is neither designed nor intended to substitute for professional legal advice.

### **Income-tax Act, 1961**

The Income Tax Act, 1961 deals with the taxation of individuals, corporates, partnership firms and others. As per the provisions of this Act the rates at which they are required to pay tax is calculated on the income declared by them or assessed by the authorities, after availing the deductions and concessions accorded under the Act. The maintenance of Books of Accounts and relevant supporting documents and registers are mandatory under the Act. Filing of returns of Income is compulsory for all assesses.

### **Central Excise Act, 1944**

Excise duty is levied on production of goods but the Liability of excise duty arises only on removal of goods from the place of storage, i.e., factory or warehouse. Unless specifically exempted, excise duty is Levied even if the duty was paid on the raw material used in production.

### **Customs Regulations**

All imports into India are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification.

### **Service Tax**

Chapter V of the Finance Act 1994 (as amended), and Chapter V-A of the Finance Act 2003 requires that where provision of certain Listed services, whole taxable services exceeds Rs. 10,00,000, a service tax with respect to the same must be paid. Every person who is Liable to pay service tax must register himself for the same.

### **Central Sales Tax Act (CST)**

The main object of this act is to formulate principles for determining (a) when a sale or purchase takes place in the course of trade or commerce (b) When a sale or purchase takes place outside a State (c) When a sale or purchase takes place in the course of imports into or export from India, to provide for Levy, collection and distribution of taxes on sales of goods in the course of trade or commerce, to declare certain goods to be of special importance trade or commerce and specify the restrictions and conditions to which State Laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. CST Act imposes the tax on interstate sales and states the principles and restrictions as per the powers conferred by Constitution.

### **The Companies Act, 1956**

The Act deals with laws relating to companies and certain other associations. It was enacted by the parliament in 1956. The Companies Act primarily regulates the formation, financing, functioning and winding up of companies. The Act prescribes regulatory mechanism regarding all relevant aspects including organizational, financial and managerial aspects of companies. Regulation of the financial and management aspects constitutes the main focus of the Act. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act plays the balancing role between these two competing factors, namely, management autonomy and investor protection. On 18th December, 2012, Lok Sabha has passed the Companies Bill, 2012 which, once enacted, shall replace the Companies Act, 1956. The said Bill is, however, yet to be passed by Rajya Sabha and enacted into law. As on the date of this draft Prospectus, the Companies Bill, 1956 continues to prevail. The Equal Remuneration Act, 1976 ("Equal Remuneration Act") and Equal Remuneration Rules, 1976. The Constitution of India provides for equal pay for equal work for both men and women. To give effect to this provision, the Equal Remuneration Act, 1976 was implemented. The Act provides that no discrimination shall be shown on the basis of sex for performing similar works and that equal remuneration shall be paid to both men and women when the same work is being done.

## **The Competition Act, 2002**

The Competition Act, 2002 (the “Competition Act”) prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates “combinations” in India. The Competition Act also established the Competition Commission of India (the “CCI”) as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified recently on March 4, 2011 and came into effect on June 1, 2011. Combinations which are Likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as „Individuals and „Group. The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is Likely to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decision to acquire control, shares, voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

## **Child Labour (Prohibition and Regulation) Act, 1986**

This statute prohibits employment of children below 14 years of age in certain occupations and processes and provides for regulation of employment of children in all other occupations and processes. Under this Act the employment of child labour in the building and construction industry is prohibited.

## **Legal Metrology Act, 2009**

The Legal Metrology Act, 2009 (Act 1 of 2010) repeals and replaces the Standard of Weights and Measures Act, 1976 and the Standards of weights and Measures (Enforcement) Act, 1985.

The Legal Metrology Act, 2009, inter alia, provides for,—

1. Regulation of weight or measure used in transaction or for protection;
2. Approval of model of weight or measure;
3. Verification of prescribed weight or measure by Government approved Test Centre;
4. Prescribing qualification of legal metrology officers appointed by the Central Government or State Government;
5. Exempting regulation of weight or measure or other goods meant for export;
6. Levy of fee for various services;
7. Nomination of a Director by a company who will be responsible for complying with the provisions of the enactment;
8. Penalty for offences and compounding of offences;
9. Appeal against decision of various authorities; and
10. Empowering the Central Government to make rules for enforcing the provisions of the enactment.

## **Industrial (Development and Regulation) Act, 1955**

The Industrial (Development and Regulation) Act, 1951 has been Liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from Licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from Licensing, is required to file an Industrial Entrepreneurs Memorandum (“IEM”) with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

## **Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989**

The purpose of Motor Vehicles Act, 1988 is to regulate the activities associated with the driving licences, vehicle registration, vehicles safety etc. The Central Motor Vehicle Rules, 1989 framed under the above Act also prescribe various road safety measures. The Motor Vehicles Act, 1988 and the Central Motor Vehicle

Rules, 1989 (Chapter-II) prescribes stringent procedure for grant of Driving Licences. Changes in the said Act and related rules have a bearing on the business of the Company

#### **Employees (Provident Fund and Miscellaneous Provisions) Act, 1952**

The Employees (Provident Fund and Miscellaneous Provisions) Act, 1952, applies to factories employing more than 20 employees and such other establishments and industrial undertakings as notified by the Government from time to time. It requires all such establishments to be registered with the relevant State Provident Fund Commissioner. Also, such employers are required to contribute to the employees' provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance payable to employees. Employees are also required to make equal contribution to the fund. A monthly return is required to be submitted to the relevant State Provident Fund Commissioner in addition to the maintenance of registers by employers.

#### **Employment (Standing Orders) Act, 1950**

The Industrial Employment (standing orders) Act requires employers in industrial establishments to formally define conditions of employment under them. It applies to every industrial establishment wherein 100 (reduced to 50 by the Central Government in respect of the establishments for which it is the Appropriate Government) or more workmen are employed. The Act calls for the submission of such conditions of work to the relevant authorities for their approval.

#### **Employees State Insurance Act, 1948**

Under the Employees State Insurance Act, 1948, ("ESI Act"), all establishments where 20 or more persons are employed are required to be registered with the Employees State Insurance Corporation. The ESI Act requires all employees of the factories and establishments to which it applies to be insured in the manner provided. Further, both employers and employees are required to make contribution to the ESI fund, of which returns are required to be filed with the ESI department.

In addition, under the provisions of local shops and establishments legislations applicable in the states in which commercial establishments are located, such establishments are required to be registered. Such legislations regulate the working and employment conditions of workers employed in shops commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, and other rights and obligations of the employers and employees. Such laws are enforced by the Chief Inspector of Shops and various inspectors under the supervision and control of the Labour Commissioner acting through the various District Deputy/Assistant Labour Commissioners.

#### **Foreign Trade (Development and Regulation) Act, 1992**

This statute seeks to increase foreign trade by regulating the imports and exports to and from India. This Legislation read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for a Person Importer Exporter code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

#### **FEMA Regulations**

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. 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. Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India.

## **OUR HISTORY AND CORPORATE STRUCTURE**

### **HISTORY & BACKGROUND**

Our Company was originally incorporated in Delhi as “Cityon systems (India) Pvt. Ltd” on 27<sup>th</sup> April, 2004 under the Companies Act, 1956 vide certificate of incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana. On March 12, 2008 it was converted to a Public Limited Company under the name of Cityon Systems (India) Ltd. and fresh Certificate of Incorporation consequent upon change of name was issued by ROC, Delhi & Haryana.

Our Company is registered under the Companies Act, 1956 with registration no. 126096

We are engaged in Business of trading of Electric goods, Iron & steels; Export sale of chemicals, Iron & steels, channels and share trading.

#### **The Registered Office**

The registered office of our Company is situated at 215, Delhi Chambers, Delhi Gate. New Delhi-110002.

### **CHANGES IN THE REGISTERED OFFICE OF OUR COMPANY SINCE INCORPORATION**

There is no change in the registered office of our company since incorporation.

### **MAIN OBJECTS OF OUR COMPANY**

The object clauses of the Memorandum of Association of our Company enable us to undertake the activities for which the funds are being raised in the present Issue. Furthermore, the activities of our Company which we have been carrying out until now are in accordance with the objects of the Memorandum. The objects for which our Company is established are:

1. To carry on the business of import, export, purchase, assemble, stockists, distributors, agents, dealers, traders, designers, jobbers, in all types/kinds of computers, computer software development, computer hardware, data entries, software implementations systems studies, software documentation and related matters, computer systems, computer peripherals, integrated circuits, process control, printers, monitors, UPS computer components, spare parts, computer based systems, computer aided designs, telecommunications systems and its related software and hardware, networking of local area and wide area, data communication hardware and software, electronic equipments, office automation, computer stationeries / furniture's, diskettes, magnetic tapes and other computer/ electrical/electronic related items.
2. To develop, buy, sell, trade, import, export, put up, install, repair, assemble, distribute or otherwise deal in computer hardware, software, system designing, data processing, internet, internet equipment, and services, electronic communication equipments ,electronic data processing equipments, their peripherals and allied products, such as modems, plotters, digitizers scanners ,components accessories and consumables of all kinds, nature and description.
3. To provide management of and consultancy in the field of information technology, computer hardware and software, system designing, data processing and data transfer and to act as dealers, distributors, agents, representative of Indian and foreign concerns persons operating in the line of information technology and allied activities related thereto.
4. To carry on the business of information technology development system integration and networking, information system audit including security audit including security audit, electronic banking, internet related web site designing ,web page, e-mail, e-business, e-commerce and internet applications, cyber-café, information and security connected products and any other activities relating to information technology.
5. To carry on business as general merchants, traders, importers, exporters, representatives in all types of systems and merchandise, goods, machinery and equipment, glass and glass products, cosmetics, paints, varnishes, dyes and pigments, oil and lubricants, personal care products, pharmaceuticals, fertilizers, pesticides, precious and semi-precious stones, diamonds, tea, coffee, granites, marble and other stones, pipes, tubes, cement and cement products, paper, plastic and plastic products, molded luggage, packing and packing materials, rubber and rubber products, musical and sports, goods, telecommunication equipment, electrical, solar systems, alternate energy systems, computer and peripherals, hardware, software, entertainment/electronic media software and domestic appliances.



6. To carry on manage, supervise and control the business of transmitting, manufacturing, supplying, generating, distributing and dealing in electricity and all forms of energy and power generated by any source whether nuclear, steam, hydro or tidal, water, wind, solar, hydrocarbon fuel or any other form, kind or description.
7. To generate, develop, accumulate, augment, receive, transmit, distribute, sell, resell, supply, or otherwise deal in electric power by establishment, erection of diesel genset power plants, gas based combined power plants, thermal power plant, solar power plants, wind power plant, atomic power plant, hydraulic power plant or any other power plant based on any source of energy as may be developed or invested in future and to construct, lay down, establish, fix and carry out and execute all necessary work in respect of power stations, cables, wires, lines, accumulators and transformers.
8. To carry on in India or abroad the business of event management, advertising and publicity agents, sub-agents, consultants and contractors and for this purpose to purchase, sell, sponsor, charter, manage, acquire, undertake, hold, provide and promote, publicity or advertising time space or opportunity on and radio station, broadcasting center, television center, music video and music audio, video cassettes, hoardings, neon signs, electronic display board, cinema cable networks, newspapers, magazines, souvenirs, and all other present and future medias, or devices including electronic media through internet and other display devices of all kinds and descriptions or to organize trade fairs, exhibitions, road shows to promote the sale or any other interest of its clients.
9. To carry on the business of advertising agency for providing to advertise a complete range of advertising services on all mass media such as hoardings, newspapers, magazines, radio, televisions, and films and to organize and conduct events, stage shows, fashion shows, trade fairs and exhibitions and any other print media.
10. To carry on the business of production distribution and marketing of films, serials, ad films, documentaries, music videos, music cassettes, and other works in audio and video format, multimedia services, information/content providers on media industry and other related activities.
11. To carry on the business of marketing, and to carry on the designing and producing publishing of banners magazines, catalog and brochures.
12. To carry on the business to manufacture, maintain, install, prepare, produce, fabricate, alter, paint, convert, finish, buy, sell, import, and export all kinds of advertising and publicity material and such as slides, cassettes, pamphlets, calendars, posters hoardings, cutouts etc.

#### **CHANGES IN THE MEMORANDUM OF ASSOCIATION**

The following changes have been made in the Memorandum of Association of our Company since inception:

<b>DATE</b>	<b>AMENDMENT</b>
4 <sup>th</sup> February, 2008	Increase in authorized capital of the Company from Rs. 5 Lacs divided into 50,000 Equity Shares of Rs. 10 each to Rs.1 Crore, divided into 10,00,000 Equity shares of Rs.10 each.
16 <sup>th</sup> March, 2010	Increase in authorized capital of the Company from Rs. 1 Crore divided into 10,00,000 Equity Shares of Rs. 10 each to Rs. 2 Crore divided into 20,00,000 Equity shares of Rs.10 each.
15 <sup>th</sup> April, 2013	Increase in authorized capital of the Company from Rs. 2 Crore divided into 20,00,000 Equity Shares of Rs. 10 each to Rs. 20 Crore divided into 2,00,00,000 Equity shares of Rs.10 each.
3 <sup>rd</sup> June, 2013	Increase in authorised capital of the Company from Rs. 20 Crore divided into 2,00,00,000 Equity Shares of Rs. 10 each to Rs. 23 Crore divided into 2,30,00,000 Equity shares of Rs. 10 each.
17 <sup>th</sup> June, 2013	Increase in authorised capital of the Company from Rs. 23 Crore divided into 2,30,00,000 Equity Shares of Rs. 10 each to Rs. 24 Crore divided into 2,40,00,000 Equity shares of Rs. 10 each.

**HOLDING COMPANY OF OUR COMPANY**

Our Company has no holding company as on the date of filing of the Draft Prospectus.

**SUBSIDIARY OF OUR COMPANY**

There is no subsidiary of our Company as on the date of filing of the Draft Prospectus.

**SHAREHOLDERS AGREEMENTS**

Our Company has not entered into any shareholders agreement as on date of filing of the Draft Prospectus.

**OTHER AGREEMENTS**

Our Company has not entered into any specific or special agreements except that have been entered into in ordinary course of business as on the date of filing of the Draft Prospectus.

**COLLABORATION**

Our Company has not entered into any collaboration with any third party as per regulation (VIII) B (1) (c) of part A Schedule VIII of SEBI (ICDR) Regulations, 2009.

**STRATEGIC PARTNER**

Our Company does not have any strategic partner as on the date of filing of the Draft Prospectus.

**FINANCIAL PARTNER**

Our Company does not have any financial partner as on the date of filing of the Draft Prospectus.

**DEFAULTS OR RESCHEDULING OF BORROWINGS WITH FINANCIAL INSTITUTIONS OR BANKS**

There have been no defaults or rescheduling of borrowings with financial institutions or banks as on the date of this Draft Prospectus.

**NUMBER OF SHAREHOLDERS**

Our Company has One hundred and Ninety (190) shareholders on date of the Draft Prospectus.

## MANAGEMENT

### BOARD OF DIRECTORS

Under our Articles of Association, our Company is required to have not less than three (3) Directors and not more than twelve (12) Directors. Our Company currently has six (6) Directors on Board. The following table sets forth current details regarding our Board of Directors:

Name, Father's name, Address, Occupation, Nationality, Tenure & DIN	Age	Status of Directorship in our Company	Other Directorships
<b>1. Mr. Mukash Kumar</b> S/o Mr. Mavesh Chandra 88 Ganjashaheeda (Ansha) H.No.1, Tehsil-Ujhani Badayoaye, U.P-243639 Tenure : Retire by rotation Nationality: Indian Occupation: Business DIN:06573251	53 yrs	Executive & Non-Independent Director	Nil
<b>2. Mr. Ankur Agarwal</b> S/o Mr. Mukash Kumar 88 Ganja shaheeda (Ansha) H.No.1, Tehsil Badayoaye, U.P-243639. Occupation: Business Nationality: Indian Tenure : Retire by rotation DIN: 06598310	25 yrs	Executive & Non-Independent Director	Nil
<b>3. Mr. Abhishek Tandon</b> S/o Rajendera Kumar Tandon B-184, Block-B, D.D.A Flats, Mount Kailash, Delhi Tenure : Retire by rotation Nationality: Indian Occupation: Business DIN:03530860	30 yrs	Non-Executive & Non-Independent Director	Nil
<b>4. Mr. Gaya Prasad Gupta</b> S/o Late Banshi Dhar Gupta 23/56, Patkapur Kanpur, U.P-208001 Occupation: Business Nationality: Indian Tenure : Retire by rotation DIN:00335302	65 yrs	Non-Executive & Independent Director	1. Vasundhra Capital & Securities Ltd. 2. Rich Udyog Capital Ltd. 3. Nikki Global Finance Ltd. 4. Nirbharant Constructions Pvt Ltd.
<b>5. Mr. Anoop Srivastava</b> S/o Mahesh Chandra Srivastava 179/11, Chak No.129 Babupurwa New Colony, Kanpur Nagar Tenure : Retire by rotation Nationality: Indian Occupation: Business DIN:06571462	40 yrs	Non-Executive & Independent Director	Nil
<b>6. Mr. Om Prakash Agarwal</b> S/o Rameshwar Dayal Agarwal P-211, Raghubir Nagar New Delhi-110027 Tenure : Retire by rotation Nationality: Indian Occupation: Business DIN:03358726	48 yrs	Non-Executive & Independent Director	Nil

**Note:**

As on the date of the Draft Prospectus:

1. None of the above mentioned Directors are on the RBI List of willful defaulters as on date.
2. Further, none of our Directors are or were directors of any company whose shares were (a) suspended from trading by stock exchange(s) for more than 3 months during the five years prior to the date of filing the Draft Prospectus or (b) delisted from the stock exchanges.
3. None of the Promoters, Persons forming part of our Promoter Group, Directors or persons in control of our Company, has been or is involved as a promoter, director or person in control of any other company, which is debarred from accessing the capital market under any order or directions made by SEBI or any other regulatory authority.

**DETAILS OF DIRECTORS**

**Mr. Mukash Kumar**, aged 53 years, is one of the two Promoters of our Company. He is the managing director and Non-Independent Director of our company. He holds graduate degree in commerce from a recognised university. He has 20 years of experience in finance and related fields. He is responsible for overall planning and management of our Company. He has been inducted in the Board of Directors of our Company on May 4, 2013. He is appointed first as the Whole time Director w.e.f June 1, 2013 and subsequently appointed as Managing Director of our company w.e.f July 1, 2013.

**Mr. Ankur Agarwal**, aged 25 years, is Promoter of our company. He has been appointed as an Executive & Non-Independent Director of our Company. He holds Postgraduate degree in Commerce from Bareilly. He is responsible for overall planning & management of our Company. He has been on the Board of Directors of our Company since June 4, 2013.

**Mr. Abhishek Tandon**, aged 30 years, is a Non-Executive and Non-Independent Director of our company. He holds a postgraduate degree in commerce from Delhi University. He is well associated with day to day affairs of the company. He has been on the board of our company since 21<sup>st</sup> May, 2013.

**Mr. Anoop Srivastava**, aged 40 years, is the Non-Executive and Independent Director of our Company. He is a Graduate. He is well associated with day to day affairs of this company. He has been on the Board of our Company since 04<sup>th</sup> May 2013.

**Mr. Om Prakash Agarwal**, aged 48 years, is a Non-Executive and Independent Director of our Company. He is an Intermediate by qualifications. He is very effective in social networking and is guiding the company in achieving its overall objective. He has been on the Board of our Company since 04<sup>th</sup> May 2013.

**Mr. Gaya Prasad Gupta**, aged 65 years, is a Non-Executive and Independent Director of our Company. He is an Intermediate and has 20 years of experience in Marketing. He is well associated with day to day affairs of this company. As an Independent Director of our Company with corporate acumen he brings value addition to our Company. He has been on the Board of our Company since 2<sup>nd</sup> January 2008. He is also director in four other companies as shown below:

1. Vasundhra Capital & Securities Ltd.
2. Rich Udyog Capital Ltd.
3. Nikki Global Finance Ltd.
4. Nirbharant Constructions Pvt Ltd.

**CONFIRMATIONS**

1. None of the Directors is or was a director of any listed company during the last five years preceding the date of filing of the Draft Prospectus, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in any such company.
2. None of the Directors is or was a director of any listed company which has been or was delisted from any recognized stock exchange in India during the term of their directorship in such company.

**NATURE OF FAMILY RELATIONSHIP AMONG DIRECTORS**

There is no family relationship among the Directors except between Mr. Mukash Kumar and Mr. Ankur Agarwal who are Father and Son.

## BORROWING POWERS OF THE DIRECTORS

Pursuant to a special resolution passed at Extra Ordinary General Meeting of our Company held on July 30, 2013, consent of the members of our Company was accorded to the Board of Directors of our Company pursuant to Section 293(1)(d) of the Companies Act, 1956 for borrowing from time to time any sum or sums of money on such security and on such terms and conditions as the Board may deem fit, notwithstanding that the money to be borrowed together with the money already borrowed by our Company (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) may exceed in the aggregate, the paid-up capital of our Company and its free reserves, provided however, the total amount so borrowed in excess of the aggregate of the paid-up capital of our Company and its free reserves shall not at any time exceed Rs. 10 Crores.

## TERMS OF APPOINTMENT AND COMPENSATION OF OUR DIRECTORS

Name	Mr. Mukash Kumar
Designation	Whole Time Director
Period	Five years with effect from 1st June, 2013
Date of Appointment	Board Meeting dated 23 <sup>rd</sup> May, 2013
Remuneration	<p><b>a) Salary</b> Rs. 10,000/- p.m. (Rupees Ten thousand Only).</p> <p><b>b) Perquisites</b></p> <ol style="list-style-type: none"><li>1. House Rent Allowance: Rs 2000 per month.</li><li>2. Medical Reimbursement: Medical expense incurred by the whole time Director, of himself and his family subject to a ceiling of one month's salary per year or three months salary over a period of three years.</li><li>3. Leave Travel Concession: Once in a year incurred in accordance with the rules of the company.</li><li>4. Personal Accidental Insurance: Premium shall not exceed of Rs. 2000.</li><li>5. Provident Fund: Contribution to provident fund, superannuation fund or annuity fund as per the company's rules.</li><li>6. Gratuity: Gratuity shall be paid at half a month salary for each completed year of service.</li><li>7. Car: Company will provide a car with driver will not be considered as perquisites</li><li>8. Telephone: Company will provide telephone at the residence of the whole time director; will not be considered as perquisites.</li><li>9. Leave He will be entitled to privilege leave with pay not exceeding one month for every eleven month of completed year of service. Leave not availed</li></ol>
Remuneration paid in FY 31st March, 2013	Rs. Nil

Name	Mr. Mukash Kumar
Designation	Managing Director
Period	Three years with effect from 1st July, 2013
Date of Appointment	Board Meeting dated 25 <sup>th</sup> June 2013
Remuneration	<p><b>a) Salary</b> Rs. 10,000/- p.m. (Rupees Ten thousand Only).</p> <p><b>c) Perquisites</b></p> <p>10. House Rent Allowance: Rs 2000 per month.</p> <p>11. Medical Reimbursement: Medical expense incurred by the whole time Director, of himself and his family subject to a ceiling of one month's salary per year or three months salary over a period of three years.</p> <p>12. Leave Travel Concession: Once in a year incurred in accordance with the rules of the company.</p> <p>13. Personal Accidental Insurance: Premium shall not exceed of Rs. 2000.</p> <p>14. Provident Fund: Contribution to provident fund, superannuation fund or annuity fund as per the company's rules.</p> <p>15. Gratuity: Gratuity shall be paid at half a month salary for each completed year of service.</p> <p>16. Car: Company will provide a car with driver will not be considered as perquisites</p> <p>17. Telephone: Company will provide telephone at the residence of the whole time director; will not be considered as perquisites.</p> <p>18. Leave He will be entitled to privilege leave with pay not exceeding one month for every eleven month of completed year of service. Leave not availed</p>
Remuneration paid in FY 31st March, 2013	Rs. Nil

There is no definitive and /or service agreement that has been entered into between our Company and the directors in relation to their appointment.

#### **NON – EXECUTIVE DIRECTORS**

Currently, Non-Executive Directors are not being paid sitting fees.

#### **CORPORATE GOVERNANCE**

Our Company stands committed to good corporate governance practices based on the principles such as accountability, transparency in dealings with our stakeholders, emphasis on communication and transparent reporting. We have complied with the requirements of the applicable regulations, including the Listing Agreement to be executed with the Stock Exchange and the SEBI Regulations, in respect of corporate governance including constitution of the Board and Committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

We have a Board constituted in compliance with the Companies Act and the Listing Agreement in accordance with best practices in corporate governance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

Currently our Board has Six (6) Directors. We have one (1) executive non independent director, two (2) non-executive non independent director and three (3) independent non executive directors. The constitution of our Board is in compliance with the requirements of Clause 52 of the Listing Agreement.

The following committees have been formed in compliance with the corporate governance norms:

- A) Audit Committee
- B) Shareholders/Investors Grievance Committee
- C) Remuneration Committee

#### **AUDIT COMMITTEE**

Our Company has constituted an audit committee ("Audit Committee"), as per the provisions of Section 292A of the Companies Act, 1956 and Clause 52 of the Listing Agreement to be entered with Stock Exchange, vide resolution passed in the meeting of the Board of Directors held on 10<sup>th</sup> June, 2013. The terms of reference of Audit Committee complies with the requirements of Clause 52 of the Listing Agreement, proposed to be entered into with the Stock Exchange in due course. The Committee presently comprises of following three (3) directors. Mr. OM Prakash Agarwal is the Chairman of the Audit Committee.

No.	Name of the Director	Status	Nature of Directorship
1.	Om Prakash Agarwal	Chairman	Independent Director
2.	Anoop Srivastava	Member	Independent Director
3.	Gaya Prasad Gupta	Member	Independent Director

#### **Role of Audit Committee**

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

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.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and credible.
6. 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.
7. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
8. 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 Directors' 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 (e) Compliance with listing and other legal requirements relating to financial statements (f) Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
9. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
10. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

11. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
12. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing, and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
13. Discussion with internal auditors any significant findings and follow up there on.
14. 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.
15. 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.
16. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
17. To review the functioning of the Whistle Blower mechanism, in case if the same is existing.
18. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
19. Carrying out any other function as mentioned in the terms of reference of the Audit Committee.
20. Mandatorily reviews the following information:
  - Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
21. Review the Financial Statements of its Subsidiary company, if any.
22. Review the composition of the Board of Directors of its Subsidiary company, if any.
23. Review the use/application of funds raised through an issue (public issues, right issues, preferential issues etc) on a quarterly basis as a part of the quarterly declaration of financial results. Further, review on annual basis statements prepared by the Company for funds utilized for purposes other than those stated in the offer document.

In addition, to carry out such other functions/powers as may be delegated by the Board to the Committee from time to time.

#### **SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

Our Company has constituted a shareholder / investors grievance committee ("Shareholder/ Investors Grievance Committee") to redress the complaints of the shareholders. The Shareholders/Investors Grievance Committee was constituted vide resolution passed at the meeting of the Board of Directors held on 10<sup>th</sup> June, 2013. The committee currently comprises of three (3) Directors. Mr. Anoop Srivastava is the Chairman of the Shareholders/ Investors Grievance committee.

No.	Name of the Director	Status	Nature of Directorship
1.	Mr. Anoop Srivastava	Chairman	Independent Director
2.	Mr. Gaya Prasad Gupta	Member	Independent Director
3.	Mr. Om Prakash Agarwal	Member	Independent Director



**Role of shareholders/investors grievance committee**

The Shareholders / Investors Grievance Committee of our Board look into:

- The redressal of investors complaints viz. non-receipt of annual report, dividend payments etc.
- Matters related to share transfer, issue of duplicate share certificate, dematerializations.
- Also delegates powers to the executives of our Company to process transfers etc.
- The status on various complaints received / replied is reported to the Board of Directors as an Agenda item.

**REMUNERATION COMMITTEE**

Our Company has constituted a remuneration committee ("Remuneration Committee"). The Remuneration Committee was constituted vide resolution passed at the meeting of the Board of Directors held on 10<sup>th</sup> June, 2013. The committee currently comprises of three (3) Directors. Mr. Gaya Prasad Gupta is the Chairman of the remuneration committee.

No.	Name of the Director	Status	Nature of Directorship
1.	Mr. Gaya Prasad Gupta	Chairman	Independent Director
2.	Mr. Anoop Srivastava	Member	Independent Director
3.	Mr. Om Prakash Agarwal	Member	Independent Director

The terms of reference of the remuneration committee are as follows:

- The remuneration committee recommends to the board the compensation terms of the executive directors.
- Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including ESOP, Pension Rights and any compensation payment.
- Considering approving and recommending to the Board the changes in designation and increase in salary of the executive directors.
- Ensuring the remuneration policy is good enough to attract, retain and motivate directors.
- Bringing about objectivity in deeming the remuneration package while striking a balance between the interest of the Company and the shareholders.

**Policy on Disclosures and Internal Procedure for Prevention of Insider Trading**

Our Company undertakes to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of our Company's shares on the Stock Exchange. Our Company Secretary and Compliance Officer, Ms. Vibha Wadhwa is responsible for setting forth policies, procedures, monitoring and adhering to the rules for the prevention of dissemination of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

**SHAREHOLDING DETAILS OF THE DIRECTORS IN OUR COMPANY**

As per the Articles of Association of our Company, a Director is not required to hold any qualification shares. The following table details the shareholding of our Directors as on the date of this Draft Prospectus:

Name of Director	Number of Equity Shares	% of Pre-Issue Paid up Share Capital
Mr. Gaya Prasad Gupta	-	-
Mr. Anoop Srivastava	-	-
Mr. Om Prakash Agarwal	-	-
Mr. Abhishek Tandon	-	-
Mr. Mukash Kumar	2912332	17.00
Mr. Ankur Agarwal	3235788	18.89
<b>Total</b>	<b>6148120</b>	<b>35.89</b>

## INTEREST OF DIRECTORS

All the Directors of our Company may be deemed to be interested to the extent of sitting fees and/or other remuneration if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses if any payable to them under the Articles of Association. All the Directors may also be deemed to be interested in the Equity Shares of our Company, if any, held by them, their relatives or by the companies or firms or trusts in which they are interested as directors / members / partners or that may be subscribed for and allotted to them, out of the present Issue and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any other company in which they have direct /indirect interest or any partnership firm in which they are partners.

Our Directors may also be regarded interested to the extent of dividend payable to them and other distributions in respect of the Equity Shares, if any, held by them or by the companies / firms / ventures promoted by them or that may be subscribed by or allotted to them and the companies, firms, in which they are interested as Directors, members, partners and Promoters, pursuant to this Issue.

## PROPERTY INTEREST

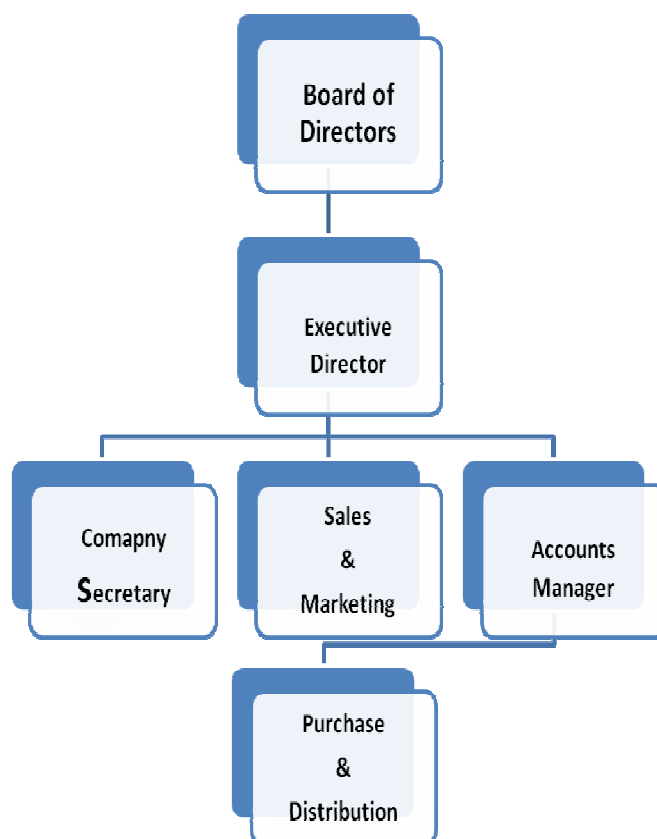
Our Company has not entered into any contract, agreements or arrangement during the preceding two (2) years from the date of this Draft Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

## CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE (3) YEARS

The changes in the Directors during last three (3) years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Shashwat Agarwal	-	26-11-2012	Resignation
Mr. Rajeev Agarwal	-	26-11-2012	Resignation
Mr. Nirbharant Agarwal	10-02-2011	26-11-2012	Resignation
Mr. Rajesh Agarwal	26-11-2012	21-05-2013	Resignation
Mr. Samarth Tandon	-	04-05-2013	Resignation
Mr. Abhishek Tandon	21-05-2011	04-05-2013	Resignation
Mr. Abhishek Tandon	21-05-2013	-	-
Mr. Mukash Kumar	04-05-2013	-	-
Mr. Anoop Srivastava	04-05-2013	-	-
Mr. Om Prakash Agarwal	04-05-2013	-	-
Mr. Sanjay Tandon	13-01-2012	21-05-2013	Resignation
Mr. Adhir Khanna	-	31-08-2010	Resignation
Mr. Gaya Prasad Gupta	02-01-2008	-	-
Mr. Ankur Agarwal	04-06-2013	-	-

## ORGANISATION STRUCTURE



## KEY MANAGERIAL PERSONNEL

Our Company is managed by its Board of Directors, assisted by qualified professionals, in the respective field of production/finance/distribution/marketing and corporate laws.

The following key personnel assist the management of our Company:

Name	Date of Joining	Designation	Functional Responsibilities	Qualification	Previous Employment
Mr. Jagdish Prasad Agarwal	15.05.2013	Manager Accounts & Finance	Accounting, Finance controls and management of cash flows	Graduate	3 years of experience with supreme industries
Mr. Ashish Mittal	01.06.2013	Sales & Marketing	Marketing and aquisition of media content	Intermediate	4 years of experience with Bansal suppliers
Ms. Vibha Wadhva	15.06.2013	Company Secretary & Compliance Officer	Drafting of agreements, drafting of resolutions, preparation of minutes & compliance of the provisions of the Companies Act, 1956	Qualified Company Secretary	First Appointment

## **BRIEF PROFILE OF KEY MANAGERIAL PERSONNEL**

1. **Mr. Jagdish Prasad Agarwal** is the Manager-Accounts & Finance of our Company. He has completed his Bachelor degree in commerce. He is working with our Company since May, 2013. He oversees accounting, financial controls and management of cash flows. Mr. Jagdish Prasad Agarwal has 3 years of experience in the firm named supreme industries
2. **Mr. Ashish Mittal** is Sales & Marketing Manager of our Company. He is working with our Company since June, 2013. Mr. Ashish Mittal has 4years of experience in the firm named as Bansal suppliers.
3. **Ms. Vibha Wadhva** is a Company Secretary & Compliance Officer of our Company. She is a associate member of Institute of Companies Secretaries of India. She is associated with our Company from 15<sup>th</sup> June, 2013. Her scope of work and responsibilities includes drafting of Agreements, Drafting of Resolutions, Preparation of Minutes & compliance with the provisions of Companies Act, 1956.

## **FAMILY RELATIONSHIP BETWEEN KEY MANAGERIAL PERSONNEL**

As on date, none of the key managerial persons is having family relation with each other. All of key managerial personnel are permanent employee of our company.

## **SHAREHOLDING OF THE KEY MANAGERIAL PERSONNEL**

As on date, none of the key managerial personnel hold any Equity Shares of our Company.

## **BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL**

There is no profit sharing plan for the Key Managerial Personnel. Our Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

## **LOANS TO KEY MANAGERIAL PERSONNEL**

There are no loans outstanding against Key Managerial Personnel as on 30<sup>th</sup> July, 2013.

## **CHANGES IN KEY MANAGERIAL PERSONNEL OF OUR COMPANY DURING THE LAST THREE (3) YEARS**

The changes in the Key Managerial Employees of the Issuer during the last three (3) years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Jagdish Prasad Agarwal	15.05.2013	-	Appointment
Mr. Ashish Mittal	01.06.2013	-	Appointment
Ms. Vibha Wadhva	15.06.2013	-	Appointment

## **EMPLOYEES STOCK OPTION SCHEME**

Our Company does not have any Employee Stock Option Scheme/ Employee Stock Purchase Scheme as on the date of filing of this Draft Prospectus.

## **PAYMENT OR BENEFIT TO OUR OFFICERS**

Except for the payment of normal remuneration for the services rendered in their capacity as employees of our Company, no other amount or benefit has been paid or given within the two (2) preceding years or intended to be paid or given to any of them.


## OUR PROMOTERS

The Promoters of our Company are:

1. Mr. Mukash Kumar
2. Mr. Ankur Aggarwal

DETAILS OF OUR PROMOTERS ARE AS UNDER:


### Mr. Mukash Kumar

	Mr. Mukash Kumar, aged 54 years, is the Promoter and Whole Time Director of our Company. He is well associated with day to day affairs of this company. He has been on the Board of Directors of our Company since May, 2013. For further details relating to Mr. Mukash Kumar, including address and other directorships, see the section titled “Our Management” on page no 82 of this Draft Prospectus
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#### Identification

Name	Mr. Mukash Kumar
Permanent Account Number	BIVPK9889F
Passport No.	N.A.
Voter ID	AZM0547869
Driving License	N.A.
Bank Account Details	Account Number 26830100002315 with Bank of Baroda

### Mr. Ankur Aggarwal

	Mr. Ankur Agarwal, aged 25 years, is the Promoter and Whole Time Director of our Company. He holds postgraduate degree. He has been on the Board of Directors of our Company since June, 2013. For further details relating to Mr. Ankur Aggarwal, including address and other directorships, see the section titled “Our Management” on page no 82 of Draft Prospectus
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#### Identification

Name	Mr. Ankur Aggarwal
Permanent Account Number	AQXPA3075E
Passport No.	N/A
Voter ID	AZM0523506
Driving License	N/A
Bank Account Details	Account Number 26830100003419 with Bank of Baroda

## OTHER UNDERTAKINGS AND CONFIRMATIONS

Our Company undertakes that the details of Permanent Account Number, bank account number and passport number of the Promoters will be submitted to the SME platform of BSE Exchange, where the securities of our Company are proposed to be listed at the time of submission of Draft Prospectus.

## **COMMON PURSUITS OF OUR PROMOTERS**

Our Promoters do not have any common pursuits and are not engaged in the business similar to those carried out by our Company.

## **INTEREST OF THE PROMOTERS**

### **Interest in the promotion of Our Company**

Our Promoters may be deemed to be interested in the promotion of the Issuer to the extent of the Equity Shares held by themselves as well as their relative and also to the extent of any dividend payable to them and other distributions in respect of the aforesaid Equity Shares. Further, our Promoters may also be interested to the extent of Equity Shares held by or that may be subscribed by and allotted to companies and firms in whom either of them is interested as a director, member or partner. In addition, our Promoters, being Director and Managing Director, may be deemed to be interested to the extent of fees, if any, payable for attending meetings of the Board or a committee thereof as well as to the extent of remuneration and reimbursement of expenses, if any, payable under our Articles of Association and to the extent of remuneration, if any, paid for services rendered as an officer or employee of our Company as stated in section titled “Our Management” on page no 82 of this Draft prospectus.

### **Interest in the property of Our Company**

Our Promoters do not have any interest in any property acquired by or proposed to be acquired by our Company since incorporation.

### **Interest as Member of our Company**

As on the date of this Draft Prospectus, our Promoters together hold 61,48,120 Equity Shares of our Company and is therefore interested to the extent of their shareholding and the dividend declared, if any, by our Company. Except to the extent of shareholding of the Promoters in our Company and benefits as provided in the section titled ‘Terms of appointment and compensation of our Directors’ on page no 84 and page no 85, our Promoters does not hold any other interest in our Company.

Also see “Our Management-Interest of Directors” on page no 93 of Draft Prospectus.

## **PAYMENT AMOUNTS OR BENEFIT TO OUR PROMOTERS DURING THE LAST TWO YEARS**

No payment has been made or benefit given to our Promoters in the two years preceding the date of the Draft Prospectus except as mentioned / referred to in this chapter and in the section titled ‘Our Management’, ‘Financial Information’ and ‘Capital Structure’ on page no 82, page no 98 and page no 35 respectively of this Draft Prospectus. Further as on the date of the Draft Prospectus, there is no bonus or profit sharing plan for our Promoters.

## **CONFIRMATIONS**

For details on litigations and disputes pending against the Promoters and defaults made by them, please refer to the section titled “Outstanding Litigation and Material Developments” on page no 116 of the Promoters. Our Promoters have not been declared a willful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by our Promoters in the past or are pending against them.

## **RELATED PARTY TRANSACTIONS**

Except as disclosed in the section titled “Related Party Transactions” beginning on page no 96, our Company has not entered into any related party transactions with our Promoters.

## **OUR PROMOTER GROUP / GROUP COMPANIES / ENTITIES PROMOTER GROUP INDIVIDUALS**

The following natural persons (being the immediate relative of our Promoter) form part of our Promoter Group:

**Relatives of Promoters:**

Relationship	AnkurAgarwal	Mukash Kumar
Spouse	-	Mrs Mamta Agarwal
Father	Mr. Mukesh Agarwal	Mr. Bhawesh Chandra Agarwal
Mother	Mrs. Mamta Agarwal	Mrs. Siya Dulari
Brother	-	Mr. Davesb Agarwal
Sister	Ms. Anshu Agarwal	Mrs. Chaya Agarwal
Son	-	Mr. AnkurAgarwal
Daughter	-	Ms. Anshu Agarwal

**PROMOTER GROUP COMPANIES AND ENTITIES**

As specified in Clause 2 (zb) of the SEBI Regulation, the companies, HUFs, partnership firms and other entities, that form part of our Promoter Group are as follows:

**LISTED COMPANIES WITHIN OUR PROMOTER GROUP**

There is no listed Company in our Promoter Group.

**UNLISTED COMPANIES WITHIN OUR PROMOTER GROUP**

There is no unlisted Company In Our Promoter Group.

**FINANCIAL PERFORMANCE**

The brief financials of Cityon Systems (India) Limited for the last three (3) years based on audited financial statements are as under:

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Net worth ( A )	173700852.03	173565690.45	117043092.97	116871373.81	10089181.52
Net Profit after Tax ( B )	135161.58	122597.48	171719.16	361192.29	5337.00
No. of Shares outstanding at the end [F.V Rs.10] ( C )	1554090.00	1554090.00	1090090.00	1090090.00	938060.00
Weighted Average No. of Shares [F.V Rs.10] ( D )	1554090.00	1095175.00	1090090.00	943475.00	933748.00
Earnings per Share (EPS) (B / D) (Rs.)	0.09	0.11	0.16	0.38	0.005
Return on Net worth (B / A)	0.0008	0.0007	0.0015	0.0031	0.0005
Net Assets Value per Share (A / C)	111.77	111.68	107.37	107.21	10.76

### Shareholding Pattern as on 15<sup>th</sup> July, 2013

As shown in the Table below:

Category of Shareholder	No. of Shareholders	Pre-Issue		Post issue		Shares Pledged or otherwise	
		No. of Equity Shares	As a % of Issued Equity	No. of Equity Shares	As a % of Issued	No. of Equity Shares	As a % of Issued
Shareholding of Promoters & Promoter Group							
INDIAN							
Individuals/ HUFs/Directors/Relatives	7	6216360	36.29	6216360	26.65		
Central Govt./State Govts.							
Bodies Corporate	-	---	---	---	---	---	---
Financial Institutions/Banks	-	---	---	---	---	---	---
Sub Total A (1)	7	6216360	36.29	6216360	26.65	---	---
FOREIGN							
Bodies Corporate	-	---	---	---	---	---	---
Individual	-	---	---	---	---	---	---
Institutions	-	---	---	---	---	---	---
Any others (specify)	-	---	---	---	---	---	---
Sub Total A (2)	-	---	---	---	---	---	---
Total Shareholding of Promoter group A (1) + A (2)	7	6216360	36.29	6216360	26.65	---	---
PUBLIC SHAREHOLDING							
Institutions							
Central Govt./State Govts.	-	---	---	[●]	[●]	---	---
Financial Institutions/Banks	-	---	---	[●]	[●]	---	---
Mutual Funds/UTI	-	---	---	[●]	[●]	---	---
Venture Capital Funds	-	---	---	[●]	[●]	---	---
Insurance Companies	-	---	---	[●]	[●]	---	---
Foreign Institutions Investors	-	---	---	[●]	[●]	---	---
Foreign Venture Capital Investors	-	---	---	[●]	[●]	---	---
Any Others (Specify)	-	---	---	[●]	[●]	---	---
Sub Total B (1)	-	---	---	[●]	[●]	---	---
Non Institutions	-						
Bodies Corporate	1	40000	0.23	[●]	[●]	---	---
Individuals-shareholders holding normal share capital up to Rs. 1 Lac	2	20000	0.13	[●]	[●]	---	---
Individuals-shareholders holding normal Share capital in excess of Rs.1	180	10850000	63.35	[●]	[●]	---	---
Trust	-	---	---	[●]	[●]	---	---
Any Other (i) Clearing Member	-	---	---	[●]	[●]	---	---
Directors/Relatives	-	---	---	[●]	[●]	---	---
Employees	-	---	---	[●]	[●]	---	---
Foreign Nationals	-	---	---	[●]	[●]	---	---
NRIs	-	---	---	[●]	[●]	---	---
OCB'S	-	---	---	[●]	[●]	---	---
Person Acting in Concert	-	---	---	[●]	[●]	---	---
Sub Total B(2)				[●]	[●]	---	---
Total Public Shareholding B(1) + B(2)	183	10910000	63.71	16800000	72.02	---	---
Total A+B	190	17126360	100	23016360	98.67	---	---
Shares held by Custodians and against which Depository receipts have been issued (C)	-	---	---	---	---	---	---
Shares held by Market Makers (D)	-	---	---	310000	1.33	---	---
Grand Total A+B+C+D	190	17126360	100	23326360	100		



## **LITIGATION/ DEFAULTS**

For details relating to legal proceedings involving the Promoters and Members of the Promoter Group, see the section titled “Outstanding Litigation and Material Developments” beginning on page no 116 of this Draft Prospectus.

## **DISASSOCIATION WITH COMPANIES/FIRMS BY THE PROMOTERS OF OUR COMPANY DURING THE PRECEDING THREE (3) YEARS**

Our Promoters have not disassociated with any of entity during the preceding three (3) years.

## **INTEREST OF PROMOTER GROUP COMPANIES**

Our Promoter Group companies are interested parties to the extent of their shareholding in the Company, if any dividend and distributions which may be made by the Company in future and to the extent of the related party transactions disclosed in the section titled “Related Party Transactions” beginning on page no 96 of the Draft Prospectus.

## **RELATED BUSINESS TRANSACTION WITHIN THE GROUP AND SIGNIFICANCE ON FINANCIAL PERFORMANCE**

There is no business transactions between our Company and the Promoter Group Companies except as stated on page no 96 under section titled as “Related Party Transactions”.

## **SALE OR PURCHASE BETWEEN OUR COMPANY AND OUR PROMOTER GROUP COMPANIES**

There are no sales or purchases between our Company and any company in the Promoter Group exceeding 10% of the sales or purchases of our Company.

## **SICK COMPANIES**

There are no Companies in our group listed above which have been declared as a sick company under the SICA. There are no winding up proceedings against any of Promoter Group Companies. The Promoter Group Companies do not have negative net worth. Further, no application has been made by any of them to RoC to strike off their names.

## **CONFIRMATION**

Our Promoters and persons forming part of Promoter Group have confirmed that they have not been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them. Additionally, none of the Promoters and persons forming part of Promoter Group has been restrained from accessing the capital markets for any reasons by SEBI or any other authorities. None of the Promoter or Group Companies has a negative net worth as of the date of the respective last audited financial statements.

## **RELATED PARTY TRANSACTIONS**

For details on Related Party Transactions of our Company, please refer to Annexure 13 of restated financial statement under the section titled “Financial Information” on page no 98 of the Draft Prospectus.

## **DIVIDEND POLICY**

Under the Companies Act, our Company can pay dividends upon a recommendation by our Board of Directors and approval by a majority of the shareholders at the General Meeting. The shareholders of our Company have the right to decrease not to increase the amount of dividend recommended by the Board of Directors. The dividends may be paid out of profits of our Company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both. The Articles of Association of our Company also gives the discretion to our Board of Directors to declare and pay interim dividends.

There are no dividends declared by our Company since its incorporation.

Our Company does not have any formal dividend policy for the Equity Shares. The declaration and payment of dividend will be recommended by our Board of Directors and approved by the shareholders of our Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by our Board of Directors.

## **CHAPTER V - FINANCIAL INFORMATION**

### **Auditors' Report**

To,  
The Board of Directors,  
**Cityon Systems (India) Limited.**  
215, Delhi Chambers,  
Delhi Gate,  
New Delhi-110002

Dear Sirs,

We have examined the Financial Information of CITYON SYSTEMS (INDIA) LIMITED described below and annexed to this report for the purpose of inclusion in the offer document. The Financial Information has been prepared in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), The Securities and Exchange Board of India (SEBI) - Issue of Capital and Disclosure Requirements Regulations, 2009 ('ICDR Regulations') notified on August 26, 2009, the Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India (ICAI) and in terms of the engagement agreed upon by us with the Company.

The Financial Information has been approved by its Board of Directors and Audit Committee of Board of Directors.

Audit for the financial year ended 31<sup>st</sup> March, 2009, 2010, 2011, 2012, 2013 were conducted by J AGARWAL & ASSOCIATES, Chartered Accountants and accordingly reliance has been placed on the financial information examined by them for the said years. The financial report included for these years is based solely on the report submitted by them.

The Company has been incorporated on 27<sup>th</sup> April, 2004. In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of Cityon Systems India Limited, We, J Agarwal & Associates, Chartered Accountants, have been subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI).

#### **A. Financial Information as per Audited Financial Statements:**

We have examined:

1. the attached Statement of Assets and Liabilities, as Restated as at year ended March 31, 2009, 2010, 2011, 2012 and as of period ended on 31<sup>st</sup> March 2013 (Annexure 1);
2. the attached Statement of Profits and Losses, as Restated for the year ended March 31, 2009, 2010, 2011, 2012 and for the period ended on 31<sup>st</sup> March 2013 (Annexure 2);
3. the attached Statement of Cash Flows, as Restated for the year ended March 31, 2009 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 (Annexure 3);
4. the significant accounting policies adopted by the Company and notes to the Restated Financial Statements along with adjustments on account of audit qualifications / adjustments / regroupings. (Annexure 4);

(Collectively hereinafter referred as "Restated Financial Statements")

1. The Restated Financial Statements have been extracted from audited Financial Statements of the Company for the year ended March 31, 2009, 2010, 2011, 2012, and 2013 and for the period ended 31<sup>st</sup> October, 2012 which have been approved by the Board of Directors.
2. Based on our examination and in accordance with the requirements of the Act, ICDR Regulations, we state that:
  - a) Restated Statement of Assets and Liabilities of the Company as at March 31, 2009, 2010, 2011, 2012, and as on period ended on 2013 are as set out in Annexure 1, which are after making such material

adjustments and regroupings as, in our opinion are appropriate, and are to be read with the significant accounting policies and notes thereon in Annexure 4;

- b) Restated Statement of Profits and Losses of the Company for the year ended March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 are as set out in Annexure 2, which have been arrived at after making such material adjustments and regroupings to the audited financial statements as, in our opinion are appropriate, and are to be read with the significant accounting policies and notes thereon in Annexure 4;
- c) Restated Statement of Cash Flows of the Company for the year ended March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013- are as set out in Annexure 3 after making such material adjustments and regroupings;
- d) Adjustments for any material amounts in the respective financial years have been made to which they relate; and
- e) There are no Extra-ordinary items that need to be disclosed separately in the Restated Summary Statements or Auditor's qualification requiring adjustments.
- f) Adjustments in Financial Statements has been made in accordance with the correct accounting policies
- g) There was no change in accounting policies, which needs to be adjusted in the "Restated Financial Statements".
- h) There are no revaluation reserves, which need to be disclosed separately in the "Restated Financial Statements".
- i) There are no audit qualifications in the "Restated Financial Statements".

#### **B. Other Financial Information:**

We have also examined the following Financial Information relating to the Company, which is based on the Restated Financial Statements and approved by the Board of Directors of the Company and annexed to this report, is proposed to be included in the Offer Document:

- 1. Statement of Details of Reserves & Surplus as at March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 5** to this report.
- 2. Statement of Accounting Ratios for the year ended on March 31, 2009, 2010, 2011, 2012, and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 6** to this report.
- 3. Capitalization Statement as at 31<sup>st</sup> March 2013 as set out in **Annexure 7** to this report.
- 4. Statement of Tax Shelters for the year ended on March 31, 2009, 2010, 2011, 2012, and 2013 as set out in **Annexure 8** to this report.
- 5. Statement of Details of Sundry Debtors as at March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 9** to this report.
- 6. Statement of Details of Deposits, Loans and Advances as at March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 10** to this report.
- 7. Statement of Details of Current Liabilities and Provisions as at March 31, 2009, 2010, 2011, 2012, 2013 and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 11** to this report.
- 8. Statement of Details of Contingent Liabilities for the year ended March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 12** to this report.
- 9. Statement of Details of Related Party Transactions of the Company for the year ended on March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March 2013 as set out in **Annexure 13** to this report.

In our opinion, the "Restated Financial Statements" and "Other Financial Information" mentioned above contained in Annexure 1 to 13 of this report have been prepared in accordance with Part II of Schedule II to the Act, the SEBI Guidelines and the Guidance Note on the reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India (ICAI).

Consequently the financial information has been prepared after making such regroupings and adjustments as were, in our opinion, considered appropriate to comply with the same. As result of these regroupings and adjustments, the

amount reported in the financial information may not necessarily be same as those appearing in the respective audited financial statements for the relevant years.

This report should not in any way be construed as a reissuance or redating of the previous audit report, nor should this be construed as a new opinion on any of the financial statements referred to herein.

We have no responsibility to update our report for events and circumstances occurring after the date of the report.

This report is intended solely for your information and for 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  
J AGARWAL & ASSOCIATES  
Chartered Accountants  
Firm Regn. No.: 002601C

Sd/-  
CA JALAJ AGARWAL  
Partner  
Membership No. 071738  
Peer reviewer unique code no.  
Re: 04203804  
Place: KANPUR  
Date: 12/07/2013

**ANNEXURE-01**  
**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Assets</b>					
Fixed Assets-Gross Block	851965.00	721264.00	721264.00	664264.00	549846.00
Less: Depreciation	524430.00	460203.00	385723.00	280175.00	111276.00
<b>Net Block</b>	<b>327535.00</b>	<b>261061.00</b>	<b>335541.00</b>	<b>384089.00</b>	<b>438570.00</b>
Less: Revaluation Reserve	0	0.00	0.00	0.00	0.00
Net Block after adjustment for Revaluation Reserve	<b>327535.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Capital Work in Progress	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total (A)</b>	<b>327535.00</b>	<b>261061.00</b>	<b>335541.00</b>	<b>384089.00</b>	<b>438570.00</b>
<b>Investments</b>					
Investment in Shares	60171122.00	50721122.00	24488500.00	26988500.00	6000000.00
<b>Total Investments (B)</b>	<b>60171122.00</b>	<b>50721122.00</b>	<b>24488500.00</b>	<b>26988500.00</b>	<b>6000000.00</b>
<b>Current Assets, Loans and Advances</b>					
Receivables	65658555.64	50887374.04	56619772.00	1776005.00	3087038.95
Inventories	376050.00	0.00	4575000.00	7467273.64	4052588.00
Cash & Bank Balances	954139.37	12433075.40	1089306.85	379875.74	431220.52
Deposits & Advances	456606152.00	356552435.00	106599926.00	45828601.00	4701074.00
Other Assets	4027414.73	755861.47	970270.87	51457894.21	114604.14
<b>Total Current Assets ( C )</b>	<b>527622311.74</b>	<b>420628745.91</b>	<b>169854276.00</b>	<b>106909649.59</b>	<b>12386525.61</b>
<b>Total Assets (D) = (A) + (B) + (C)</b>	<b>588120968.74</b>	<b>471610928.91</b>	<b>194678316.72</b>	<b>134282238.59</b>	<b>18825095.61</b>
<b>Liabilities &amp; Provisions</b>					
<b>Loan Funds :</b>					
Secured Loans	2061.70	17932100.00	2454591.27	4965044.02	0.00
Unsecured Loans	211124317.00	151200950.70	11642500.00	4755000.00	1650000.00
Share Application Money	0.00	0.00	0.00	0.00	3636800.00
<b>Current Liabilities &amp; Provisions:</b>					
Current Liabilities	203200453.01	128838210.76	63481254.48	7648942.76	3453553.09
Provisions	93285.00	73977.00	56878.00	41878.00	40561.00
<b>Total Liabilities &amp; Provisions (E)</b>	<b>414420116.71</b>	<b>298045238.46</b>	<b>77635223.75</b>	<b>17410864.78</b>	<b>8735914.09</b>
<b>Net Worth (D) - (E)</b>	<b>173700852.03</b>	<b>173565690.45</b>	<b>117043092.97</b>	<b>116871373.81</b>	<b>10089181.52</b>
<b>Represented By:</b>					
Share Capital	15540900.00	15540900.00	10900900.00	10900900.00	9380600.00
Reserves & Surplus	158159952.03	158024790.45	106142192.97	105970473.81	708581.52
Less: Revaluation Reserve	<b>0.00</b>	0.00	0.00	0.00	0.00
Less: Preliminary / Miscellaneous Expenses to the extent not written off	<b>0.00</b>	0.00	0.00	0.00	0.00
Reserves (Net of Revaluation Reserve)	<b>158159952.03</b>	158024790.00	106142192.97	<b>105970473.81</b>	708581.52
<b>Total Net Worth</b>	<b>173700852.03</b>	<b>173565690.45</b>	<b>117043092.97</b>	<b>116871373.81</b>	<b>10089181.52</b>

Notes: The accompanying Significant Accounting Policy and Notes to the Restated Financial Information are an integral part of this Restated Statement of Assets & Liabilities

**ANNEXURE-02**  
**STATEMENT OF PROFIT AND LOSS, AS RESTATED**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Income</b>					
Income from Operations:					
Sale of goods	12245110.00	7989338.05	4,6608059.90	5113727.50	2130136.89
Sale of shares	0.00	13098500.00	0.00	0.00	0.00
Other Income	4139472.00	3517873.31	1808385.34	1490281.21	1100041.04
<b>Total</b>	<b>16384582.00</b>	<b>24605711.36</b>	<b>48416445.24</b>	<b>6604008.71</b>	<b>3230177.93</b>
<b>Expenditure</b>					
Cost of goods purchased	11925007.75	18838778.00	36664090.50	8302761.00	5041083.94
Changes in inventory	(376050.00)	4575000.00	2892273.64	(3414685.64)	(3054816.00)
Employees Costs	500000.00	240000.00	552375.00	505523.00	515591.00
Other Operative Expenses	3728207.49	254650.00	7410795.89	363378.14	575397.25
<b>Total</b>	<b>15777165.24</b>	<b>23908428.00</b>	<b>47519535.03</b>	<b>5756976.50</b>	<b>3077256.19</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>607416.76</b>	<b>697283.36</b>	<b>896910.21</b>	<b>847032.21</b>	<b>152921.74</b>
Depreciation	64227.00	74480.00	105548.00	107523.00	111276.00
<b>Profit before Interest &amp; Tax</b>	<b>543189.76</b>	<b>622803.36</b>	<b>791362.21</b>	<b>739509.21</b>	<b>41645.74</b>
Interest & Finance Charges	347592.18	445388.88	541688.05	299270.92	16878.74
<b>Net Profit before Tax</b>	<b>195597.58</b>	<b>177414.48</b>	<b>249674.16</b>	<b>440238.29</b>	<b>24767.00</b>
<b>Less: Provision for Taxes:</b>	60439.65				
Current Tax	63600.00	59,818.00	77955.00	77729.00	0.00
Deferred Tax	(3164.00)	(5,001.00)	0.00	1317.00	19430.00
Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.00
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>135161.58</b>	<b>122597.48</b>	<b>171719.16</b>	<b>361192.29</b>	<b>5337.00</b>
Extra Ordinary Items (Net of Tax)	0	0.00	0.00	0.00	0.00
<b>Net Profit</b>	<b>135161.58</b>	<b>122597.48</b>	<b>171719.16</b>	<b>361192.29</b>	<b>5337.00</b>

**ANNEXURE-03**  
**STATEMENT OF CASH FLOW AS RESTATED**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net profit before tax	195597.58	177414.48	249674.16	440238.29	24767.00
<b>Adjustment for:</b>					
Add: Depreciation	64227.00	74480.00	105548.00	107523.00	111276.00
Add: Preliminary Expenses		0.00	0.00	0.00	3440.00
Add: Interest expenses	340882.00	428936.69	528350.82	0.00	0.00
Less: Interest Income	3729237.00	3158623.00	1115661.00	971287.21	0.00
<b>Operating Profit before Working capital changes</b>	<b>(3128530.42)</b>	<b>(2477791.83)</b>	<b>(232088.02)</b>	<b>(423525.92)</b>	<b>139483.00</b>
<b>Adjustments for:</b>					
Decrease (Increase) in Trade & Other Receivables	(14771181.60)	5732397.96	(54843767.00)	(20949.55)	(1660509.16)
Decrease (Increase) in Inventory	(376050.00)	4575000.00	2892273.64	(3414685.64)	(3054816.00)
Decrease (Increase) in Loans & Advances	(100053717.00)	(249952509.00)	(60771325.00)	(4,2732527.00)	(2857441.00)
Decrease (Increase) in Other Assets	(3271553.26)	(214409.40)	(50487623.34)	(51343290.07)	(114604.14)
Increase (Decrease) in Current Liabilities	74365406.25	65356956.28	55832311.72	5527373.17	1976108.18
Increase (Decrease) in provisions (Other than Taxes)	19308.00	22100.00	15000.00	0.00	(12786.00)
<b>Net Changes in Working Capital</b>	<b>(53537787.61)</b>	<b>(174051645.36)</b>	<b>(6387883.30)</b>	<b>(91984079.09)</b>	<b>(5724048.12)</b>
<b>Cash Generated from Operations</b>	<b>(56666318.03)</b>	<b>(176529437.19)</b>	<b>(6619971.32)</b>	<b>(92407605.01)</b>	<b>(5584565.12)</b>
<b>Taxes (paid) / refund</b>	<b>63600.00</b>	<b>59818.00</b>	<b>77955.00</b>	<b>77729.00</b>	<b>0.00</b>
<b>Net Cash Flow from Operating Activities (A)</b>	<b>(56729918.03)</b>	<b>(176589255.19)</b>	<b>(6697926.32)</b>	<b>(92485334.01)</b>	<b>(5584565.12)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Sale /(Purchase) of Fixed Assets	(130701.00)	0.00	(57,000.00)	(53042.00)	(448071.00)
Sale /(Purchase) of Shares	(9450000.00)	(26232622.00)	25,00,000.00	(20988500.00)	0.00
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(9580701.00)</b>	<b>(26232622.00)</b>	<b>2443000.00</b>	<b>(21041542.00)</b>	<b>(448071.00)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Issue of share capital and Proceeds / (Refund) from Share Application Money	0.00	5,64,00,000.00	0.00	102784200.00	3636800.00
Interest paid	(340882.00)	(428936.69)	(528350.82)	0.00	0.00
Interest Received	3729237.00	3158623.00	1115661.00	971287.21	0.00
Increase / (Repayment) of Secured/unsecured loans	41993328.00	155035959.43	4377047.25	9720044.02	0.00
Preliminary Expenses incurred					
<b>Net Cash Flow from Financing Activities (C)</b>	<b>45381683.00</b>	<b>214165645.74</b>	<b>4964357.43</b>	<b>113475531.23</b>	<b>3636800.00</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(11478936.03)</b>	<b>11343768.55</b>	<b>709431.11</b>	<b>(51344.78)</b>	<b>(2395836.12)</b>
Cash and cash equivalents at the beginning of the year / Period	12433075.40	1089306.85	379875.74	431220.52	2827056.64
<b>Cash and cash equivalents at the end of the year/ Period</b>	<b>954139.37</b>	<b>12433075.40</b>	<b>1089306.85</b>	<b>379875.74</b>	<b>431220.52</b>



## **Annexure-04**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT FOR PREPARATION OF RESTATED FINANCIAL STATEMENT**

#### **A. SIGNIFICANT ACCOUNTING POLICIES:**

##### **Basis of Preparation of Financial Statements**

The Restated Financial Statements have been prepared under Historical Cost conventions and on accrual basis in accordance with the Generally Accepted Accounting Principles ('GAAP') applicable in India, Companies (Accounting Standard) Rules, 2006 notified by Ministry of Company Affairs and Accounting Standards issued by the Institute of Chartered Accountants of India as applicable and relevant provisions of the Companies Act, 1956, as adopted consistently by the Company.

##### **Use of Estimates**

The preparation of Financial Statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made, that affects the reported amounts of assets and liabilities on the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialized.

##### **Fixed Assets**

Fixed Assets are capitalized at cost inclusive of erection expenses & other incidental expenses in connection with the acquisition of assets, net of VAT, if any, less accumulated depreciation. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

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

Depreciation on fixed assets is provided on Written Down Value Method (WDV) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In respect of additions made or asset sold / discarded during the year pro-rata Depreciation has been provided.

##### **Revenue Recognition**

Revenue from sales transactions is recognized as and when the property in goods is sold /transferred to the buyer for a definite consideration. Other Income has been recognized on the basis of Accounting Standard – 9 (Revenue Recognition) notified by the Companies (Accounting Standards) Rules, 2006.

##### **Preliminary and Pre-operative expenses:**

Preliminary and pre-operative expenses are amortized over a period of five years in equal installments in accordance with matching concept however the same is contrary to AS-26.

##### **Investment**

Investments that are readily realizable and intended to be held for not more than a year are classified as "Current Investments". All other Investments are classified as Long Term Investments. Current Investments are carried at lower of cost or Market / Fair Value determined on an individual investment basis. Long Term investments are valued at cost. Provision for diminution in the value of long-term investment is made only if such decline is other than temporary in nature.

##### **Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

##### **Taxation**

Tax expenses for the year comprise of current tax and deferred tax. Current tax is measured after taking into consideration the deductions and exemptions admissible under the provision of Income Tax Act, 1961.

Deferred Tax assets or liabilities are recognized for further tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates and in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", issued by ICAI. At each Balance Sheet date the Company reassesses unrecognized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

No Tax whether current or deferred has been charged on exempted incomes.

**Leases**

Company has entered into a lease agreement during the period under consideration.

**Impairment of Assets**

As on Balance Sheet date, the Company reviews the carrying amount of Fixed Assets to determine whether there are any indications that those assets have suffered "Impairment Loss". Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. According to estimates & indications no assets have suffered such impairment loss.

**Foreign Exchange Transactions**

1. Transactions in Foreign currency are recorded at the rate of exchange prevailing on the date of the respective transactions.
2. Year end balance of monetary assets and liabilities are translated at the year-end rates. Exchange differences arising on restatement or settlement are charged to Profit and Loss Account.

**Earnings per Share**

In determining the Earnings Per share, the company considers the net profit after tax which includes any post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

The number of shares used in computing Diluted earnings per share comprises the weighted average number of shares considered for computing Basic Earnings per share and also the weighted number of equity shares that would have been issued on conversion of all potentially dilutive shares.

In the event of issue of bonus shares, or share split the number of equity shares outstanding is increased without an increase in the resources. The number of Equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported.

**Contingent Liabilities & Provisions**

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made.

Contingent Liability is disclosed for:

1. Possible obligation which will be confirmed only by future events not wholly within the control of the Company or
2. Present obligations arising from the past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.
3. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

**B. CHANGES IN ACCOUNTING POLICIES IN THE YEARS/PERIODS COVERED IN THE RESTATED FINANCIALS**

There is no change in significant accounting policies during the reporting period except, as and when Accounting Standards issued by the Institute of Chartered Accountants of India / Companies (Accounting Standard) Rules, 2006 were made applicable on the relevant dates.

**C. NOTES ON RESTATED FINANCIAL STATEMENTS****1. NOTES ON RESTATEMENTS MADE IN THE RESTATED FINANCIALS****MATERIAL ADJUSTMENTS [AS PER SEBI (ICDR) REGULATIONS, 2009]**

A). The reconciliation of Profit after tax as per audited results and the Profit after tax as per Restated Accounts is presented below. This summarizes the results of restatements made in the audited accounts for the respective years and its impact on the profit & losses of the company.

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Profit after tax before appropriation (as per Audited accounts)	135161.58	122597.48	171719.16	361192.29	5337.00
Adjustments	0.00	0.00	0.00	0.00	0.00
Profit after Tax as per Restated Profit & Loss Account	135161.58	122597.48	171719.16	361192.29	5337.00

In Addition to that the total income of the company has been classified categorically.

## 2. OTHER NOTES

### General

The Company was incorporated during the year 2004 and restated financial statements has been prepared for the fiscal year ended March 31, 2009, 2010, 2011, and 2012 and for the period ended March 31, 2013.

### Segment Reporting

#### a)Information about Primary Business Segments

(Rupees in lacs)

Sr. No.	PARTICULARS	31 March,2013							
		CHEMICAL TRADING	IRON PRODUCTS	INTEREST INCOME	TOTAL	CHEMICAL TRADING	IRON PRODUCTS	INTEREST INCOME	SHARE TRADING
1	<b>REVENUES</b>								
	External	113.21	9.25	37.70	160.16	0.00	79.89	35.18	130.99
	Inter - Segment								
	Total Revenues	113.21	9.25	37.70	160.16	0.00	79.89	35.18	130.99
2	<b>RESULTS</b>								
	Operating Profit Before Tax (PBT)	7.59	-4.38	37.70	40.91	0.00	8.29	35.18	14.20
	Unallocated Costs				38.95				
	Less: Tax Provision				0.60				
	Profit After Tax (PAT)				1.35				
3	<b>Segment Assets</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unallocated Assets				5881.21				
	Total Assets	0.00	0.00	0.00	5881.21	0.00	0.00	0.00	0.00
4	<b>Segment Liabilities</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unallocated Liabilities				4144.21				
	Total Liabilities				4144.21				
5	<b>Capital Employed</b>				1737.00				

**Information about Secondary Business Segments:**

Revenue by Geographical Market					(Rupees in Lacs)		
Sr. No.	PARTICULARS	2012-13			2011-12		
		WITHIN INDIA	OUTSIDE INDIA	TOTAL	WITHIN INDIA	OUTSIDE INDIA	TOTAL
1	External	9.25	113.21	122.46	210.88		210.88
2	Inter Segment	0	0	0	0	0	0
	<b>Total</b>	9.25	113.21	122.46	210.88	0.00	210.88
	Additions to Fixed Assets			1.31			0

**b)Notes:**

**The Company is organized into three main business segments, namely:**

- i) Chemical Trading
- ii) Iron Products Trading
- iii) Interest Income

**The Segment Revenue in the geographical segments considered for disclosure are as follows:**

**3. EARNINGS PER SHARE**

The details of Earnings per Share as per AS-20 are provided in Annexure 6.

**4. RELATED PARTY TRANSACTIONS:**

The details of Related Party Transactions as per Accounting Standard -18 are provided in Annexure 14.

**5. PARTICULARS OF LEASE**

The Company has entered into a lease agreement during the reporting period.

**6. GRATUITY:**

Provision for gratuity has not been made as no employee has completed the age of 5 years in the company.

7. Though the company having has made export sales during the F.Y 2012-13 but has not realized or made any payment in foreign currency.

8. The company has not given any guarantee to bank or corporate and the company is having no contingent liability.

9. Balances of Debtors, Creditors and Loans and Advances are subject to confirmation and reconciliation.

**Annexure- 05**  
**STATEMENT OF RESERVES & SURPLUS, AS RESTATED**

(In Rupees)					
Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Profit / (Loss) Brought Forward	721650.30	599052.82	427333.66	66141.37	60804.37
Add: Profit / (Loss) for the Year	135161.58	122597.48	171719.00	361192.29	5337.00
Profit / (Loss) Carried Forward	856811.88	721650.30	599052.82	427333.66	66141.37
<b>Add : Share Premium</b>	147303140.15	147303140.15	105543140.15	105543140.15	642440.15
<b>Add : Capital Reserve</b>	10000000.00	10000000.00	0.00	0.00	0.00
<b>Reserves &amp; Surplus</b>	<b>158159952.03</b>	<b>158024790.45</b>	<b>106142192.97</b>	<b>105970473.81</b>	<b>708581.52</b>

**Annexure-06**  
**STATEMENT OF ACCOUNTING RATIOS**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Net worth ( A )	173700852.03	173565690.45	117043092.97	116871373.81	10089181.52
Net Profit after Tax ( B )	135161.58	122597.48	171719.16	361192.29	5337.00
No. of Shares outstanding at the end [F.V Rs.10] ( C )	1554090	1554090	1090090	1090090	938060
Weighted Average No. of Shares [F.V Rs.10] ( D )	1554090	1095175	1090090	943475	933748
Earnings per Share (EPS) ( B / D ) (Rs.)	0.09	0.11	0.16	0.38	0.005
Return on Net worth ( B / A )	0.0008	0.0007	0.0015	0.0031	0.0005
Net Assets Value per Share ( A / C )	111.77	111.68	107.37	107.21	10.76

**Definitions of key ratios:**

- I. Earnings per share (Rs.):** Net Profit attributable to equity shareholders / weighted average number of equity shares. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" as issued by The Institute of Chartered Accountants of India. As per AS-20, the number of equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported. In case of a bonus issue after the Balance Sheet date but before the date on which the Financial Statements are approved by the Board of Directors', the per share calculations for those Financial statements and any prior period Financial Statements presented are based on the new no. of shares. Weighted average number of equity shares outstanding during all the previous years have been considered accordingly.
- II. Return on Net Worth (%):** Net Profit after tax / Net worth as at the end of the year / period.
- III. Net Asset Value (Rs.):** Net Worth at the end of the year / Number of equity shares outstanding at the end of the year / period.
- IV.** Net Profit, as appearing in the Statement of restated profits and losses, and Net Worth as appearing in the restated statement of Assets & Liabilities has been considered for the purpose of computing the above ratios.

**Annexure- 07**  
**CAPITALIZATION STATEMENT**

(Rs. In Lacs)

Particulars	Pre issue as at 31.03.13	Post Issue *
<b>Borrowing</b>		
Short - Term Debt (Including unsecured Loans)	211126378.70	
Long - Term Debt	0.00	
<b>Total Debt</b>	<b>211126378.70</b>	
<b>Shareholders' Funds</b>		
Share Capital		
- Equity	15540900.00	
Less: Calls - in - arrears	0.00	
- Preference	0.00	
Reserves & Surplus	158159952.03	
Less: Miscellaneous Expenditure not written off	0.00	
<b>Total Shareholders' Funds</b>	<b>173700852.03</b>	
<b>Long - Term Debt / Shareholders Fund</b>	<b>0.00</b>	
<b>Short - Term Debt / Shareholders Fund</b>	<b>1.22</b>	
* The Post Issue Capitalization will be determined only after the completion of the allotment of equity shares.		
* Short terms Borrowings from different parties in F.Y.2012-13.		

**Annexure- 08**  
**STATEMENT OF TAX SHELTERS**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Profit before tax as per Restated P/L	195597.58	177414.48	249674.16	440238.29	24767.00
Applicable Corporate Tax Rate	30.90%	30.90%	30.90%	30.90%	30.90%
Tax at Notional Rate (A)	60439.65	54821.07	77149.32	136033.63	7653.00
<b>Adjustments</b>					
Exempt Incomes	0.00	0.00	0.00	0.00	0.00
Difference been depreciation as per Companies Act and Income Tax Act	10239	16183.00	2605.00	(4389.00)	(64767.00)
Other Adjustments	0	2.52	1.00	176039.29	40000.00
<b>Net Adjustments</b>	10239	16185.52	2606.00	(180428.29)	24767.00
Tax Expenses / (Savings) thereon (B)	3164	5001.93	8221.68	(58304.63)	(7653.00)
Total Tax Payable (C=A+B)	63605.00	59823.00	85371.00	77729.00	0.00
Tax Payable as per Minimum Alternate Tax u/s 115 JB of Income Tax Act, 1961 (D)	37818.00	33806.00	50739.00	68017.00	2552.00
Net Tax (Higher of C & D)	63605.00	59823.00	85371.00	77729.00	2552.00

**Annexure-09**  
**STATEMENT OF SUNDRY DEBTORS**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
(A) Unsecured, Considered good outstanding for a period less than six months					
Amount due from Promoter/Group Companies and Directors	0.00	21702217.80	19556350.00	0.00	869824.42
Others	65658555.64	29185156.24	22740187.00	1776005.00	1928232.53
(B) Unsecured, Considered good outstanding for a period more than six months					
Amount due from Promoter / Group Companies and Directors	0.00	0.00	11400000.00	0.00	0.00
Others	0.00	0.00	2923235.00	0.00	288982.00
<b>Total</b>	<b>65658555.64</b>	<b>50887374.04</b>	<b>56619772.00</b>	<b>1776005.00</b>	<b>3087038.95</b>

**Annexure-10**  
**STATEMENT OF DEPOSITS, LOANS & ADVANCES**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b>Advances recoverable in cash or kind</b>					
Due from Promoter / Group Companies / Director	4200000.00	58600000.00	0.00	0.00	0.00
Others	452406152.00	297952435.00	106599926.00	45828601.00	4701074.00
Tax deducted at Source (U/S 194A)	406212.00	355137.00	159283.00	100665.00	0.00
<b>Deposits</b>					
Due from Promoter / Group Companies / Director	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
<b>Total (excluding Tax deducted at Source)</b>	<b>456606152.00</b>	<b>356552435.00</b>	<b>106759209.00</b>	<b>45929266.00</b>	<b>4701074.00</b>

**Annexure-11**

**STATEMENT OF CURRENT LIABILITIES & PROVISIONS**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<u>Current Liabilities</u>					
<u>Sundry Creditors</u>					
Amount due to Promoter /Group Company / Directors	0.00	2800000.00	4600000.00	0.00	0.00
Others	203194453.01	126030710.76	58873754.48	7493942.76	3163553.09
<u>Other Outstanding liabilities:</u>					
Amount due to Promoter /Group Company / Directors	0.00	7500.00	7500.00	155000.00	290000.00
Others	6000.00				
<b>Sub Total (A)</b>	<b>203200453.01</b>	<b>128838210.76</b>	<b>63481254.48</b>	<b>7648942.76</b>	<b>3453553.09</b>
<u>Provisions</u>					
Income Tax	0.00	0.00	0.00	0.00	0.00
FBT	0.00	0.00	0.00	0.00	0.00
Deferred Tax	18713.00	21877.00	26878.00	26878.00	25561.00
Other Provision	74572.00	52100.00	30000.00	15000.00	15000.00
<b>Sub Total (B)</b>	<b>93285.00</b>	<b>73977.00</b>	<b>56878.00</b>	<b>41878.00</b>	<b>40561.00</b>
<b>Total (A+B)</b>	<b>203293738.01</b>	<b>128912187.76</b>	<b>63538132.48</b>	<b>7690820.76</b>	<b>3494114.09</b>

**Annexure-12**

**STATEMENT OF DETAILS OF CONTINGENT LIABILITIES**

(In. Rupees)

Particulars	31.10.12	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08
Contingent Liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

**Annexure-13**  
**STATEMENT OF DETAILS OF RELATED PARTY TRANSACTIONS**

(In Rupees)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
<b><u>REVENUE ITEMS :</u></b>					
<b><u>Rent Received</u></b>					
Promoter & Directors	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b><u>NON-REVENUE ITEMS :</u></b>					
<b>Parties where control exists:</b>					
<b><u>Capital Contribution:</u></b>					
Promoter & Directors	15370300.00	0.00	0.00	0.00	0.00
<b>Other Parties:</b>	170600.00	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>15540900.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b><u>Loan Taken By Related Parties:</u></b>					
Group Companies	0	0	0	0	0
Promoter & Directors	2000000.00	2500000.00	2500000.00	0	0
Related Parties as per AS -18, other than mentioned above				0	0
<b>Total</b>	<b>2000000.00</b>	<b>2500000.00</b>	<b>2500000.00</b>	<b>0</b>	<b>0</b>
<b><u>Loan Repaid Fully By Related Parties:</u></b>					
Group Companies					
Promoter & Directors	500000.00	0	0	0	0
Related Parties as per AS -18, other than mentioned above		0	0	0	0
Group Companies	0	0	0	0	0
<b>Total</b>	<b>500000.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Loan Provided By Related Parties:</u></b>					
Group Companies	0	0	0	0	0
Promoter & Directors	4200000.00	58600000.00	0	0	0
Related Parties as per AS -18, other than mentioned above	0	0	0	0	0
Interest paid during the year to related parties	0	0	0	0	0
<b>TOTAL</b>	<b>4200000.00</b>	<b>58600000.00</b>	<b>0</b>	<b>0</b>	<b>0</b>



## MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with our audited restated financial statements prepared in accordance with paragraph B of Part II of Schedule II to the Companies Act and SEBI (ICDR) Regulations, including the schedules, annexure and notes thereto and the reports thereon of each of the financial years ended March 31, 2009, 2010, 2011, 2012 and for the period ended March 31, 2013 in the chapter titled "Financial Information" on page no 98 of the Draft Prospectus. The following discussion relates to our Company and, unless otherwise stated, is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the Accounting Standards and other applicable provisions of the Companies Act and the SEBI (ICDR) Regulations. Our fiscal year ends on March 31 of each year so accordingly all references to a particular financial year are to the twelve months ended March 31 of that year.*

### OVERVIEW OF THE BUSINESS THE INDUSTRY OVERVIEW

#### Introduction

India is ranked as the third largest contributor (5.65%) to global GDP in 2011 in terms of PPP ranking, only behind US and China. India's economic growth has slackened during past three years due to worldwide economic slowdown however, during next five years it's GDP is expected to grow in 6-8% range. India's export performance and economic growth are closely inter-linked. Over time, the export sector has grown to be a significant earner of foreign exchange and a major contributor to India's national income. Further, the performance of this sector is highly dependent on domestic as well as global factors. As a consequence of this, domestic as well as international economic policies have a bearing on the overall export performance of India.

#### Electronic goods:-

The electronic industry in India has emerged as an important manufacturing sector in recent years and has contributed positively to the growth trajectory of the Indian economy. This industry has registered strong growth in the last ten years and has increased its contribution to India's exports. Although the share of the electronics industry (relative to textile or gems and jewellery) is low, its performance at the domestic level has revealed the industry's strong potential to cater to international markets. Consequently, this sector is expected to play a greater role in India's manufactured exports in the years to come.

#### Indian Chemical Industry

Chemical industry is an integral component of the Indian economy, with the current size of \$108 billion; it contributes around 7 % of the Indian GDP. Moreover, this sector accounts for about 14% in overall index of industrial production (IIP). Share of industry in national exports is around 11%. In terms of volume, India is the third-largest producer of in Asia, after China and Japan.

It touches our lives in several different ways. Whether it is thermoplastic furniture we use, or a synthetic garment we wear, or a drug we take – we are inextricably associated to it. The industry is integral to the development of agricultural and industrial development in India and has key linkages with various other downstream, such as automotive, consumer durables, engineering, food processing and more.

#### Indian Steel Industry

India is the largest producer of sponge iron and fourth largest producer of crude steel in the world. India registered a 5.7 % growth in crude steel production in 2011 against 2010. Japan was the only nation among top ten crude steel producers in the world posting negative growth of minus 1.8 % for crude steel production in 2011 against 2010. Indian steel industry which is not technologically as mature as steel industry of developed economies is implementing latest technology, adapting backward integration and improving efficiency in steel production to reduce cost, increase production and become competitive globally.

#### Share Trading

India has a transparent highly technology enabled and well regulated stock / capital market. A vibrant, well developed capital market facilitates investment and economic growth. Today the stock markets are buoyant and have a range of players including mutual funds, FIIs, hedge funds, corporate and other institutions. Domestic savings and capital inflows are channelized in the capital markets. There were over 1,652 listings as of July 2012 on the NSE and as of March 2012; there were over 5,133 listed Indian companies and over 8,196 scripts on the

stock exchange. In recent years, the capital markets have undergone substantial reforms in regulation and supervision.

Particularly, the establishment of SEBI, market-determined prices and allocation of resources, screen based nation-wide trading, t+2 settlement, scrip less settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are presently 23 recognized stock exchanges in India.

## **BUSINESS OVERVIEW**

Our Company was incorporated in New Delhi as "Cityon Systems (India) Private Limited" on 27th April, 2004 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, National Capital Territory of Delhi & Haryana. . On March 12, 2008 it was converted to a Public Limited Company under the name of Cityon Systems (India) Ltd. and fresh Certificate of Incorporation consequent upon change of name was issued by ROC, Delhi & Haryana For further details in relation to the changes to the name of our Company, please refer to the section titled “ Our History and Corporate Structure ” beginning on page no 79 of this Draft Prospectus.

We are engaged in the business of exporting Iron & steel, electric goods, chemicals etc.

## **FACTORS AFFECTING OUR FUTURE RESULTS OF OPERATIONS**

Our results of operations could potentially be affected by the following factors amongst others:

- Changes in government policies
- Material changes in the duty or tax structure
- Competition from existing and new entrants
- Efficient Logistics and Supply chain management

## **DISCUSSION ON THE RESULTS OF OPERATIONS**

The following discussion on the financial operations and performance is based on our restated financial statements for the FY 2009-10, 2010-2011, 2011-2012 , 2012-13 The same should be read in conjunction with the restated audited financial results of our Company for the years ended March 31, 2009, 2010, 2011, 2012 and for the period ended 31<sup>st</sup> March, 2013

### **Our Results of Operations for the year ended March 31, 2013:-**

Particulars	Amount in Rupees	% of Total Income
Total Income	16384582.00	100%
Expenditure (Excluding Depreciation ,Interest & Tax)	15777165.24	96.29%
Depreciation	64227.00	0.39%
Interest	347592.18	2.12%
Net Profit before Tax	195597.58	1.19%
Taxes	60436.00	0.03%
Net Profit after Taxes	135161.58	0.82%

### **Our Results of operations for the last three financial years:-**

## **ANALYSIS ON RESULTS OF OPERATION**

Considering the various Key factors affecting our income and expenditure, our results of operations may vary from period to period. The following table sets forth certain information with respect to our results of operations for the periods indicated read together with notes to accounts, accounting policies and auditor’s report as appearing in this Draft Prospectus.

(Rs. In Lacs)

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Total Income (including Changes in inventory)	160.08	291.80	513.08	31.89	1.75
Increase/ (Decrease) (%)	(45.14%)	(43.12%)	1508.90%	1722.28%	-
Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Expenditure:					
Cost of goods purchased	119.25	188.38	366.64	83.02	50.41
Increase/ (Decrease) (%)	(36.69%)	(48.61%)	341.62%	64.68%	-
Employees Expenses	5.00	2.40	5.52	5.05	5.15
Increase/ (Decrease) (%)	108.33%	(56.5%)	9.30%	(1.94%)	-
Other Operative Expenses	37.28	2.54	74.10	3.63	5.75
Increase/ (Decrease) (%)	1367.05%	(96.56%)	1941.32%	(36.86%)	-
Total	161.53	193.33	446.27	91.71	61.32
Profit before Depreciation, Interest and Tax	6.07	6.97	8.96	8.47	1.52
Increase/ (Decrease) (%)	(12.88%)	(22.25%)	5.78%	457.23%	-
Depreciation	0.64	0.74	1.05	1.07	1.11
Increase/ (Decrease) (%)	(13.76%)	(29.43%)	(1.86%)	(3.60%)	-
Profit before Interest & Tax	5.43	6.22	7.91	7.39	0.41
Increase/ (Decrease) (%)	(12.70%)	(21.36%)	7.03%	1702.43%	-
Interest & Finance Charges	3.47	4.45	5.41	2.99	0.16
Increase/ (Decrease) (%)	(21.95%)	(17.77%)	(17.74%)	80.93%	1768.75%
Net Profit before Tax	1.95	1.77	2.50	4.40	0.25
Increase/ (Decrease) (%)	10.16%	(29.2%)	(43.18%)	1660%	-
Less: Provision for Taxes	0.60				
Current Taxes	0.63	0.59	0.77	0.77	-
Deferred Tax	0.03	0.05	-	0.01	0.19
Net Profit After Tax & Before Extraordinary Items	1.35	1.22	1.71	3.62	0.06
Increase/ (Decrease) (%)	10.65%	(28.65%)	(52.76%)	5933%	-

#### COMPARISON OF FINANCIAL YEAR ENDED 31st MARCH, 2013 WITH FINANCIAL YEAR ENDED 31st MARCH, 2012

**Income:** Our turnover for the financial year ended 31st March, 2013 was at Rs. 163.84 as against the total of Rs 246.05 for the fiscal 2012 with a decrease of 33.41% and such decrease was due to increase in the employees' costs and other operative expenses in the fiscal 2013.

**Expenditure:** The employees' expenses have registered an increase of 108.33% at Rs. 5 Lacs in fiscal 2013 as compared to Rs. 2.4 Lacs for the fiscal 2012; Other Operative Expenses have registered increase of 1364.05% at Rs 37.28 Lacs in fiscal 2013 as compared to Rs. 2.54 Lacs in fiscal 2012.

**Depreciation:** Depreciation has accounted for Rs. 0.64 Lacs with a decrease of 13.76% in fiscal 2013 as compared to Rs. 0.74 Lacs in the fiscal 2012.

**Profits after Taxes (PAT):** PAT of Company has recorded a growth of 10.24% at Rs. 1.35 Lacs for fiscal 2013 as against Rs. 1.22 Lacs for fiscal 2012 due to higher base of revenue.

## **COMPARISON OF FINANCIAL YEAR ENDED 31st MARCH, 2012 WITH FINANCIAL YEAR ENDED 31st MARCH, 2011**

**Income:** Our turnover for the financial year ended 31st March, 2012 was at Rs. 246.05 Lacs as against the total of Rs. 484.16 Lacs for the fiscal 2011 with a decrease of 54.75% and such decrease was attributed to short fall in sale of goods in fiscal 2012.

**Expenditure:** The employees' expenses have registered a decrease of 56.5% at Rs. 2.4 Lacs in fiscal 2012 as compared to Rs. 5.52 Lacs for the fiscal 2011; other Operative Expenses have registered decrease of 96.56% at Rs. 2.54 Lacs in fiscal 2012 as compared to Rs.74.10 Lacs in fiscal 2011.

**Depreciation:** Depreciation has accounted for Rs.0.74 Lacs with a decrease of 29.43% in fiscal 2012 as compared to Rs. 1.05 Lacs in the fiscal 2011.

**Profits after Taxes (PAT):** PAT of Company has recorded a growth of 28.60% at Rs. 1.22 Lacs for fiscal 2012 as against Rs1.71 Lacs for fiscal 2011 due to higher base of revenue.

### **Other Information required as per SEBI Regulations:**

- **Unusual or infrequent events or transactions**

There are no unusual or infrequent events or transactions that have significantly affected operations of the Company.

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

There are no significant economic changes that materially affected Company's operations or are likely to affect income from continuing operations. Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

- **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 disclosed under the section titled "Risk Factors" no known trends or uncertainties are envisaged or are expected to have a material adverse impact on sales, revenue or income from continuing operations to Company's knowledge.

- **Future Relationship between Cost and Income**

Except as described in the sections titled "Risk Factor," "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," on page no 10, 74 and 112 of the Draft Prospectus, respectively, to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

- **Status of any publicly announced New Products or Business Segment**

The Company has not announced any new products or business segment.

- **Any significant dependence on a single or few suppliers or customers**

We are not under threat of dependence from any single supplier or customer.

## **SECTION VI: LEGAL AND OTHER INFORMATION OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS**

*Except as stated herein, there are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Promoters and Promoter Group and there are no defaults, non-payment of statutory dues, over dues to banks and financial institutions, defaults against bank and financial institutions and there are no outstanding debentures, bonds, fixed deposits or preference shares issued by our Company; no default in creation of full security as per the terms of the issue, no proceedings initiated for economic or other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act, 1956), and no disciplinary action has been taken by SEBI or any stock exchanges against our Promoters, our Directors or Promoter Group Companies.*

### **I. CASES FILED BY OUR COMPANY**

#### **Civil Cases**

There are no civil proceedings filed by our Company.

#### **Criminal Cases**

There are no criminal proceedings filed by our Company.

### **II. CASES FILED AGAINST OUR COMPANY**

#### **Civil proceedings**

There are no civil proceedings filed against our Company.

#### **Criminal Proceedings**

There are no criminal proceedings filed against our Company.

### **III. INDIRECT TAX PROCEEDINGS INVOLVING OUR COMPANY NIL**

### **IV. LITIGATIONS INVOLVING OUR PROMOTER**

#### **(i) Proceedings of Civil nature**

##### **(a) By the promoters**

NIL

##### **(b) Against the promoters**

NIL

#### **(ii) Proceedings of a Criminal nature-**

##### **(a) By the promoters**

NIL

##### **(b) Against the promoters**

NIL

### **V. LITIGATIONS INVOLVING DIRECTORS OF OUR COMPANY**

#### **(i) Proceedings of Civil nature**

##### **(a) By the Directors of our Company**

NIL

**(b) Against the Directors of our Company**

NIL

**(ii) Proceedings of a Criminal nature-**

**(a) By the Directors of our Company**

NIL

**(b) Against the Directors of our Company**

NIL

**MATERIAL DEVELOPMENTS**

In the opinion of the Board of Directors of our Company, since the date of the last audited financial statements disclosed in this Draft Prospectus, there have not arisen any circumstances that materially or adversely affect or are likely to affect our profitability or value of assets or our ability to pay material liabilities within the next twelve (12) months.

## **GOVERNMENT & OTHER APPROVALS**

We have received all the necessary consents, licenses, permissions and approvals from the government and various government agencies/ private certification bodies for our present businesses and no further approvals are required for carrying on the present businesses except as stated in this Draft Prospectus.

### **APPROVALS FOR THE ISSUE**

1. The Board of Directors has, pursuant to resolution passed at its meeting held on July 30, 2013 authorized the Issue.
2. The shareholders of our Company have, pursuant to a resolution EGM held on July 30, 2013 authorized the Issue.

### **INCORPORATION DETAILS**

1. Certificate of incorporation 27<sup>th</sup> April , 2004 issued by Registrar of Companies, National Capital Territory of Delhi & Haryana, in the name of Cityon Systems (India) Limited.
2. The Company Identification Number (CIN) is U72900DL2004PTC126096.

### **CORPORATE APPROVALS OF OUR COMPANY**

1. Permanent Account Number (AACCC3822B) under the Income Tax Act, 1961.
2. Tax Deduction Account Number (DELC08055F) under the Income Tax Act, 1961.
3. ISIN Number is [•].

### **APPROVALS TO BE OBTAINED FOR THE OBJECTS OF THE ISSUE**

<b>Sr. No.</b>	<b>Licenses &amp; Approval</b>
	<b>None</b>

## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **AUTHORITY FOR THE ISSUE**

The shareholders of Cityon Systems (India) Limited had approved the present Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, 1956 passed at the Extra Ordinary General Meeting of our Company held on July 30, 2013.

Our Board has approved this Draft Prospectus at its meeting held on July 30, 2013.

We have received approval from BSE vide letter dated [●] to use the name of BSE in this offer document for listing of our Equity Shares on SME Platform of BSE. BSE is the Designated Stock Exchange.

### **PROHIBITION BY SEBI**

The Company, its Promoters, its Directors or any of the Company's Associates or Group Companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control of, of the promoting Company, are currently not prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

### **PROHIBITION BY RBI**

Our Company, our Promoters, Promoting Companies, their relatives, and Associate Companies have not been detained as willful defaulters by the RBI or any other government authorities.

### **ELIGIBILITY FOR THE ISSUE**

Our Company is an "Unlisted Issuer" in terms of the SEBI (ICDR) Regulations; and this Issue is an "Initial Public Offer" in terms of the SEBI (ICDR) Regulations.

Our Company is eligible for the Issue in accordance with Regulation 106(M) (1) and other provisions of Chapter XB of the SEBI (ICDR) Regulations, as we are an Issuer whose post issue paid up capital does not exceed ten crores rupees shall issue its specified securities in accordance with provisions of chapter XB Issue of specified securities by small and medium enterprises] of ICDR regulations. (In this case being the "SME Platform of BSE").

We confirm that:

- a) In accordance with Regulation 106(P) of the SEBI (ICDR) Regulations, this Issue has been hundred percent underwritten and that the Lead Manager to the Issue has underwritten more than 15% of the Total Issue Size. For further details pertaining to said underwriting please refer to "General Information – Underwriting" on page no 33 of this Draft Prospectus.
- b) In accordance with Regulation 106(R) of the SEBI (ICDR) Regulations, we shall ensure that the total number of proposed Allottees in the Issue is greater than or equal to fifty, otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days from the date our Company becomes liable to repay it, then our Company and every officer in default shall, on and from expiry of eight days, be liable to repay such application money, with interest as prescribed under Section 73 of the Companies Act.
- c) In accordance with Regulation 106(O) the SEBI (ICDR) Regulations, we have not filed any Draft Offer Document with SEBI nor has SEBI issued any observations on our Offer Document. Also, we shall ensure that our Lead Manager submits the copy of Prospectus along with a Due Diligence Certificate including additional confirmations as required to SEBI at the time of filing the Prospectus with Stock Exchange and the Registrar of Companies.
- d) In accordance with Regulation 106(V) of the SEBI (ICDR) Regulations, we have entered into an agreement with the Lead Manager and Market Maker to ensure compulsory Market Making for a minimum period of three years from the date of listing of equity shares offered in this Issue. *For further details of the arrangement of market making please refer to "General Information – Details of the Market Making Arrangements for this Issue" on page no 33 of this Draft Prospectus.*

We further confirm that we shall be complying with all the other requirements as laid down for such an Issue under Chapter X-B of SEBI (ICDR) Regulations, as amended from time to time and subsequent circulars and guidelines issued by SEBI and the Stock Exchange.



As per Regulation 106(M)(3) of SEBI (ICDR) Regulations, 2009, the provisions of Regulations 6(1), 6(2), 6(3), Regulation 7, Regulation 8, Regulation 9, Regulation 10, Regulation 25, Regulation 26, Regulation 27 and Sub-regulation (1) of Regulation 49 of SEBI (ICDR) Regulations, 2009 shall not apply to us in this Issue.

#### **DISCLAIMER CLAUSE OF SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MERCHANT BANKER, MEFCOM CAPITAL MARKETS LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT 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 THE OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER, MEFCOM CAPITAL MARKETS LIMITED HAS FURNISHED, A DUE DILIGENCE CERTIFICATE DATED AUGUST 3, 2013 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 THE PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
  - (A) THE PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - (C) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- 3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

- 4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
- 5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.
- 6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE PROSPECTUS.
- 7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB- REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE
- 8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- 9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM THE STOCK EXCHANGE MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
- 10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
- 11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- 12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE PROSPECTUS:

- (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND
- (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
- 13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
- 14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
- 15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.
- 16) WE ENCLOSE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKERS, AS PER FORMAT SPECIFIED BY THE BOARD THROUGH CIRCULAR.-NOT APPLICABLE AS THIS BEING THE FIRST ISSUE OF MERCHANT BANKER
- 17) THE FILING OF THIS OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

ADDITIONAL CONFIRMATIONS/ CERTIFICATION TO BE GIVEN BY MERCHANT BANKER IN DUE DILIGENCE CERTIFICATE TO BE GIVEN ALONG WITH OFFER DOCUMENT REGARDING SME EXCHANGE

- (1) WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE PROSPECTUS HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.
- (2) WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN PROSPECTUS AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUER OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.
- (3) WE CONFIRM THAT THE ABRIDGED PROSPECTUS CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009.-NOTED
- (4) WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE ISSUER.

- (5) WE CERTIFY THAT AS PER THE REQUIREMENTS OF FIRST PROVISIO TO SUB-REGULATION (4) OF REGULATION 32 OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE PROSPECTUS. – NOT APPLICABLE
- (6) WE CONFIRM THAT UNDERWRITING AND MARKET MAKING ARRANGEMENTS AS PER REQUIREMENTS OF REGULATION 110[106P] AND 111[106V] OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE.
- (7) WE CONFIRM THAT THE ISSUER HAS REDRESSED AT LEAST NINETY FIVE PER CENT OF THE COMPLAINTS RECEIVED FROM THE INVESTORS TILL THE END OF THE QUARTER IMMEDIATELY PRECEDING THE MONTH OF THE FILING OF THE PROSPECTUS WITH THE REGISTRAR OF COMPANIES. – NOT APPLICABLE

#### **DISCLAIMER CLAUSE OF BSE**

BSE Limited (“BSE”) has given vide its letter dated [●], permission to this Company to use its name in the offer document as one of the stock exchanges on which this company’s securities are proposed to be listed on the SME Platform. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter for granting the aforesaid permission to this company. BSE does not in any manner:-

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. Warrant that this company’s securities will be listed or will continue to be listed on BSE; or
- iii. Take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed that this offer document has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities in this Company may do so pursuant to independent inquiry, investigations and analysis and shall not have any claim against BSE whatsoever by reason of loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **DISCLAIMER FROM OUR COMPANY AND THE LEAD MANAGER**

Our Company, its Directors and the Lead Manager accept no responsibility for statements made otherwise than those contained in this Draft Prospectus or, in case of the Company, in any advertisements or any other material issued by or at our Company’s instance and anyone placing reliance on any other source of information would be doing so at his or her own risk.

*For details regarding the track record of the Lead Manager to the Issue, please refer to the website of the Lead Manager: [www.mefcom.in](http://www.mefcom.in)*

#### **CAUTION**

The Lead Manager accepts no responsibility, save to the limited extent as provided in the MOU for Issue Management entered into among the Lead Manager and our Company dated July 16 2013, the Underwriting Agreement 30<sup>th</sup> July 2013 entered into among the Underwriters and our Company and the Market Making Agreement 30<sup>th</sup> July 2013 entered into among the Lead Manager, Market Maker and our Company.

All information shall be made available by us and the Lead Manager to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at collection centers or elsewhere.

#### **Note:**

Investors who apply in the Issue will be required to confirm and will be deemed to have represented to our

Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, 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 majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds}. This Draft Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Prospectus comes is required to inform him or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been any change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **DISCLAIMER CLAUSE UNDER RULE 144A OF THE U.S. SECURITIES ACT**

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold (i) in the United States only to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and in compliance with the applicable laws of the jurisdiction where those offers and sales occur. The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Applicants may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

#### **FILING**

The Draft Prospectus shall not be filed with SEBI, nor will SEBI issue any observation on the offer document in term of Reg. 106(M) (3). However, a copy of the Prospectus shall be filed with SEBI at the Corporate Finance Department, Plot No. C-4A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051. A copy of the Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the RoC situated at 4th Floor, IFCI Tower, 61, Nehru Palace, New Delhi- 110019.

#### **LISTING**

Application shall be made to BSE Limited for obtaining permission for listing of the Equity Shares being offered and sold in the SME Platform of BSE. BSE is the Designated Stock Exchange, with which the Basis of Allotment will be finalized for the Issue.

The BSE has given its approval for listing our shares vide its letter dated [●]. If the permission to deal in and for an official quotation of the Equity Shares is not granted by the SME Platform of BSE, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Prospectus. If such money is not repaid within eight days from the date our Company becomes liable to repay it, then our Company and every officer in default shall, on and from expiry of eight days, be liable to repay such application money, with interest at the rate of 15% *per annum* on application money, as prescribed under Section 73 of the Companies Act. Our Company shall ensure that all steps for the completion of the necessary

formalities for listing and commencement of trading at the SME Platform of BSE mentioned above are taken within 12 Working Days of the Issue Closing Date.

## CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to the Company; and (b) the Lead Manager, Escrow Collection Bankers, Registrar to the Issue, the Legal Advisors to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents shall not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI (ICDR) Regulations, M/s J. Agarwal & Associates, Chartered Accountants, the Auditors of the Company have agreed to provide their written consent to the inclusion of, statement of funds deployed dated July 30, 2013 and statement of tax benefits dated July 12, 2013 relating to the possible tax benefits, as applicable, which may be available to the Company and its shareholders, included in this Draft Prospectus in the form and context in which they appear therein and such consent and reports will not be withdrawn up to the time of delivery of the Draft Prospectus. The peer review auditors have also agreed to give their written consent to the inclusion of their report dated July 12, 2013 on restated financial statements

## EXPERT'S OPINION

The Company has not obtained any opinions from an expert as per the Companies Act.

## PUBLIC ISSUE EXPENSES

The Management estimates an expense of Rs. 45 Lacs towards Issue expense. The expenses of this Issue include, among others, underwriting and management fees, market making fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Particulars	Amount (Rs. in Lacs)	% of Total Issue Expenses	% of Total Issue Size
Issue management fees including fees and reimbursements of Market Making fees, selling commissions, brokerages, and payment to other intermediaries such as Legal Advisors, Registrars and other out of pocket expenses.	30.00	66.67	2.42
Printing & Stationery, Distribution, Postage, etc	[●]	[●]	[●]
Advertisement & Marketing Expenses	[●]	[●]	[●]
Regulatory & other expenses	[●]	[●]	[●]
<b>Total</b>	<b>45.00</b>	<b>100</b>	<b>3.62</b>

## FEE PAYABLE TO LEAD MANAGER TO THE ISSUE

The total fees payable to the Lead Manager will be as per the Engagement Letters from our Company and Lead Manager and Memorandum of Understanding signed with the Lead Manager, copy of which is available for inspection at the Registered Office of our Company.

## FEE PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable by the Company to the Registrar to the Issue for processing of application, data entry, printing of CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with the Company, copy of which is available for inspection at the Registered Office of our Company.

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 by the Company to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/ speed post/ under certificate of posting.

**UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

The underwriting commission and the selling commission for the Issue are as set out in the Underwriting Agreement amongst the Company and Underwriters. The underwriting commission shall be paid as set out in the Underwriting Agreement based on the Issue price and the amount underwritten in the manner mentioned on page no 33 of this Draft Prospectus.

**COMMISSION AND BROKERAGE PAID ON PREVIOUS ISSUES OF OUR EQUITY SHARES**

Since this is the Initial Public Offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since inception of the Company.

**CAPITAL ISSUE DURING THE LAST THREE YEARS**

Cityon Systems (India) Limited have not made any capital issue viz. initial public offering, rights issue or composite issue during the last three years.

**PREVIOUS PUBLIC OR RIGHTS ISSUE**

There have been no public or rights issue by our Company during the last five years.

**PREVIOUS ISSUES OF EQUITY SHARES OTHERWISE THAN FOR CASH**

Except as stated in the section titled “Capital Structure” on page 35 of this Draft Prospectus, we have not made any previous issues of shares for consideration otherwise than for cash.

**PROMISE VIS-À-VIS PERFORMANCE**

Our Company has not made any public or rights issue since its inception.

**PARTICULARS IN REGARD TO OUR COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1) (B) OF THE COMPANIES ACT WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

There are no listed companies under the same management within the meaning of Section 370(1) (b) of the Companies Act that made any capital issue viz. initial public offering, rights issue or composite issue during the last three years.

**OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments issued by the Company as on the date of this Draft Prospectus.

**STOCK MARKET DATA FOR OUR EQUITY SHARES**

This being an Initial Public Offering of the Equity Shares of our Company, the Equity Shares are not listed on any stock exchange.

**INVESTOR GRIEVANCES AND REDRESSAL SYSTEM**

The Company has appointed Skyline Financial Services Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with the Compliance Officer of the Company. All grievances relating to the present Issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and name of bank and branch. The Company would monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the Issue, namely Skyline Financial Services Private Limited, will handle investor's grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be co-coordinating with the registrar to the Issue in attending to the grievances to the investor. The Company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:

<b>Sr. No.</b>	<b>Nature of Complaint</b>	<b>Time Table</b>
1.	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2.	Non receipt of share certificate/Demat Credit	Within 7 days of receipt of complaint subject to production of satisfactory evidence
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

Redressal of investors' grievance is given top priority by the Company. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. The Company has adequate arrangements for redressal of investor complaints as follows:

Share transfer/ dematerialization/ rematerialization are handled by professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.

We have appointed Ms.Vibha Wadhva as Company Secretary and Compliance Officer and she may be contacted in case of any pre-issue or post-issue problems. She can be contacted at the following address:

Ms. Vibha Wadhva,  
Company Secretary & Compliance Officer  
Tel: 91-11-41563395  
Fax: 91-11-26842875  
E-Mail: [info@citvonsystems.in](mailto:info@citvonsystems.in)

#### **CHANGES IN AUDITORS**

There has been no change in the auditors of our Company in the last three years. However the Auditor firm have changed their name from Jalaj Aggarwal & Associates to the present J. Aggarwal & Associates.

#### **CAPITALIZATION OF RESERVES OR PROFITS DURING LAST FIVE (5) YEARS**

Our Company has not capitalized any reserve during last five (5) years except the fact that we have allotted Equity Shares as bonus in the ratio of 3:1 to our existing Equity shareholders pursuant to a Board resolution dated 15<sup>th</sup> July 2013 by capitalization of free reserves.

#### **REVALUATION OF ASSETS DURING THE LAST FIVE (5) YEARS**

Our Company has not revalued its assets during the last five (5) years.



## **SECTION VII**

### **ISSUE RELATED INFORMATION TERMS OF THE ISSUE**

*The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (ICDR) Regulations, 2009 our Memorandum and Articles of Association, the terms of the Draft Prospectus, Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.*

#### **RANKING OF EQUITY SHARES**

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares including in respect of the rights to receive dividends and other corporate benefits, if any, declared by us after the date of Allotment. For further details, please refer to the section titled “*Main Provisions of the Articles of Association of the Company*” on page no 148 of this Draft Prospectus.

#### **AUTHORITY FOR THE PRESENT ISSUE**

The Issue has been authorized by a resolution of the Board passed at their meeting held on July 30, 2013 subject to the approval of shareholders through a special resolution to be passed pursuant to section 81 (1A) of the Companies Act. The shareholders have authorized the Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, passed at the Extra-Ordinary General Meeting of the Company held on July 30, 2013.

#### **TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles, the terms of this Draft Prospectus, Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, SME platform of BSE, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **MODE OF PAYMENT OF DIVIDEND**

The declaration and payment of dividend will be as per the provisions of Companies Act and recommended by the Board of Directors and the shareholders at their discretion and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company. We shall pay dividends in cash and as per provisions of the Companies Act, 1956. For further details, please refer to the section titled “*Dividend Policy*” on page no 96 of this Draft Prospectus.

#### **FACE VALUE AND ISSUE PRICE**

The Equity Shares having a Face Value of Rs. 10/- each are being offered in terms of this Draft Prospectus at the price of Rs. 20/- per Equity Share. The Issue Price is determined by our Company in consultation with the Lead Manager and is justified under the section titled “*Basis of Issue Price*” on page 53 of this Draft Prospectus. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

#### **RIGHTS OF THE EQUITY SHAREHOLDERS**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;

- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive annual reports and notices to members;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and the Memorandum and Articles of Association of the Company.

#### **MINIMUM APPLICATION VALUE; MARKET LOT AND TRADING LOT**

As per the provisions of the Depositories Act, 1996, the shares of a body corporate can be in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode.

The investors have an option either to receive the security certificate or to hold the securities with depository.

The trading of the Equity Shares will happen in the minimum contract size of 6000 Equity Shares and the same may be modified by BSE from time to time by giving prior notice to investors at large.

Allocation and allotment of Equity Shares through this Offer will be done in multiples of 6000 Equity Share subject to a minimum allotment of 6000 Equity Shares to the successful applicants.

#### **MINIMUM NUMBER OF ALLOTTEES**

The minimum number of Allottees in this Issue shall be 50 shareholders. In case the minimum number of prospective Allottees is less than 50, no allotment will be made pursuant to this Issue and the monies collected shall be refunded within 15 days of closure of Issue.

#### **JOINT HOLDERS**

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-holders with benefits of survivorship.

#### **NOMINATION FACILITY TO INVESTOR**

In accordance with Section 109A of the Companies Act, the sole or first applicant, along with other joint applicant, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicant, death of all the applicants, 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 of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

#### **MINIMUM SUBSCRIPTION**

This Issue is not restricted to any minimum subscription level.

This Issue is 100% underwritten. If the Issuer does not receive the subscription of 100% of the Issue through this offer document including devolvement of Underwriters within sixty days from the date of closure of the Issue, the Issuer shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Issuer becomes liable to pay the amount, the Issuer shall pay interest prescribed under section 73 of the Companies Act, 1956.

#### **ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

The trading of the Equity Shares will happen in the minimum contract size of 6000 shares. However, the Market Maker shall buy the entire shareholding of a shareholder in one lot, where value of such shareholding is less than the minimum contract size allowed for trading on the SME platform of BSE.

#### **RESTRICTIONS, IF ANY, ON TRANSFER AND TRANSMISSION OF SHARES OR DEBENTURES AND ON THEIR CONSOLIDATION OR SPLITTING**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation / splitting, please refer to the section titled “*Main Provisions of the Articles of Association of the company*” on page no 148 of this Draft Prospectus.

#### **OPTION TO RECEIVE EQUITY SHARES IN DEMATERIALIZED FORM**

The investors have an option either to receive the security certificate or to hold the securities with depository.

#### **MIGRATION TO MAIN BOARD**

Our Company may migrate to the main board of BSE from SME platform of BSE on a later date subject to the following:

a) If the Paid up Capital of the Company is likely to increase above Rs. 25 crores by virtue of any further issue of capital by way of rights, preferential issue, bonus issue etc (which has been approved by a special resolution through postal ballot wherein the votes cast by the shareholders other than the Promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than Promoter shareholders against the proposal and for which the Company has obtained in-principal approval from the main board), we shall have to apply to BSE for listing our shares on its main board subject to the fulfillment of the eligibility criteria for listing of specified securities laid down by the main board.

OR

b) If the Paid up Capital of the company is more than 10 crores but below Rs. 25 crores, we may still apply for migration to the main board if the same has been approved by a special resolution through postal ballot wherein the votes cast by the shareholders other than the promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal.

#### **MARKET MAKING**

The shares offered through this Issue are proposed to be listed on the SME Platform of BSE, wherein the Lead Manager to this Issue shall ensure compulsory Market Making through the registered Market Makers of the SME platform for a minimum period of three years from the date of listing of shares offered through this Draft Prospectus. For further details of the agreement entered into between the Companies, the Lead Manager and the Market Maker please refer to “*General Information – Details of the Market Making Arrangements for this Issue*” on page 33 of this Draft Prospectus.

## **NEW FINANCIAL INSTRUMENTS**

The Issuer Company is not issuing any new financial instruments through this Issue.

## **WITHDRAWAL OF THE ISSUE**

The Company, in consultation with the LM, reserves the right not to proceed with the Issue at any time before the Issue Opening Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining the following:

- (i) The final listing and trading approvals of BSE for listing of Equity Shares offered through this issue on its SME Platform, which the Company shall apply for after Allotment and
- (ii) The final RoC approval of the Draft Prospectus after it is filed with the RoC. In case, the Company wishes to withdraw the Issue after Issue Opening but before allotment, the Company will give public notice giving reasons for withdrawal of Issue. The public notice will appear in two widely circulated national newspapers (One each in English and Hindi) and one in regional newspaper.

## **JURISDICTION**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts / authorities in New Delhi, India.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulations under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and applications may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

## ISSUE STRUCTURE

This Issue is being made in terms of Regulation 106(M)(2) of Chapter X-B of SEBI (ICDR) Regulations, 2009, as amended from time to time, whereby, An issuer whose post-issue face value capital does not exceed ten crores rupees shall issue shares to the public and propose to list the same on the Small and Medium Enterprise Exchange (“SME Exchange”, in this case being the SME Platform of BSE). For further details regarding the salient features and terms of such an Issue please refer the section titled “*Terms of the Issue*” and “*Issue Procedure*” on page 128 and page 134 of this Draft Prospectus.

Following is the Issue structure:

Public Issue of 62,00,000 equity shares of Rs. 10/- each (the “Equity Shares”) for cash at a price of Rs. 20/- per Equity Share aggregating to Rs. 1240 LACS (“the Issue”) by Cityon Systems (India) Limited (“CSIL” or the “Company” or the “Issuer”).

The Issue comprises reservation of 3,10,000 Equity Shares for subscription by the designated Market Maker (“the Market Maker Reservation Portion”) and Net Issue to Public of 58,90,000 Equity Shares (“the Net Issue”).

Particulars of the Issue	Net Issue to Public*	Market Maker Reservation Portion
<b>Number of Equity Shares available for allocation</b>	58,90,000 Equity Shares	3,10,000 Equity Shares
<b>Percentage of Issue Size available for allocation</b>	95% of the Issue size	5% of the Issue size
<b>Basis of Allotment</b>	Proportionate subject to minimum allotment of 6000 Equity Shares and further allotment in multiples of 6000 Equity Shares each.  For further details please refer to the section titled “ <i>Issue Procedure – Basis of Allotment</i> ” on page 139 of this Draft Prospectus.	Firm Allotment
<b>Mode of Application</b>	For QIB and NII Applicants the application must be made compulsorily through the ASBA Process. The Retail Individual Applicant may apply through the ASBA or the Physical Form.	Through ASBA Process Only
<b>Minimum Application Size</b>	<b>For QIB and NII:</b> Such number of Equity Shares in multiples of 6000 Equity Shares such that the Application Value exceeds Rs. 2,00,000/-  <b>For Retail Individuals:</b> 6,000 Equity Shares	3,10,000 Equity Shares

<b>Maximum Application Size</b>	<b><i>For QIB and NII:</i></b> Such number of equity shares in multiples of 6,000 Equity Shares such that the Application Size does not exceed 25,02,000 Equity Shares. <b><i>For Retail Individuals:</i></b> Such number of Equity Shares in multiples of 6,000 Equity Shares such that the Application Value does not exceed Rs. 2, 00,000/-.	7,80,000 Equity Shares
<b>Mode of Allotment</b>	Dematerialized Form or Physical Form, at the option of the applicant.	Dematerialized Form or Physical Form, at the option of the applicant
<b>Trading Lot</b>	6000 Equity Shares	6,000 Equity Shares, However the Market Makers may accept odd lots if any in the market as required under the SEBI (ICDR) Regulations, 2009.
<b>Terms of Payment</b>	The entire Application Amount will be payable at the time of submission of the Application Form.	

\*50 % of the shares offered are reserved for applications below Rs. 2 Lacs and the balance for higher amount applications.

#### WITHDRAWAL OF THE ISSUE

Our Company, in consultation with the LM, reserves the right not to proceed with the Issue at any time after the 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 LM, through the Registrar to the Issue, will instruct the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such instruction. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchange will also be informed promptly.

If our Company withdraws the Issue after the Issue Closing Date and subsequently decides to undertake a public offering of Equity Shares, our Company will file a fresh offer document with the stock exchange where the Equity Shares may be proposed to be listed.

<b>ISSUE OPENING DATE</b>	<b>[•]</b>
<b>ISSUE CLOSING DATE</b>	<b>[•]</b>

Applications and any revisions to the same will be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Issue Period at the Application Centers mentioned in the Application Form, or in the case of ASBA Applicants, at the Designated Bank Branches except that on the Issue Closing Date applications will be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time). Applications will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday).

## ISSUE PROCEDURE

### FIXED PRICE ISSUE PROCEDURE

The Issue is being made under Regulation 106(M) (2) of Chapter XB of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 via Fixed Price Process.

Applicants are required to submit their Applications to the Selected Branches / Offices of the Escrow Bankers to the Issue who shall duly submit to them the Registrar of the Issue. In case of QIB Applicants, the Company in consultation with the Lead Manager may reject Applications at the time of acceptance of Application Form provided that the reasons for such rejection shall be provided to such Applicant in writing.

In case of Non Institutional Applicants and Retail Individual Applicants, our Company would have a right to reject the Applications only on technical grounds.

Investors will have the option of getting the allotment of specified securities either in physical form or in dematerialization form as the issue size is less than Rupees ten Crores as per Section 68B of the Companies Act, 1956.

### APPLICATION FORM

Applicants shall only use the specified Application Form for the purpose of making an Application in terms of this Draft Prospectus. Upon completing and submitting the Application Form to the Bankers, the Applicant is deemed to have authorized our Company to make the necessary changes in the Draft Prospectus and the Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Applicant.

ASBA Applicants shall submit an Application Form either in physical or electronic form to the SCSB's authorizing blocking funds that are available in the bank account specified in the Application Form used by ASBA applicants. Upon completing and submitting the Application Form for ASBA Applicants to the SCSB, the ASBA Applicant is deemed to have authorized our Company to make the necessary changes in the Prospectus and the ASBA as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Applicant.

The prescribed color of the Application Form for various categories is as follows:

Category	Color
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Non-Residents and Eligible NRIs applying on a repatriation basis	Blue

In accordance with the SEBI (ICDR) Regulations, 2009 in public issues w.e.f. May 1, 2010 all the investors can apply through ASBA process and w.e.f. May 02, 2011, the Non-Institutional applicants and the QIB Applicants have to compulsorily apply through the ASBA Process.

### WHO CAN APPLY?

Persons eligible to invest under all applicable laws, rules, regulations and guidelines;

- Indian nationals resident in India who are not incompetent to contract in single or joint names (not more than three) or in the names of minors as natural/legal guardian;
- Hindu Undivided Families or HUF's in the individual name of the Karta. The applicant should specify that the application is being made in the name of the HUF in the Application Form as follows: "Name of Sole or First applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Applications by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in the Equity Shares under their respective constitutional and charter documents;

- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis, subject to applicable laws. NRIs other than Eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI permission, and the SEBI Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual under the QIB Portion;
- Limited Liability Partnerships (LLPs) registered in India and authorized to invest in equity shares;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals only under the Non- Institutional applicant's category;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI; State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorized under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organizations authorized to invest in equity shares; Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Provident Funds with minimum corpus of Rs. 25 Crores and who are authorized under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 25 Crores and who are authorized under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India;
- Insurance funds set up and managed by army, navy or air force of the Union of India.

As per the existing regulations, OCBs cannot participate in this Issue.

The information below is given for the benefit of the applicants. Our Company and the Lead Manager do not accept responsibility for the completeness and accuracy of the information stated. Our Company and the Lead Manager is not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Prospectus. Applicants are advised to make their independent investigations and ensure that the number of Equity Shares applied for does not exceed the limits prescribed under laws or regulations.

#### **PARTICIPATION BY ASSOCIATES OF LM**

The LM shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the LM may subscribe for Equity Shares in the Issue, either in the QIB Portion and Non-Institutional Portion where the allotment is on a proportionate basis.



## **AVAILABILITY OF PROSPECTUS AND APPLICATION FORMS**

The Memorandum Form 2A containing the salient features of the Prospectus together with the Application Forms and copies of the Prospectus may be obtained from the Registered Office of our Company, Lead Manager to the Issue, Registrar to the Issue and the collection Centers of the Bankers to the Issue, as mentioned in the Application Form. The application forms may also be downloaded from the website of SME Platform of BSE Limited i.e. [www.bsesme.com](http://www.bsesme.com).

## **OPTION TO SUBSCRIBE IN THE ISSUE**

- Investors will have the option of getting the allotment of specified securities either in physical form or in dematerialization form.
- The equity shares, on allotment, shall be traded on Stock Exchange in demat segment only.
- A single application from any investor shall not exceed the investment limit/minimum number of specified securities that can be held by him/her/it under the relevant regulations/statutory guidelines.

## **APPLICATION BY MUTUAL FUNDS**

As per the current regulations, the following restrictions are applicable for investments by mutual funds: No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any Company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any Company's paid up share capital carrying voting rights. In case of a Mutual Fund, a separate Application can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made.

## **APPLICATIONS BY ELIGIBLE NRIS/FII'S ON REPATRIATION BASIS**

Application Forms have been made available for Eligible NRIs at our registered Office. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians. Under the Foreign Exchange Management Act, 1999 (FEMA) general permission is granted to the companies vide notification no. FEMA/20/2000 RB dated 03/05/2000 to issue securities to NRI's subject to the terms and conditions stipulated therein. The Companies are required to file the declaration in the prescribed form to the concerned Regional Office of RBI within 30 days from the date of issue of shares for allotment to NRI's on repatriation basis. Allotment of Equity Shares to Non Resident Indians shall be subject to the prevailing Reserve Bank of India Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to permission of the RBI and subject to the Indian Tax Laws and regulations and any other applicable laws. The Company does not require approvals from FIPB or RBI for the Transfer of Equity Shares in the issue to eligible NRI's, FII's, Foreign Venture Capital Investors registered with SEBI and multilateral and bilateral development financial institutions.

## **AS PER THE CURRENT REGULATIONS, THE FOLLOWING RESTRICTIONS ARE APPLICABLE FOR INVESTMENTS BY FIIS:**

- The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue paid-up capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital of the Company or 5% of the 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, such investment must be made out of funds raised or collected or brought from outside India through normal banking channels and the investment must not exceed the overall ceiling specified for FIIs. Under the portfolio investment scheme, the aggregate issue of equity shares to FIIs and their sub-accounts should not exceed 24% of post-issue paid-up equity capital of a company. However, this limit can be increased to the permitted sectoral cap/statutory limit, as applicable to our Company after obtaining approval of its Board of Directors followed by a special resolution to that effect by its shareholders in their general meeting. As of the date of the Draft Prospectus, no such resolution has been recommended to the shareholders of our Company for adoption.
- Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations 1995, as amended, by the

SEBI (Foreign Institutional Investors)(Amendment) Regulations, 2008 ("SEBI FII Regulations"), an FII, as defined in the SEBI FII Regulations, or its sub account may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations, as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate foreign regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or sub-account is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the LM that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue.

#### **APPLICATIONS BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS**

As per the current regulations, the following restrictions are applicable for SEBI registered venture capital funds and foreign venture capital investors:

- The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund; a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investor can invest only up to 33.33% of the funds available for investment by way of subscription to an Initial Public Offer.

#### **APPLICATIONS BY LIMITED LIABILITY PARTNERSHIPS**

In case of applications made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Application Form. Failing this, our Company reserves the right to reject any application, without assigning any reason thereof.

#### **APPLICATIONS BY INSURANCE COMPANIES**

In case of applications made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be attached to the Application Form. Failing this, our Company reserves the right to reject any application, without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, as amended (the "IRDA Investment Regulations"), are broadly set forth below:

- a) equity shares of a company: the least of 10% of the investee company's subscribed capital (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;
- b) the entire group of the investee company: the least of 10% of the respective fund in case of a life insurer or 10% of investment assets in case of a general insurer or reinsurer (25% in case of ULIPS); and
- c) The industry sector in which the investee company operates: 10% of the insurer's total investment exposure to the industry sector (25% in case of ULIPS).

In addition, the IRDA partially amended the exposure limits applicable to investments in public limited companies in the infrastructure and housing sectors, i.e. 26th December, 2008, providing, among other things, that the exposure of an insurer to an infrastructure company may be increased to not more than 20%, provided that in case of equity investment, a dividend of not less than 4% including bonus should have been declared for at least five preceding years. This limit of 20% would be combined for debt and equity taken together, without sub ceilings. Further, investments in equity including preference shares and the convertible part of debentures shall not exceed 50% of the exposure norms specified under the IRDA Investment Regulations.

#### **APPLICATION BY PROVIDENT FUNDS/ PENSION FUNDS**

In case of applications made by provident funds/pension funds, subject to applicable laws, with minimum corpus of Rs. 2,500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident

fund/ pension fund must be attached to the Application Form. Failing this, our Company reserves the right to reject any application, without assigning any reason thereof.

#### **APPLICATION UNDER POWER OF ATTORNEY**

In case of applications made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 25 Crores (subject to applicable law) and pension funds with a minimum corpus of Rs. 25 Crores 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 Application Form. Failing this, our Company reserves the right to accept or reject any application in whole or in part, in either case, without assigning any reason therefore.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- a) With respect to applications by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Application Form. Failing this, our Company reserves the right to accept or reject any application, in whole or in part, in either case without assigning any reasons thereof.
- b) With respect to applications 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 Application Form as applicable. Failing this, our Company reserves the right to accept or reject any application, in whole or in part, in either case without assigning any reasons thereof.
- c) With respect to applications made by provident funds with minimum corpus of Rs. 25 Crores (subject to applicable law) and pension funds with a minimum corpus of Rs. 25 Crores, 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 Application Form. Failing this, our Company reserves the right to accept or reject such application, in whole or in part, in either case without assigning any reasons thereof.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Application Form, subject to such terms and conditions that our Company, the lead manager may deem fit.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the Allotment Advice / CANs / refund orders / letters notifying the unblocking of the bank accounts of ASBA applicants, the Demographic Details given on the Application Form should be used (and not those obtained from the Depository of the application). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Application Form instead of those obtained from the Depositories.

The above information is given for the benefit of the Applicants. The Company and the LM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Prospectus. Applicants are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.

#### **MAXIMUM AND MINIMUM APPLICATION SIZE**

**a) For Retail Individual Applicants**

The Application must be for a minimum of 6,000 Equity Shares and in multiples of 6,000 Equity Share thereafter, so as to ensure that the Application Price payable by the Applicant does not exceed Rs. 2,00,000. In case of revision of Applications, the Retail Individual Applicants have to ensure that the Application Price does not exceed Rs. 2,00,000.

**b) For Other Applicants (Non Institutional Applicants and QIBs):**

The Application must be for a minimum of such number of Equity Shares such that the Application Amount exceeds Rs. 200,000 and in multiples of 6,000 Equity Shares thereafter. An Application cannot be submitted for more than the Issue Size. However, the maximum Application by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Regulations, a QIB Applicant cannot withdraw its Application after the Issue Closing Date and is required to pay 100% QIB Margin upon submission of Application.

In case of revision in Applications, the Non Institutional Applicants, who are individuals, have to ensure that the Application Amount is greater than Rs. 2, 00,000 for being considered for allocation in the Non Institutional Portion.

Applicants are advised to ensure that any single Application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Prospectus.

#### **INFORMATION FOR THE APPLICANTS:**

- a) Our Company will file the Prospectus with the RoC at least 3 (three) days before the Issue Opening Date.
- b) The LM will circulate copies of the Prospectus along with the Application Form to potential investors.
- c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Prospectus and/ or the Application Form can obtain the same from our Registered Office or from the registered office of the LM.
- d) Applicants who are interested in subscribing for the Equity Shares should approach the LM or their authorized agent(s) to register their Applications.
- e) Applications made in the Name of Minors and/or their nominees shall not be accepted.
- f) Applicants are requested to mention the application form number on the reverse of the instrument to avoid misuse of instrument submitted along with the application for shares. Applicants are advised in their own interest, to indicate the name of the bank and the savings or current a/c no in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

#### **INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM**

The Applications should be submitted on the prescribed Application Form and in BLOCK LETTERS in ENGLISH only in accordance with the instructions contained herein and in the Application Form. Applications not so made are liable to be rejected. ASBA Application Forms should bear the stamp of the SCSB's. ASBA Application Forms, which do not bear the stamp of the SCSB, will be rejected.

Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk along with Demand Draft payable at Delhi.

#### **APPLICANT'S DEPOSITORY ACCOUNT AND BANK DETAILS**

Please note that, providing bank account details in the space provided in the application form is mandatory and applications that do not contain such details are liable to be rejected. Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Applicants bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Applicants. Hence, Applicants are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in dispatch/ credit of refunds to Applicants at the Applicants sole risk and neither the LM or the Registrar or the Escrow Collection Banks or the SCSB nor the Company shall have any responsibility and undertake any liability for the same. Hence, Applicants should carefully fill in their Depository Account details in the Application Form. These Demographic Details would be used for all correspondence with the Applicants 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 Applicants in the Application Form would not be used for any other purpose by the Registrar to the Issue. By signing the Application Form, the Applicant would be deemed to have authorized the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

#### **BASIS OF ALLOTMENT**

Allotment will be made in consultation with BSE Limited (The Designated Stock Exchange). In the event of oversubscription, the allotment will be made on a proportionate basis in marketable lots as set forth here:

1. The total number of Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Shares applied for in that category multiplied by the inverse of the over subscription ratio (number of applicants in the category x number of Shares applied for).
2. The number of Shares to be allocated to the successful applicants will be arrived at on a proportionate basis in marketable lots (i.e. Total number of Shares applied for into the inverse of the over subscription ratio).
3. For applications where the proportionate allotment works out to less than 6,000 equity shares the allotment will be made as follows:
  - a) Each successful applicant shall be allotted 6,000 equity shares; and

- b) The successful applicants out of the total applicants for that category shall be determined by the drawal of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (2) above.
4. If the proportionate allotment to an applicant works out to a number that is not a multiple of 6,000 equity shares, the applicant would be allotted Shares by rounding off to the lower nearest multiple of 6,000 equity shares subject to a minimum allotment of 6,000 equity shares.
5. If the Shares allotted on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allocation shall be first adjusted against any category, where the allotted Shares are not sufficient for proportionate allotment to the successful applicants in that category, the balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares. If as a result of the process of rounding off to the lower nearest multiple of 6,000 equity shares, results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, up to 110% of the size of the offer specified under the Capital Structure mentioned in this Draft Prospectus.
6. The above proportionate allotment of shares in an Issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:
  - a) A minimum of 50% of the net offer of shares to the Public shall initially be made available for allotment to retail individual investors as the case may be.
  - b) The balance net offer of shares to the public shall be made available for allotment to a) individual applicants other than retails individual investors and b) other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for.
  - c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall/may be made available for allocation to applicants in the other category, if so required. 'Retail Individual Investor' means an investor who applies for shares of value of not more than Rs. 2, 00,000/- Investors may note that in case of over subscription allotment shall be on proportionate basis and will be finalized in consultation with BSE.

The Executive Director / Managing Director of BSE - the Designated Stock Exchange in addition to Lead Manager and Registrar to the Public Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI (ICDR) Regulations, 2009.

## **REFUNDS**

In case of Applicants receiving refunds through electronic transfer of funds, delivery of refund orders/ allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Applicant in the Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Applicants sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the LM shall be liable to compensate the Applicant for any losses caused to the Applicant due to any such delay or liable to pay any interest for such delay. In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Applications are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Application Form should be used (and not those obtained from the Depository of the Applicant). In such cases, the Registrar shall use Demographic Details as given in the Application Form instead of those obtained from the depositories. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/ or commission. In case of Applicants 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 Applicants so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the Applicant on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue. There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

## **TERMS OF PAYMENT / PAYMENT INSTRUCTIONS**

The entire Issue Price of Rs. 20/- per share is payable on application. In case of allotment of lesser number of Equity shares than the number applied, The Company shall refund the excess amount paid on Application to the Applicants. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co operative Bank), which is situated at, and is a member of or sub member of the bankers' clearing house located at the centre where the Application Form is submitted. Outstation cheques/ bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal orders will not be accepted. A separate Cheque or Bank Draft should accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /Draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders / Postal Notes will not be accepted. Each Applicant shall draw a cheque or demand draft for the amount payable on the Application and/ or on allocation/ Allotment as per the following terms:

1. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - Indian Public including eligible NRIs applying on non repatriation basis: "CSIL –Public Issue - R".
  - In case of Non Resident Retail Applicants applying on repatriation basis: "CSIL –Public Issue – NR"
2. In case of Application by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non Resident External (NRE) Accounts or Foreign Currency Non Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of Non Resident Applicant applying 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.
3. Where an Applicant has been allocated a lesser number of Equity Shares than the Applicant has applied for, the excess amount, if any, paid on Application, after adjustment towards the balance amount payable by the Pay In Date on the Equity Shares allocated will be refunded to the Applicant from the Refund Account.
4. On the Designated Date and no later than 12 working days from the Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Applicants and also the excess amount paid on Application, if any, after adjusting for allocation / Allotment to the Applicants.

## **PAYMENT BY STOCK INVEST**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/ 24.47.00/ 2003 04 dated November 5, 2003; the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Application money has been withdrawn. Hence, payment through stock invest would not be accepted in this Issue.

## **GENERAL INSTRUCTIONS**

### **Do's:**

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the applicable Application Form;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;
- Each of the Applicants should mention their Permanent Account Number (PAN) allotted under the Income Tax Act, 1961;
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant.

### **Don'ts:**

- Do not apply for lower than the minimum Application size;
- Do not apply at a Price Different from the Price Mentioned herein or in the Application Form
- Do not apply on another Application Form after you have submitted an Application to the Bankers of the Issue.

- Do not pay the Application Price in cash, by money order or by postal order or by stock invest;
- Do not send Application Forms by post; instead submit the same to the Selected Branches / Offices of the Banker to the Issue.
- Do not fill up the Application Form such that the Equity Shares applied for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground.

## **OTHER INSTRUCTIONS**

### **Joint Applications in the case of Individuals**

Applications may be made in single or joint names (not more than three). In the case of joint Applications, all payments will be made out in favour of the Applicant whose name appears first in the Application Form or Revision Form. All communications will be addressed to the First Applicant and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### **Multiple Applications**

An Applicant should submit only one Application (and not more than one) for the total number of Equity Shares required. Two or more Applications will be deemed to be multiple Applications if the sole or First Applicant is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- a) All applications are electronically strung on first name, address (1st line) and applicant's status. Further, these applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/ husband's name to determine if they are multiple applications
- b) Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/ beneficiary ID. In case of applications with common DP ID/ beneficiary ID, are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.
- c) Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked to eliminate possibility of data capture error to determine if they are multiple applications.

No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple applications and rejected accordingly. In case of a mutual fund, a separate Application can be made in respect of each scheme of the mutual fund registered with SEBI and such Applications in respect of more than one scheme of the mutual fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made. In cases where there are more than 20 valid applications having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of "know your client" norms by the depositories. The Company reserves the right to reject, in our absolute discretion, all or any multiple Applications in any or all categories.

## **PERMANENT ACCOUNT NUMBER OR PAN**

Pursuant to the circular MRD/DoP/Circ 05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number ("PAN") to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction w.e.f. July 2, 2007. Each of the Applicants should mention his/her PAN allotted under the IT Act. Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that Applicants should not submit the GIR number instead of the PAN, as the Application is liable to be rejected on this ground.

## **RIGHT TO REJECT APPLICATIONS**

In case of QIB Applicants, the Company in consultation with the LM may reject Applications provided that the reasons for rejecting the same shall be provided to such Applicant in writing. In case of Non Institutional Applicants, Retail Individual Applicants who applied, the Company has a right to reject Applications based on technical grounds.

## **GROUND FOR REJECTIONS**

Applicants are advised to note that Applications are liable to be rejected inter alia on the following technical grounds:

- Applications or revisions thereof by QIB Applicants, Non Institutional Applicants where the Application Amount is in excess of Rs. 2,00,000, received after 5.00 pm on the Issue Closing Date; Amount paid does not tally with the amount payable for the highest value of Equity Shares applied for;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Application by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not mentioned in the Application Form;
- GIR number furnished instead of PAN;
- Applications for lower number of Equity Shares than specified for that category of investors;
- Applications at a price other than the Fixed Price of The Issue;
- Applications for number of Equity Shares which are not in multiples of 6000;
- Category not ticked;
- Multiple Applications as defined in this Draft Prospectus;
- In case of Application under power of attorney or by limited companies, corporate, trust etc., where relevant documents are not submitted;
- Applications accompanied by Stock invest/ money order/ postal order/ cash;
- Signature of sole Applicant is missing;
- Application Forms are not delivered by the Applicant within the time prescribed as per the Application Forms, Issue Opening Date advertisement and the Prospectus and as per the instructions in the Prospectus and the Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- Applications for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Applications where clear funds are not available in the Escrow Account as per the final certificate from the Escrow Collection Bank(s);
- Applications by OCBs;
- Applications by US persons other than in reliance on Regulation S or "qualified institutional buyers" as defined in Rule 144A under the Securities Act;
- Applications not duly signed by the sole;
- Applications by any persons outside India if not in compliance with applicable foreign and Indian laws;
- Applications that do not comply with the securities laws of their respective jurisdictions are liable to be rejected;
- Applications by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- Applications by persons who are not eligible to acquire Equity Shares of the Company in terms of all applicable laws, rules, regulations, guidelines, and approvals;

## **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:

- Makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- 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."

## **SIGNING OF UNDERWRITING AGREEMENT**

Vide an Underwriting agreement dated July 30, 2013 this issue is 100% Underwritten.



## **FILING OF THE PROSPECTUS WITH THE ROC**

The Company will file a copy of the Prospectus with the RoC in terms of Section 56 and Section 60 of the Companies Act.

## **PRE-ISSUE ADVERTISEMENT**

Subject to Section 66 of the Companies Act, the Company shall, after registering the Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one widely circulated English language national daily newspaper; one widely circulated Hindi language national daily newspaper and one regional newspaper with wide circulation.

## **DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES**

The Company will issue and dispatch letters of allotment/ securities certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of 12 working days of the Issue Closing Date. In case the Company issues Letters of allotment, the corresponding Security Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Security Certificates. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Applicants depository account. Allotment of the Equity Shares to the Allottees shall be within two working days of the date of Allotment. Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter intimating them about the mode of credit of refund within 12 working days of closure of Issue. The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the

Registrar to the Issue. Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as Refund Banker and payable at par at places where applications are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Applicants.

## **PAYMENT OF REFUND**

Applicants must note that on the basis of name of the Applicants, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Application Form, the Registrar will obtain, from the Depositories, the Applicants' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Applicants are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Applicants' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the LM shall be liable to compensate the Applicants for any losses caused to the Applicant due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes as given hereunder:

- 1) **ECS (Electronic Clearing System)** – Payment of refund would be done through ECS for applicants having an account at any of the centers where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of such centers, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
- 2) **Direct Credit** – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
- 3) **RTGS (Real Time Gross Settlement)** – Applicants having a bank account at any of the centers where such facility has been made available and whose refund amount exceeds 10.00 Lacs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- 4) **NEFT (National Electronic Fund Transfer)** – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund,

duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

- 5) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Applications are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Applicants.

#### **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY**

The Company shall ensure the dispatch of Allotment advice, refund orders (except for Applicants 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 Exchange within two working days of date of Allotment of Equity Shares. In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 working days from the Issue Closing Date. A suitable communication shall be sent to the Applicants receiving refunds through this mode within 12 working days of Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund. The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at SME Platform of BSE where the Equity Shares are proposed to be listed are taken within 12 working days of closure of the issue. In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Regulations, then Company further undertakes that:

- Allotment of Equity Shares shall be made within 12 (twelve) working days of the Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 (twelve) working days of the Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% p.a. for any delay beyond the 12 (twelve) working days time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/ or demat credits are not made to investors within the 12 (twelve) working days time.

#### **UNDERTAKINGS BY OUR COMPANY**

The Company undertakes the following:

- a) That the complaints received in respect of this Issue shall be attended to by us expeditiously;
- b) That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Equity Shares are proposed to be listed within 12 (twelve) working days of closure of the Issue;
- c) That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- d) That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 (twelve) working days of the 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;
- e) That the certificates of the securities/ refund orders to the non resident Indians shall be dispatched within specified time; and
- f) That no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Prospectus are listed or until the Application monies are refunded on account of non listing, under subscription etc.
- g) The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from the Stock Exchange where listing is sought has been received.

#### **UTILIZATION OF ISSUE PROCEEDS**

Our Board certifies that:

- 1) All monies received out of the Issue shall be credited/ transferred to a separate bank account other than the bank account referred to in sub section (3) of Section 73 of the Companies Act;
- 2) Details of all monies utilized out of the Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilized;

- 3) Details of all unutilized monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilized monies have been invested and
- 4) Our Company shall comply with the requirements of Clause 52 of the SME Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.
- 5) Our Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from the Stock Exchange where listing is sought has been received.

## **WITHDRAWAL OF THE ISSUE**

Our Company, in consultation with the LM reserves the right not to proceed with the Issue at anytime, including after the Issue Closing Date but before the Board meeting for Allotment, without assigning any reason. Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchange, which the Company shall apply for after Allotment. In terms of the SEBI Regulations, QIB Applicants shall not be allowed to withdraw their Application after the Issue Closing Date.

## **EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

To enable all shareholders of the Company to have their shareholding in electronic form, the Company had signed the following tripartite agreements with the Depositories and the Registrar and Share Transfer Agent:

(a) Agreement dated [•] between NSDL, the Company and the Registrar to the Issue; (b) Agreement dated [•] between CDSL, the Company and the Registrar to the Issue; The Company's shares bear an ISIN No. [•]

- An Applicant applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Application.
- The Applicant must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Application Form or Revision Form.
- Allotment to a successful Applicant will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Applicant.
- Names in the 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.
- If incomplete or incorrect details are given under the heading 'Applicants Depository Account Details' in the Application Form or Revision Form, it is liable to be rejected.
- The Applicant is responsible for the correctness of his or her Demographic Details given in the Application Form Vis à Vis those with his or her Depository Participant.
- Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchange where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of the Company would be in dematerialized form only for all investors

## **COMMUNICATIONS**

All future communications in connection with the Applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Applicant, Application Form number, Applicants Depository Account Details, number of Equity Shares applied for, date of Application form, name and address of the Banker to the Issue where the Application was submitted and cheque or draft number and issuing bank thereof and a copy of the acknowledgement slip. Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre Issue or post Issue related problems such as non receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

## **ISSUE PROCEDURE FOR ASBA (APPLICATION SUPPORTED BY BLOCKED ACCOUNT) APPLICANTS**

This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. Our Company and the LM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Draft Prospectus. ASBA Applicants are advised to make their independent investigations and to ensure that the ASBA Application Form is correctly filled up, as described in this section. The lists of banks that have been notified by SEBI to act as SCSB (Self Certified Syndicate Banks) for the ASBA Process are provided on <http://www.sebi.gov.in>. For details on designated branches of SCSB collecting the Application Form, please refer the above mentioned SEBI link.

## **ASBA PROCESS**

A Resident Retail Individual Investor shall submit his Application through an Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Applicant or bank account utilized by the ASBA Applicant ("ASBA Account") is maintained. The SCSB shall block an amount equal to the Application Amount in the bank account specified in the ASBA Application Form, physical or electronic, on the basis of an authorization to this effect given by the account holder at the time of submitting the Application. The Application Amount shall remain blocked in the aforesaid ASBA Account until finalization of the Basis of Allotment in the Issue and consequent transfer of the Application Amount against the allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Application, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchange. 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 bank accounts and for transferring the amount allocable to the successful ASBA Applicants to the ASBA Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the LM. ASBA Applicants are required to submit their Applications, either in physical or electronic mode. In case of application in physical mode, the ASBA Applicant shall submit the ASBA Application Form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Applicant shall submit the Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for applying and blocking funds in the ASBA account held with SCSB, and accordingly registering such Applications.

### **Who can apply?**

In accordance with the SEBI (ICDR) Regulations, 2009 in public issues w.e.f. May 1, 2010 all the investors can apply through ASBA process and w.e.f May 02, 2011, the Non-Institutional applicants and the QIB Applicants have to compulsorily apply through the ASBA Process.

### **Mode of Payment**

Upon submission of an Application Form with the SCSB, whether in physical or electronic mode, each ASBA Applicant shall be deemed to have agreed to block the entire Application Amount and authorized the Designated Branch of the SCSB to block the Application Amount, in the bank account maintained with the SCSB. Application Amount paid in cash, by money order or by postal order or by stockinvest, or ASBA Application Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted. After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Application Amount mentioned in the ASBA Application Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Applicants from the respective ASBA Account, in terms of the SEBI Regulations, into the ASBA Public Issue Account. The balance amount, if any against the said Application in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue. The entire Application Amount, as per the Application Form submitted by the respective ASBA Applicants, would be required to be blocked in the respective ASBA Accounts until finalization of the Basis of Allotment in the Issue and consequent transfer of the Application Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Application, as the case may be.

### **Unblocking of ASBA Account**

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Applicant to the ASBA Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Application Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalization of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Application, as the case may be.

**THE COMPANIES ACT, 1956  
(COMPANY LIMITED BY SHARES)**

**ARTICLES OF ASSOCIATION  
OF  
CITYON SYSTEMS (INDIA) LIMITED**

**PRELIMINARY**

1. Unless the context otherwise requires words or expressions contained in these articles shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these Articles become binding on the Company.

“The Act” means the Companies Act, 1956 and includes where the context so admit any re-enactment or statutory modification thereof for the time being in force.

“These Articles” means these Articles of Association as originally framed or as from time to time altered by special resolution.

“The Company” means **CITYON SYSTEMS (INDIA) LIMITED**.

“The Directors” mean the Directors of the Company.

“The Board of Directors” means the Board of Directors of the Company.

“The Managing Director” means the Managing Director of the Company.

“The Office” means the Registered Office of the Company.

“The Corporation” means any financial institution and/or any Central or State Government.

“Register” means the Register of Members of the Company required to be kept by Section 150 of the Act.

“The Registrar” means the Registrar of Companies, as defined under Section 609(2) of the Companies Act, 1956.

“The Secretary” means the Secretary of the Company.

“Dividend” includes bonus but excludes bonus shares.

“Month” means calendar month.

“Year” means a calendar year and “Financial Year” shall have the meaning assigned thereto by Section 2 (17) of the Act.

“Seal” means the Common seal of the Company.

“Proxy” includes Attorney duly constituted under a Power of Attorney.

“In Writing” and “Written” include printing, lithography and other modes of representing or reproducing words in a visible form.

Words imparting the singular number only include the plural number and vice versa.

Words imparting person include corporations.

2. Save as otherwise provided herein the Regulations contained in Table “A” in Schedule to the Act shall apply to the Company.
3. Save as permitted by section 77 of the Act, the funds of the Company shall not be employed in the purchase of, or lent on the security of shares in the Company and the company shall not give, directly or indirectly, any financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, for the purpose of or in connection with any purchase of or subscription for shares in the Company or any company of which it may for the time being be a subsidiary.  
This article shall not be deemed to affect the power of the Company to enforce repayment of loans to members or to exercise a lien conferred by Article 32.
4. The Authorized Share Capital of the Company shall be such amount and be divided into such shares as may from time to time be provided under clause NO. V of the Memorandum of Association of the Company. The minimum paid-up capital of the Company is Rs. 5,00,000/- (Rupees Five Lacs Only)  
The Company shall have the power to increase or reduce the capital for the time being of the Company and to divide the shares in the Capital into several classes with rights, privileges or conditions as may be determined. The Company may issue preference shares which shall, or at the option of the company shall be liable to be redeemed.
5. Subject to the provisions of these Articles, the shares shall be under the control of the Board who may allot or otherwise dispose of the same to such person on such terms and conditions, at such time, either at par or at a premium and for such consideration as the Board thinks fit. Provided that, where at any time it is proposed to increase the subscribed capital of the Company by the allotment of further shares, then subject to the

provisions of Section 81(1A) of the Act, the Board shall issue such shares in the manner set out in Section 81(1) of the Act. Provided further that the option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting.

6. As regards all allotments made, from time to time, the Directors shall duly comply with Section 75 of the Act.
7. Subject to the provisions of these Articles the Company shall have power by special resolution to issue preference shares carrying a right to redemption out of the profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of such redemption is liable to be redeemed at the option of the company and the Board may subject to the provisions of Section 80 of the Act exercise such powers in such manner as may be provided in these Articles.
8. The Company may exercise the powers of paying commission conferred by Section 76 of the Act. In such case it shall comply with the requirements of that Section. Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares of partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.
9. With the previous authority of the Company in General Meeting and the sanction of the court and upon otherwise complying with Section 79 of the Act, the Directors may issue at a discount shares of a class already issued.
10. If, by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the company by the person who, for the time being, shall be the registered holder of the shares or by his executor or administrator.
11. The joint-holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.
12. Save as herein otherwise provided and Subject to Section 187C of the Companies Act, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a Court of Competent jurisdiction, or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.
13. Shares may be registered in the name of any person, company or other body corporate. Not more than three persons shall be registered as joint-holders of any share. No share shall be allotted to or registered in the name of a person of unsound mind or a partnership.

## **CERTIFICATES**

- 14(a) The issue of share certificate and duplicates and the issue of new share certificate on consolidation of sub-division or in replacement of share certificates which are surrendered for cancellation due in their being defaced, torn, old, decrepit or worn out of the cases for recording transfer having been utilized or of share certificates which are lost or destroyed shall be in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re-enactment thereof. If any share certificate be lost or destroyed, then, upon proof thereof to the satisfaction of the Board and on such indemnity as the Board thinks fit being given, a new certificate in lieu thereof shall be given to the party entitled to the shares to which such lost or destroyed certificate shall relate.
- (b) Every member shall be entitled free of charge to one or more certificates in the marketable lot for all the shares of each class registered in his name or if the Board so approves, to several certificates each for one or more of such shares. Unless, the conditions of issue of any shares otherwise provide, the Company shall, within two months after the date of either allotment and on surrender to the Company of its letter making the allotment or of its fractional coupons of requisite value (save in the case of issue against letters of acceptance or of renunciation or in cases of issue of bonus shares) or within one month of receipt of the application for registration of the transfer of any of its shares, as the case may be, complete and have ready for delivery the certificate of such shares. In respect of any share held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate to one of the several joint holders named first on the Register shall be sufficient delivery to all such holders.
- (c) Permission for sub-division/consolidation of share certificate.

## **CALLS**

- 15.(1) The Board of Directors may, from time to time, make calls upon the members in respect of money unpaid on the shares(whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotments thereof made payable at fixed times.
  - (2) Each member shall, subject to receiving at least thirty days notice specifying the time or times and place of place of the call money pay to the Company all the time of times and place so specified, the amount called on his shares.
  - (3) A call may be revoked or postponed at the discretion of the Board.
  - (4) Option or right to call of shares shall not be given to any person except with the sanction of the issuer in General Meeting.
16. No call shall be made payable within one month after the last preceding call was payable.
17. Not less than thirty days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
- 18.(a)If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holders for the time being in respect of the share for which the call shall have been made or the installment shall be due shall pay interest for the same at the rate of 12(twelve) per cent per annum from the day appointed for the payment thereof to the time of the actual payment or at such lower rate (if any) as the Board may determine.
  - (b)The Board shall e at liberty to waive payment of any such interest either wholly or in part.
19. If by the terms of issue of any share or otherwise any amount is made payable upon allotment or at any fixed time or by installments at fixed times, whether on account of the share or by way of premium, every such amount or installment shall be payable as it is were a call duly made by the Board of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
20. On the trial or hearing of any action or suit brought by the Company against any shareholder r his representative to recover any debt or money claimed to be due to the Company in respect of his shre, it shall be sufficient to prove that the name of the defendant is or was, when the claim arose, on the registered as a holder, or one of the holders of the number of shares in respect of which such claim is made, and that the amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of the Board who made any call, not that a quorum 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 but the proof of the matters aforesaid shall be conclusive evidence of the debt.
21. The Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the money due upon the share held by him beyond the sum actually called for, and upon the money 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 share in respect of which such advance has been made, the company may pay interest at such rate as the Board thinks fit. Money so paid in excess of the amount of calls shall not rank for dividends for confer a right to participate in profits. The Board may at any time reply the amount so advanced upon giving to such member not less than three months notice in writing.
- 22.A call may be revoked or postponed at the discretion of the Board.

## **FORFEITURE AND LIEN**

23. If any member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same, the Board may, at any time thereafter during such time as the call or instalment remains unpaid serve a notice on such member 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.
24. The notice shall name a day (not being less than thirty days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.

25. If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or instalments, interest and expenses, due in respect thereof be forfeited by a resolution of the Board of that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares but not actually paid before the forfeiture, subject to Section 205 A of the Act.
26. When any share shall have been so forfeited, notice of the resolution shall be given to the members in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall for the with be made in the Register, but no forfeiture shall be in any manner invalidated by any omission no neglect to give such notice or to make such entry as aforesaid.
27. Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.
28. The Board may at any time before any share so forfeited shall have been sold re-allotted or otherwise dispose of annual the forfeiture thereof upon such conditions as thinks fit.
29. A person whose share has been forfeited shall ceases to be a member in respect of the share, but shall, notwithstanding such forfeiture remain liable to pay, and shall forthwith pay to the Company all calls, or instalments interests and expenses, owing upon or in respect of such share, at the time of the forfeiture, together with interest thereon, from time of forfeiture, until, payment, at 12 (Twelve) per cent per annum or at such other rate as the Board may determine and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.
30. A duly verified declaration in writing that the declarant is a Director or secretary of the Company, and that certain shares in the Company have been duly forfeited 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 shares and such declaration and the receipt of the Company for the consideration, if any given for the shares on the sale or disposition thereof shall constitute a good title to such shares and the person to whom any such share, is sold shall be registered as the holder of such share and shall not be bound to see to the application of the purchase money, not shall his title to such share be affected by any irregularity of invalidity in the proceedings in reference to such forfeiture, sale or disposition.
31. The provisions of Articles 23 to 27 hereof 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 a share or by way of premium as if the same had been payable by virtue of a call duly made and notified.
32. (1) The Company shall have a first and paramount lien upon every share (not being a fully paid up share), for all money (whether presently payable or not) called or payable at a fixed time in respect of that shares. Unless otherwise agreed the registration of a transfer of a share shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares to be wholly or in part to be exempt from the provisions of this article  
(2) The Company's lien, if any, on a share shall extend to all dividend payable thereon subject to section 205A of the Act  
(3) Fully paid shares shall be free from all liens.
33. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executor or administrator or his committee, curator bonus or other legal representative as the case may be and default shall have been made by him or them in the payment of the moneys called or payable at a fixed line in respect of such share for fourteen days after the date of such notice.
34. The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount n respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the persons entitled to the share at the date of the sale.
35. Upon the 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 respect of the shares sold and cause the purchaser's name to be entered in the Register in respect of such share 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.

36. Where any share under the powers in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered up to the Company by the former holder of such share, the Board may issue a new certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered up.

#### **TRANSFER AND TRANSMISSION**

37. Save as provided in Section 108 of the Act, no transfer of a share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate or if no such certificate is in existence, the letter of allotment of the share. Each signature to such transfer shall be duly attested by the signature of one credible witness who shall add his address and occupation.
38. Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of a partly said share be affected unless the Company gives the notice of the application to the transferee in the manner prescribed by Section 110 of the Act and subject to the provisions of these articles the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name and the particulars of the transferee as if the application for registration transfer was made by the transferee.
39. (A) the Company shall use a common form of transfer.
- (B) (1) the instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and the transferee.
- (2) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
40. The Board of Directors may, subject to the right of appeal conferred by Section 111 of the Companies Act, 1956 decline to register:-
- (a) The transfer of a share not being a fully paid up share, to a person of whom they do not approve; or
- (b) Any transfer of the shares on which the Company has a lien, provided that the registration transfer shall not be refused on the ground of transferor being either alone or jointly with any person or persons indebted to the Company on any account.
41. No transfer shall be made to a minor, a partnership firm or a person of unsound mind.
42. Every instrument of transfer shall be left at the office for registration, accompanied by the certificate of the share to be transferred or if no such certificate is in existence, by the letter of allotment of the share and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the share and the transferee shall (subject to the Board's right to decline to register hereinbefore mentioned) be registered as a member in respect of such share. Every instrument of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Board may refuse to register shall be returned to the person depositing the same.
43. If the Board refuses, whether in Article 40 or otherwise to register the transfer of, or the transmission by operation of law of the right to, any share, the Company shall, give notice of the refusal in accordance with the provisions of Section 111(2) of the Act.
44. No fee shall be charged by the Company for registration of transfer.
45. The executor or administrator of a deceased member (not being one of several joint-holders) shall be the only person recognized by the Company as having any title to the share registered in the name of such member and in case of the death of any one or more of the joint-holder of any registered share, the survivor shall be the only person recognized by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on the share held by him jointly with any other person. Before recognizing any executor or administrator the Board may require him to obtain a Grant of Probate or letters of Administration to other legal representation as the case may be from a Court in India competent to grant it. Provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to

dispose with the production of Probate or letters of Administration or such other legal representation upon such terms as to indemnity or otherwise as the Board, in its absolute discretion, may think fit.

46. Any committee or curator bonus of a lunatic or guardian of a minor member or any person becoming entitled to or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board thinks sufficient, may, with the consent of the Board (which the Board shall not be bound to give) be registered as a member in respect of such share or may subject to the regulation as to transfer hereinbefore contained transfer such shares. The Article is hereinafter referred to as "The Transmission Article".

47. (a) If the person so becoming entitled under the Transmission Article shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

(b) If the person aforesaid shall elect to transfer the shares, he shall testify his election by executing an instruments of transfer of the share

(c) All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of instruments of transfer of a share shall be applicable to any such notice of transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.

48. A person so becoming entitled under the Transmission Article to a share be reason of the death, lunacy, bankruptcy or insolvency of the holder shall, subject to the provisions of Article 83 and to Section 206 of the Act, be entitled to the same dividends and other advantages as he would be entitled to if he was the registered holder of the share.

Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends bonuses or other moneys payable in respect of the share, until the requirements of the notice has been complied with.

#### **INCREASE AND REDUCTION OF CAPITAL**

49. The Company in general meeting may, from time to time, alter the conditions of its memorandum of Association to increase its capital by the creation of new shares of such amount and class as may be deemed expedient.

50. Subject to any special rights for the time being attached to any shares in the capital of the Company then issued and to the provisions of Section 81 of the Act, the new shares may be issued upon such terms and conditions, and with such rights attached thereto as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Board shall determine, and in particular such shares may be issued with a preferential right to dividends and in the distribution of assets of the Company.

51. Before the issue of any new shares, new Company in General Meeting may subject to the provisions of the Act, make provisions as to the allotment and issue of new shares and in particular may determine to whom the same shall be offered in the first instance and whether at par or at a premium or at a discount.

52. Except so far as otherwise provided by the condition of issue or by these presents, and capital raised by the creation of new shares shall be considered part of the then existing capital of the Company and shall be subject to the provisions herein contained with reference to the payment of dividends, calls and instalments, transfer and transmission, forfeiture, lien, surrender and otherwise.

53. If, owing to any inequality in the number of new shares to be issued and the number of shares held by members entitled to have the offer of such new shares, any difficulty shall arise in the apportionment of such new shares, or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the Company in general meeting, be determined b the Board.

54. The Company may, from time to time, by special resolution, reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner and with and subject to any incident authorized and consent required under Section 100 of 104 of the Act.

## **ALTERATION OF CAPITAL**

55. Subject to the applicable provisions of the Act, the company n General Meeting may, from time to time :-
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares
  - (b) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share will be the same as it was in the case of the share from which the reduced share is derived.
  - (c) Cancel any shares which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled.
  - (d) Convert all or any of its fully paid shares into stock and reconvert that stock into fully paid up shares of any denomination.
56. The resolution where by any share is sub-division may determine that as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preferential or special advantage as regards dividend, capital, voting or otherwise over or as compared with the others or other, subject nevertheless, to the provision of Section 85, 87, 88 and 106 of the Act.
57. Subject to the provisions of Sections 100 to 105 both inclusive of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed of all or any of his shares.

## **RIGHTS OF SHARE HOLDERS**

58. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations, as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the Board may, from time to time, fix the minimum amount of stock transferable provided that such minimum shall not exceed the nominal amount of the shares from which stock arose.
59. The holders of stock shall, accordingly to the amount of stock held by them the same rights, privileges and advantages as regards dividends, voting at the meetings of the Company, and other matters as if they hold the shares from which the stock arose; but no such privileges or advantages (except participation in the dividends and profits of the Company and in the assets on a winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
60. Such of the Article of the company (other than relating to share warrants) as are applicable to paid-up shares shall apply to stock and the words "Shares" and "Shareholder" therein shall include "Stock" and "Stockholder" respectively.

## **SHARE WARRANTS**

61. Subject to the provisions of Sections 114 and 115 of the Act and subject to any directions which may be given by the Company in general meeting, the Directors may issue Shares Warrants in such manner and on such terms and conditions as the Board thinks fit. In case of such issue, regulation 40 to 43 of Table "A" of Schedule 1 to the Act shall apply.

## **MODIFICATION OF RIGHTS**

62. If at any time the share capital is divided into different classes, of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourth of the issued shares of that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of that class. To every such separate General Meeting the provisions of these Article relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one holders a quorum as above defined is not present those members who are present shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, his voting rights shall be as per section 87 of the Act. This article is ot by implication to curtail the power of modification which the Company would have s this Article were omitted.

## **BORROWING POWERS**

63. The Board may, from time to time and at its discretion, subject to the provisions of Section 58-A, 292, 293 and 370 of the Act and regulations made there under and directions issued by Reserve Bank of India raise or borrow, either from the Directors or from elsewhere and secure payment of any sum of sum of money for the purposes of the Company.
64. The Board may raise or secure the repayment or payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. And ,in particular by the issue of bonds, perpetual or redeemable, debentures or debenture-stock, or any mortgage, or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.
65. Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special rights, as to redemption, surrender, drawing, allotment of shares, appointment of Directors and otherwise. Debentures, debenture-stock, bonds and other securities may be made assignable free from ay equities between the Company and the person to whom the same may be issued. Provided that debentures with thr right to allotment of or conversion into shares shall not be issued except in conformity with the provisions of Section 81(3) of the Act.
66. Save as provided in Section 108 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transfer and transferee has been delivered to the Company together with the certificate or certificates of the debentures.

## **GENERAL MEETINGS**

67. In addition to any other meetings, Annual General Meetings of the Company shall be held within such intervals as are specified in Section 166(1) Read with Section 210(3) of the Act, and subject to the provisions of Section 166(2) of the Act, at such times and places as may be determined by the Board. All other meetings of the Company shall except in the case of a statutory meeting, be called Extra ordinary General Meetings and shall be convened under the provisions of next following Article.
68. The board may, whenever, it thinks fit, can call extraordinary general meeting, an it shall, on the requisition of the members in accordance with Section 169 of the Act proceed to call an Extraordinary General Meeting as provided by Section 169 of the Act.
69. The Company shall comply with the provisions of Section 188 of the Act as to giving notice of resolutions and circulating statements on the requisition of members.
70. Subject to the provisions of Section 171 to 186 of the Act, notice of every meeting of the Company shall be given to such persons and in such manner as provided by section 172 of the Act. Where any business consist of "Special business" as hereinafter defined in Article 72 there shall be annexed to the notice a statement complying with Sections 173(2) and (3) of the Act.

The accidental omission to give any such notice to or the non-receipt by any member of other persons to whom it should be given shall not invalidate the proceedings of the meeting.

## **PROCEEDINGS AT GENERAL MEETINGS**

71. The ordinary business of an Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the report of the directors and of the Auditors, to elect Directors in the place of those retiring by rotation to appoint Auditors and fix their remuneration and to declare dividends. All other business transacted at an Annual General Meeting and all business transacted at any other General Meeting shall be deemed special business.
72. No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided five or more members present in person or by duly authorized representatives as shall hold between them at last 10(Ten) per cent of the paid up equity share capital for the time being of the company, form a quorum.
73. If within half an hour from the time appointed for the meeting a quorum be not present, the meeting if convened upon such regulation as aforesaid, shall be dissolved; but any other case it shall stand adjourned in accordance with the provisions of sub-sections (3) (4) and (5) of Section 174 of the Act.

74. 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 so done or passed if effected by an Ordinary Resolution as defined in Section 189(1) of the Act, unless either the Act or these Articles specifically require such act to be done or resolution passed as a Special Resolution as defined in Section 189 (2) of the Act.
75. The Chairman of the Board shall be entitled to take the chair at every General Meeting. If there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act, the members present shall choose another Director as Chairman, and if no Director be present or if all the Directors present decline to take the chair, then the members present shall, on a show of hands or on a poll if properly demanded, elect one of their numbers, being a member entitled to vote, to be Chairman of the meeting.
77. At any general meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179 of the Act a declaration by the Chairman that the resolution has or has not been carried or has been carried either unanimously, or by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the meeting of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of, or against the resolution.
78. (1) If a poll be demanded as aforesaid, it shall be taken forthwith on a question of adjournment or election of a Chairman of the meeting and in any other case in such manner and at such time not being later than forty eight hours from the time when the demand was made, and at such place as the Chairman of the meeting directs and subject as aforesaid, either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was demanded.
- (2) The demand of poll may be withdrawn at any time, before the poll is held.
- (3) Where a poll is to be taken the Chairman of the meeting shall appoint two scrutineers, one at least of whom shall 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, to scrutinize the votes given on the poll and to report to him thereon.
- (4) On a poll a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be need not, if he votes, use all his votes or cast them the same way all the votes he uses.
- (5) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.
79. (1) The Chairman of a general meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (2) When a meeting is adjourned for less than 30(Thirty) days it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

## **VOTES OF MEMBERS**

80. (a) On a show of hands every member present in person and being a holder of Equity Shares shall have one vote and every person present either as a proxy (as defined in Article 86) in behalf of a holder of Equity Shares as a duly authorized representative of a body corporate being a holder of an Equity Share shall, if he is not entitled to vote in his own right, have one vote. On a poll the voting rights of a holder of any Equity Share shall be as specified in Section 87 of the Act.
- (b) The holder of a Preference Share shall not be entitled to vote at general meeting of the Company except as provided for in Section 87 of the Act. At any meeting at which or upon any question the holders of the said Preference Shares are entitled to vote the said Preference Shares shall, on a show of hands, and on a poll confer the same voting rights as Equity shares.
- (c) No body corporate shall vote by proxy so long as a resolution of its Board of Directors under the provisions of Section 187 of the Act is in force and the representative named in such resolution is present at the general meeting at which the vote by proxy is tendered.
81. Where a Company or a body corporate (hereinafter called "Member Company") is a member of the Company, a person, duly appointed by resolution in accordance with the provisions of Section 187 of the Act to represent

such member company at a meeting of the Company shall not, by reason of such appointment, be deemed to be a proxy, and the lodging with Company at the office or production at the meeting of a copy of such resolution duly signed by one Director of such member company and certified by him or them as being a true copy of the resolution shall, on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment. Such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy on behalf of the member company which he represents, as that member company could exercise if it were an individual member.

82. 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 were the member registered in respect of such share, provided that forty eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his right to transfer such shares, unless the Board shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or a poll by his committee; curator or other legal curator and such last mentioned persons may give their votes by proxy.
83. Where there are members registered jointly in respect of any one share any one of such persons may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such members be present at any meeting either personally or by proxy that one of the said members so present whose name stands first on the Register in respect of such shares alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share is registered shall for the purpose of this Article be deemed to be member registered jointly in respect thereof.
84. On a poll votes may be given either personally or by proxy, or in the case of a body corporate by a representative duly authorized as aforesaid.
85. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or if such appointer is a body corporate be under its common seal or the hand of its officer or Attorney duly authorized. A proxy who is appointed for a specified meeting only shall be called a special proxy any other proxy shall be called a general proxy.

A person may be appointed a proxy whether he is a member or not of the Company and every notice convening a meeting of the company shall state this and that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him and the proxy need not be a member of the Company.
86. The instrument appointing a proxy and the power of Attorney or other authority (if any) under which it is signed or a notary certified copy of that power or authority, shall be deposited at the office not less than forty eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote in respect thereof and in default the instrument of proxy shall to be treated as valid.
87. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principle or revocation of the instrument or transfer of the share in respect of which the vote is given provided no intimation in writing of the death, insanity, revocation or transfer or transfer of the share shall have been received by the Company at the office before the vote is given, provided nevertheless 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 that the same has not been revoked.
88. Every instrument appointing a special proxy shall be retained by the Company and shall as nearly as circumstances admit, be in the forms set out in Schedule IX to the Act or as near thereto as possible or in any other form which the Board may accept.
89. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company 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.
90. (1) An objection as to the admission or rejection of vote either, on a show of hands or on a poll made in due time shall be referred to the chairman of the meeting who shall forthwith determine the same and such determination made in good faith shall be final and conclusive.

(2) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.

## **DIRECTORS**

91. Subject to Section 252 and 259 of the Act, the number of Directors of the Company shall not be less than three and not more than eleven.
92. The Company in general meeting may, from time to time, increase or reduce the number of Directors within the limits by Article 91.
93. If at any time the Company obtains any loans from any financial institution and/or any central or State Government referred to in the Articles as "The Corporation" or enters into underwriting arrangements with the Corporation and it is a term of such loans or of the underwriting arrangement that the Corporation shall have the right to appoint one or more Directors then subject to the terms and conditions of such loans or underwriting arrangements the corporation shall be entitled to appoint one or more Directors as the case may be to the Board of Directors of the Company and to remove from office any Director, so appointed and to appoint another in his place or in the place of director appointed who resigns or otherwise vacates his office. Any such appointment or removal shall be made in writing and shall be signed by the corporation or by any person duly authorized by it and shall be served at the office of the Company. The Director or Directors so appointed shall not be liable to retire by rotation of Directors in accordance with provisions of these Articles, but he/they shall be counted in determining the number of retiring directors.
94. A Director of the Company shall not be required to hold any share as his qualification.
95. Subject to the provisions of the Companies Act, 1956 and Rules framed there under each Director shall be entitled to receive out of the funds of the Company, by way of a sitting fee not exceeding Rs. 250/- (Rupees Two Hundred Fifty) each for meeting of the Board or a Committee thereof or any adjournment thereof, attended by him. The Director shall be entitled to be paid their reasonable traveling and hotel and other expenses incurred in consequence of their attending the Board and the Committee meetings or otherwise incurred in the execution of their duties as Directors.

Subject to sections 310, 198 and 309 of the Act, and subject to the approved of the Reserve Bank of India wherever applicable the Directors shall also be entitled to be paid as remuneration a commission of 1% (one per cent) on the net profits of the Company to be calculated in accordance with the provisions of the Act and such commission shall be divided amongst the directors in such proportions as the directors may determine and in default of such determination equally. All other remuneration if any, payable by the Company each Director whether in respect of his service as a Managing Director or a Director in the whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of these Articles and of the Act.
96. If any Directors being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of residence for any of the purposes of the Company or in giving special attention to the business of the Company or as a member of a Committee of the Board then, subject to Sections 198, 309 and 310 of the Act, the Board may remunerate the Director so doing either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.
97. The continuing Directors may act notwithstanding any vacancy in their body, but so that if the number falls below the minimum above fixed, the board shall not except for the purpose of filling vacancies or for summoning a general meeting of the Company, act so long as the number is below the minimum.
98. The office of a Director shall ipso facto become vacant, if at any time he commits any of the acts set out in Section 283 of the Act.
99. No Director or other person referred to in Section 314 of the Act, shall hold an office of place of profit save as permitted by that Section.
100. A Director of this Company may be or become a Director of any other Company promoted by this Company or in which it may be interested as a member, shareholder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such company.
101. Subject to the provisions of Section 297 and 299 of the Act, neither shall a Director be disqualified from contracting with Company either as vendor, purchase or otherwise for goods materials or services or for underwriting the subscription of any share in or debentures of the Company nor shall any such contract of arrangement entered into by or on behalf of the Company with a relative of such Director or a firm in which such Director or relative is a

partner or with any other partner in such firm or with a private company of which such Director is a member or Director, be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by any such contract, arrangement by reason of such Director holding office or of the fiduciary relating thereby established.

102. Every Director shall comply with the provisions of Section 297 and 299 of the Act regarding disclosure of his concern or interest in any contract or arrangement entered into or to be entered into by the Company.
103. Save as permitted by Section 300 of the Act or any other applicable provisions of the Act, no Director shall, as a Director, take any part in the discussion, or vote on any contract or arrangement in which he is in any way, whether directly or indirectly concerned or interested, nor shall his presence counted for the purpose of forming a quorum at the time of such discussion or vote.
104. The Board shall have power, at any time and from time to time, to appoint any person as additional Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall then eligible for re-appointment.
105. Subject to Section 313 of the Act, the Directors may appoint any person to act as alternate Director for a Director during the latter's absence for a period of not less than three months from the State in which meeting of the Directors are ordinarily held and such appointment shall have effect and such appointee while he/she holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly, but he shall ipso facto vacate office if and when the absent Director returns to the State in which meetings of the Directors are ordinarily held or the absent Director vacates office as a Director.
106. If any Director appointed by the Company in General Meeting vacates office as a Director before his term of office will expire in the normal course the resulting casual vacancy may be filled up by the Board at a meeting of the Board, but any person so appointed shall remain in his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Article 110.
107. At each Annual General Meeting of the Company one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, then the member nearest to one-third shall retire from office.
108. Subject to the provisions of these Articles, the Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who become Directors on the same day those to retire shall, in default of an agreement among themselves, be determined by lot.
109. The Company may remove any Director before the expiration of his period of office in accordance with the provisions of Section 284 of the Act and may, subject to the provisions of Section 262 of the Act, appoint another person in his place if the Director so removed was appointed by the company in General Meeting or by the Board under articles 105 and 107.
110. Subject to the provisions of Sections 316 and 317 of the Act, the Board may, from time to time appoint one or more Directors to be Managing Director or Managing Directors of the Company, as per the provisions of Companies Act, 1956 and may, from time to time (subject to the provisions of any contract between him and the Company) remove or dismiss him from office and appoint another in his place.
111. (a) Subject to the provisions of Section 255 of the Act, a Managing Director shall not, while he continues to hold that office be subject to retirement by rotation. However, he shall be counted in determining the number of directors to be retired by rotation but (subject to the provisions of any contract between him and the company) he shall be subject to the same provisions as to resignation and removal as the other Directors and he shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause. However, he shall be counted in determining the number of meeting Directors.  
  
(b) If at any time the total number of Managing Directors is more than one-third of the total number of Directors, the Managing Directors who shall not retire shall be determined by and in accordance with their respective seniorities. For the purpose of this Article the seniorities of the Managing Director shall be determined by the date of their respective appointments as Managing Directors by the Board.



112. Subject to the provisions of Sections 198, 309, 310 and 311 of the Act, a Managing Director shall in addition to the remuneration payable to him as a Director of the Company under these Articles, receive such additional remuneration as may, from time to time, be sanctioned by the Company in a general meeting.
113. Subject to the provisions of the Act and in particular to the prohibitions and restrictions contained in Section 292 and 293 thereof, the Board may, from time to time, entrust to the confer upon a Managing Director for the time being such of the powers exercisable under these presents by the Board as it 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 it thinks fit, and the Board may confer such powers, either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Board in that behalf, and may from time to time, revoke, withdraw, after or very all or any of such powers.

#### **PROCEEDINGS OF DIRECTORS**

114. The Directors shall meet together at least once in every three calendar months for the dispatch of business and may adjourn and otherwise regulate their meetings and proceedings as they think fit. Notice of every meeting of the Directors together with the agenda of the business to be transacted thereat shall be given in writing by a Director whether within or outside India. Such notice shall be sent by registered air mail post or by capable so as to reach the addresses thereof in the normal course at least seven days before the date of the meeting unless all the Directors agree by at least seven days before the date of the meeting unless all the Directors agree by a prior consent accorded in writing or by a capable of such meeting being held on shorter notice. Provided that where an alternate Director has been appointed it shall be sufficient for purposes of this Article to send notice to or obtain consent of such alternate Director only.
115. Director may at any time and the secretary shall, upon the request of a Director made at any time convene a meeting of the Board.
116. The Board may appoint a Chairman of its meetings and determine the period for which he is to hold office. If no Chairman is appointed, or if at any meeting of the Board the Chairman be not present within five minutes after the time appointed for holding the same, Directors present shall choose some one of their number to be Chairman of such meeting.
117. The quorum for a meeting of the Board shall be minimum two or 1/3<sup>rd</sup> of total strength whichever is higher subject to the provisions of Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Board, it shall be adjourned until such date and time as the Chairman of the Board shall appoint.
118. A meeting of the Board at which a quorum be present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles or the Act for the time being vested in or exercisable by the Board.
119. Subject to the provisions of Section 316 and 372(5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the Chairman shall have a second or casting vote.
120. The Board may, subject to the provisions of the Act, from time to time and at any time, delegate any of its power to a committee consisting of such Director or Directors as it thinks fit, and may, from time to time, revoke such delegation. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Board.
121. The meetings and proceedings of any such Committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far the same are applicable thereto, and or not superseded by any regulations made by the Board under the last preceding article.
122. All acts done by any meeting of the Directors, or any Committee of Directors, or any person acting as a Director, shall notwithstanding that it may afterwards be discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified or had vacated office by virtue of any provisions contained in the Act or in these Articles be as valid as if every such Director or person had been duly appointed and was qualified to be a Director and had not vacated such office provided that nothing in this Article shall be deemed to give validity to acts done by a Director after the appointment of such Director has been shown to be invalid or to have terminated.

123. Save in those cases where a resolution is required by section 262, 292, 297, 319 and 372 (5) and 386 of the Act or any other provisions of the Act to be passed at a meeting of the Board, resolution shall be valid and effectual as if it had been passed at a meeting of the Board or Committee of the Board, as the case may be duly called and constituted if it is passed by circulation in the manner as provided in Section 289 of the Act.

## **MINUTES**

124. (a)The Board shall, in accordance with the provisions of Section 193 of the Act, cause minutes to be kept of proceedings of every general meeting of the Company and of every meeting of the Board or of every Committee of the Board.

(b)Any such minutes of proceedings of any meeting of the Board or of any Committee of the Board or of the Company in general meetings, if kept in accordance with the provisions of Section 193 of the Act, shall be evidence of the matters stated in such minutes. The minute books of general meetings of the Company shall be kept at the office and shall be open to inspection by members during the hours of 11 am and 1 pm on such business days as the Act requires them to be open for inspection.

## **POWER OF THE BOARD**

- 125.(a)Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other statute or by the Memorandum of Association of the Company or by these Articles or otherwise, to be exercised or done by the Company in general meeting. Provided further that in exercised any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of Association of the Company or in these Articles, or in any regulations not inconsistent therewith and duly made there under including regulations made 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 regulations had not been made.

(b)Without prejudice to the general powers conferred by the preceding article, the Directors may, from time to time and at any time, subject to the restrictions contained in the Act, delegate to managers, secretaries, officers assistants and other employees or other persons any of the powers, authorities and discretions for the time being vested in the Board and the Board may, at any time remove any person so appointed and may annual or very delegation.

## **LOCAL MANAGEMENT**

126. The Board may, subject to the provisions of the Act, make such arrangements as it may think fit for the management of the Company's affairs abroad and for this purposes appoint local bodies, attorneys and agents and fix their remuneration and delegate to them such powers as the Board may deem requisite or expedient. The Company may exercise all the powers of Section 50 of the Act and the official seal be affixed by the authority and in the presence of and the instruments sealed therewith shall be signed by such persons as the Board shall from time to time by writing under the Seal appoint. The Company may also exercise the powers of Section 157 and 158 of the Act with reference to the keeping of foreign registers.

## **MANAGEMENT**

127. Subject to the provisions of Section 197A and 269, 309 and 310 of the Act, the Company may appoint or re-appoint Managing Director, whole-time Director and manager upon such terms and conditions as it thinks fit.

128. (a)Subject to Section 383 A of the Act, the Directors may appoint a Secretary and/or consultant and/or and advisor on such terms, at such remuneration and upon such conditions as they may think fit and any secretary or consultant or advisor so appointed may be removed by the Directors.

(b)A Director may be appointed as a Secretary and/or consultant and or Advisor subjects to the provisions of the Act.

129. Any provision of the Act or these Article requiring or authorizing a thing to be done by a director, manager or secretary shall not be satisfied by its being done by the same person acting both as Director and as or in place of the Manager or Secretary.

## **AUTHENTICATION OF DOCUMENTS**

130. Save as otherwise provided in the Act, any Director or the Secretary or any person appointed by the Board for the purpose shall have power to authenticate any document affecting the constitution of the Company and any resolution passed by the Company or the Board and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof of extract there from as true copies of extracts; and where any books, records, documents or accounts are elsewhere than at the office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Board as aforesaid.
131. A document purporting to be a copy of a resolution of the Board an extract from the minutes of a meeting of the Board which is certified as such in accordance with the provisions of the last preceding Article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the cases may be, that such extract is a true and accurate record of a duly constituted meeting of the Board.

## **THE SEAL**

132. The Board shall provide for the safe custody of the seal and the seal shall never be used except by the authority previously given of the Board or a Committee of the Board authorized by the Board in that behalf and save as otherwise required by the companies (issue of share certificates) Rules, 1960 any one Director or such other person as the Board may authorize shall sign every instrument to which the seal is affixed, Provided nevertheless, that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Board to issue the same. This is, however, subject to Rule 6 of the Companies (Issue of Share Certificates) Rules, 1960.

## **RESERVES**

133. The Board may, from time to time, before recommending any dividend set apart any and such portion of the profits of the Company as it thinks fit as reserves to meet contingencies or for the liquidation of any debentures; debts or other liabilities of the Company, for equalization of dividends, for repairing improving or maintaining any of the property of the Company and for such other purposes of the Company as the Board in its absolute discretion thinks conducive to the interests of the Company; and may subject to the provisions of Section 372 of the Act, invest the several sums so set aside upon such investments (other than shares in the Company) as it may think fit, and from time to time deal with and very such investments and dispose of all or any part thereof for the benefit of the Company and may divide the reserves into such special funds as it thinks fit, with full power to employ the reserves or any part thereof in the business of the Company and that without being bound to keep the same separate from the other assets.
134. Any general meeting may upon the recommendation of the Board resolve that any moneys, investments, or other assets forming part of the undivided profits of the company and standing to the credit of the reserves, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the Share Premium Account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full any un-issued shares, of the Company which shall be distributed accordingly or in or towards as payment of the uncalled liability on any issued shares, and such distribution to payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of share premium account or a capital redemption reserve Account may, for the purposes of this Article only applied in the paying up of un-issued shares to be issued to members of the company as fully paid bonus shares.
135. The Company in general meeting may, at any time and time to time, resolve that any surplus money in the hands of the Company representing capital profits arising from the receipt of money received or recovered in respect of or arising from the realization of any capital assets of the Company, or any investment representing the same instead of being applied in the purchase of other capital assets or for capital purposes be distributed amongst the equity shareholders on the footing that they receive the same as capital and in the same proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend provided always that no such profit as aforesaid shall be so distributed unless there shall remain in the hands of the Company a sufficiency of other assets to answer in full the whole of the liabilities and paid-up share capital of the Company for the time being.

136. For the purpose of giving effect to any resolution under the two last preceding Articles the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates.

## **DIVIDENDS**

137. Subject to Section 205 of the Companies Act the rights of the members entitled to shares (if any) with preferential rights or special rights attached thereto, the profits of the Company which it shall from time to time be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the Equity Shares in the Company but so that partly paid-up shares shall only entitled the holder with respect thereof to such proportion of the distribution upon a fully paid up share as the amount paid there on bears to the nominal amount of such shares. 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 being if any share is issued on terms providing that it shall rank for dividend as from a particular date; such share shall rank for dividend accordingly. Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, rank for dividends or confer a right to participate in profits.
138. The Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may, subject to the provisions of Section 207 of the Act, fix the time for payment.
139. No larger dividends shall be declared than is recommended by the Board, but the Company in general meeting may declare a smaller dividend.
140. Subject to the provisions of Section 205 of the Act, no dividend shall be payable except out of the profits of the Company or out of moneys provided by the Central or a State Government for the payment of the dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the Company.
141. The declaration of the net profit of the company as stated in the audited Annual Accounts shall be conclusive.
142. The Board may, from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company.
143. Subject to Section 205A of the Act, the Board may deduct from any dividend payable to any member all sum of moneys, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares in the Company.
144. Subject to Section 205A of the Act, any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixed not exceeding the amount remaining unpaid on the shares, but so that the all on each member also does not exceed the dividend payable to him and so the call be made payable at the same time as the dividend and in such case the dividend may, if so arranged between the Company and the members, be set off against the call.
145. No dividend shall be payable except in cash; provided that nothing in the foregoing shall be deemed to prohibit the capitalization of 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 the shares held by the members of the Company.
146. A transfer of share shall not pass the rights to any dividend declared there on before the registration of the transfer by the Company.
147. The Company may pay interest on capital raised for the construction of works or buildings when and so far as it shall be authorized to do by Section 208 of the Act.
148. No dividend shall be paid in respect of any share except to the registered holder of such share or to his order or to his bankers but nothing contained in this Article shall be deemed to require the bankers, of a registered shareholder to make a separate application to the Company for the payment of the dividend. Nothing in this Article shall be deemed to affect in any manner the operation of Article 147.
149. Any one of the several persons who are registered as the joint holders of and share may give effectual receipts for all dividends, bonuses and other payments in respect of such share.
150. Notice of any dividend, whether interim or otherwise shall be given to the person entitled to share therein in the manner hereinafter provided.

151. Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through the post of the registered address of the members or in cash of members who are registered jointly to the registered address of that one of such member who is first named in the Register in respect of the joint-holding or to such person and such address as the member or members who are registered jointly, as the case may be, may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or fraudulent recovery thereof by any other means.
152. Any unclaimed or unpaid dividend shall be dealt with and regulated under Section 205A of the Companies Act, 1956 and the Rules made there under.
- 152 (a) there shall be no forfeiture on unclaimed dividend before the claims becomes barred by the law.

### **BOOKS AND DOCUMENTS**

153. Subject to the provisions of Section 209 of the Companies Act, 1956. The Books of Account shall be kept at the office at the office or at such place in India as the Board may, from time to time decide.

### **ACCOUNTS**

154. Every Balance Sheet and Profit and Loss Account of the Company when audited and adopted by the Company in Annual General Meeting shall be conclusive.

### **AUDIT**

155. (a) Once at least in every year the accounts of the Company shall be examined and the correctness of the profit and Loss Account and Balance Sheet, as contained by the Auditor or Auditors of the Company.
- (b) The first Auditor or Auditors of the Company shall be appointed by the Directors within one month of the date of registration of the Company and the Auditor or Auditors so appointed shall hold office till the conclusion of the First Annual General Meeting of the Company.
- (c) The Company at each Annual General Meeting shall appoint an Auditor or Auditors to hold office until the next Annual General Meeting and their appointment, remuneration rights and duties shall be regulated by Sections 224 to 227 of the Act.
- (d) Where the Company has a Branch Office the provision of Section 228 of the Act shall apply.
- (e) All notices of and other communications relating to any General Meeting of the Company which any member of the Company is entitled to have sent to him shall also be forwarded to the Auditor of the Company and the Auditor shall also be entitled to attend any General Meeting and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.
- (f) The Auditors Report shall be read before the Company in Annual General Meeting and shall be upon to inspection by any member of the Company.

### **SERVICE OF NOTICE AND DOCUMENTS**

156. (1) A notice or other document shall be given or sent by the Company to any member either personally or by sending it by post to him to his registered address in India or if he has no registered address in India by air mail post to the address outside India supplied to the Company for the giving of notice to him.
- (2) Where notice or other document is sent by post.
- (a) Service thereof shall be deemed to be affected by properly, addressing prepaying and posting a letter containing the notice or document, provided that where a member has intimated to the company in advance that notice or documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sufficient sum to defray the expenses of doing so, service of the notice or document shall not be deemed to be affected unless it is sent in the manner intimated by the members; and
- (b) Such service shall be deemed to have been effected: -

- (i) In the case of a notice of a meeting at the expiration of forty eight hours after the letter containing the same in posted, and
  - (ii) In any other case, at the time at which the letter would be delivered in the ordinary course of post.
- (3) Notwithstanding any provision to the contrary any notice or document to be served on a member who has not given an address in India for service of notices or documents shall be sent to such member by air mail and posted not less than twenty eight days before the same is to be served as required by the Act or any these Articles.
- 157. A notice or other document advertised in a newspaper circulating in the neighborhood of the office of the Company shall be deemed to be duly served on the day on which the advertisement appears on every member of the Company who has no registered address in India and has not supplied to the Company an address for the giving of the notices to him.
- 158. A notice or other documents may be the served by the Company on the joint-holders of a share by giving the notice to the joint-holder named first in the Registered in respect of the share.
- 159. A notice or other document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name or by the little of representative of the deceased or assignee of the insolvent or by any like description, at the address 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 the same might have been if the death or insolvency had not occurred.]
- 160. Any notice required to be or which may be given by advertisement shall be advertised once in one or more newspaper circulating in the neighborhood of the office.
- 161. Every person who by operation of law or transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.
- 162. Subject to the provisions of Articles 157 to 161, any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these articles shall, notwithstanding such member to then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered share, whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint-holders thereof and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his heirs, executors or administrators and all persons, if any, jointly interested with him in any such share.
- 163. The signature to any notice to be given by the Company may be written or printed.
- 164. Subject to the provisions of Section 497 and 509 of the Act, in the event of a winding-up of the Company, every member of the Company who is not for the time being in Delhi shall be bound within eight weeks after the passing of an effective resolution to wind up the Company, to serve notice in writing on the Company appointing some householder reading in the neighbourhood of the office upon whom all summons, notices, process, orders and judgement in relation to or under the winding-up of the Company, may be served and in default of such nomination, the liquidator of the Company shall be at liberty of such member, to appoint some such persons and service upon any appointee whether appointed by the member or the liquidator shall be deemed to be good personal service on such member for all purpose and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof such member by advertisement in some daily newspaper circulating in the neighbourhood of the office of by a registered letter sent by post and addressed to such member at his address as registered in the Register and such notice shall be deemed to be served on the day on which the advertisement appears or the letter should be delivered in the ordinary course of the post. The provisions of this Article shall not prejudice the right of the liquidator of the Company to serve any notice or other document in any other manner prescribed by these Articles.

## **INSPECTION**

- 165. (a) The books of account and other books and papers shall be open to inspection by any Director during business hours.

(b)The Board shall from time to time, determine whether and to what extent and at what time and place and under what conditions or regulations, the books of account and other book and documents of the Company, other than those referred to in Article 125(b) and 167 or any of them, shall be open to the inspection of the members not being director and no member (not being a Director) shall have any right of inspecting any books of account or document of the Company except as conferred by law or authorized by the Board or by the Company in general meeting.

166. Subject to the provisions of Section 209 A of the Act, where under any provisions of the Act any person, whether a member of the Company or not, is entitled to inspect any register, return, certificate, deed instrument or document required to be kept or maintained by the Company the person entitled to inspection shall on his giving to the Company not less than twenty-four hours previous notice, in writing of his intention specifying which register etc. he intends to inspect, be permitted to inspect the same during the hours of 11 a.m. and 1 p.m. on such business days as the Act requires them to be given for inspection.
167. The Company may in accordance with the provisions of Section 154 (1) of the Act close the register of Members or of the Debenture-holders as the case may be.

## **RECONSTRUCTION**

168. On any sale of the undertaking of the Company the Board or the liquidator on a winding up may, if authorized by a Special Resolution, accepted fully paid or partly paid up shares, debenture or securities of any other Company incorporated in India or to the extent permitted by law of a Company incorporated outside India, either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Board (if the profits of the company permit) or the Liquidator (in a winding up) may distribute such shares or securities or any other property of the Company amongst the members without realization or vest the same in trustees for them and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property, otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner the meeting may approve and all holders of share shall be bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the Company is proposed to be or in the course of being wound up, such statutory rights (if any) under Section 494 of the Act, as are incapable of being varied or excluded by these articles.

## **SECRECY**

169. Every Director, Secretary, trustees for the Company, its members or debenture-holders member of a committee, servant, officer, agent, accountant or other person employed in or about the business of the Company shall if so required by the Board before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all bonafid transactions, of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge discharge of his duties except when required so to do by the Board r by any general in the meeting or by Court of Law and except so far as may be necessary in order to comply with and of the provisions in these articles contained.
170. No shares-holder or other persons (not being a Director) shall be entitled to enter upon the properties of the Company or to inspect or examine the premises or properties of the Company without the permission of the Board or, subject to Articles 166(b) and 167 to require discovery of or any information respecting any detail of the trading of the Company or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process of any matter whatever which may relate to the conduct of the business of the Company and which in the opinion of the Board it will be inexpedient in the interest of the Company to communicate.

## **WINDING UP**

171. (a)In the event of the Company being wound up, the holders of Preference shares, if any, shall be entitled to have the surplus assets available for distribution amongst members as such applied in the first place in repayment to them the amount paid-up on the preference shares held by them respectively and payment of arrears of dividends up to the commencement of the winding up, whether declared or not, but shall not be entitled to any further participation in such surplus assets. If the surplus available as aforesaid shall be insufficient to repay the whole of the amount paid up on the Preference Shares and any arrears of dividend, such assets shall be distributed amongst the holders of preference Shares so that the looses shall be borne by the holders of Preference Shares in proportion to the capital paid up or which ought to have been paid up thereon and the arrears of dividend as aforesaid.

(b) If the Company shall be wound up and the assets available for distribution among the members as such after payment to the preference share holder as aforesaid shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in the winding up the assets available for distribution among the members after payment to the preference shareholder as aforesaid 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 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.

(c) This Article is to be without prejudice to the right and privileges amongst the holders of Preference shares of different series of shares upon special terms and conditions.

172. 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 assets of the company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators with the like sanction, shall think fit, subject to Section 100 to 105 of the Act.

#### **INDEMNITY**

173. Subject to Section 201 of the Companies Act, 1956 every Director, Managing Director, Manager, Secretary or officer of the Company or not) employed by the Company and any person appointed as Auditor shall be indemnified out of the funds of the Company against all bonafid liability incurred by him as such Director, Managing Director, Manager, Secretary, Officer, employee or Auditor in defending any bonafid proceeding, 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.



## **SECTION IX: OTHER INFORMATION**

### **LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and agreements referred to (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before this Draft Prospectus), which are or may be deemed to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred under material documents below all of which have been attached to the copy of this Draft Prospectus and have been delivered to the SME platform of BSE Limited and may be inspected at the Registered Office of the Company situated at 215, Delhi Chambers, Delhi Gate, Delhi-110002 between 9:30 am to 5:30 pm on any working day from the date of this Draft Prospectus until the date of closure of the subscription List.

#### **MATERIAL CONTRACTS**

1. Engagement Letter dated April 25, 2013 appointing Mefcom Capital Markets Limited as Lead Manager to the Issue.
2. Memorandum of Understanding dated July 16, 2013 between our Company and the Lead Manager to the Issue.
3. Memorandum of Understanding dated [●], 2012 entered into with Skyline Financial Services Pvt. Limited to appointing them as the Registrar to the Issue.
4. Copy of tripartite agreement dated [●] between NSDL, our Company and Skyline Financial Services (P) Limited.
5. Copy of tripartite agreement dated [●] between CDSL, our Company and Skyline Financial Services Pvt Limited.
6. Escrow Agreement dated [●] between our Company, Lead Manager, Escrow Collection Bank and the Registrar to the issue.
7. Market Making Agreement dated July 30, 2013 between our Company, Lead Manager and Market Maker.
8. Underwriting Agreement dated July 30, 2013 between our Company and Underwriters.

#### **DOCUMENTS FOR INSPECTION**

9. Memorandum and Articles of Association of our Company as amended from time to time.
10. Copy of the resolution passed at the meeting of the Board of Directors held on July 30, 2013 approving the issue.
11. Copy of the resolution passed by the shareholders of our Company under section 81 (1A) at the Extra Ordinary General Meeting held on July 30, 2013
12. Copy of member's resolution dated May 23, 2013 appointing Mr. Mukash Kumar as the Whole Time Director of our Company for a period of five years w.e.f. June 1, 2013 and approving their remuneration and terms.
13. Copy of member's resolution dated June 25, 2013 appointing Mr. Mukash Kumar as the Managing Director of our Company for a period of five years w.e.f. July 1, 2013 and approving their remuneration and terms
14. Consents of the Directors, Company Secretary/Compliance Officer, Auditors, Lead Manager to the Issue, Bankers to the Company, Legal Advisors to the Issue, and Registrars to the Issue, to include their names in the Draft Prospectus to act in their respective capacities.
15. Copies of Annual Reports of our Company since incorporation i.e. for the financial years viz 2002-

2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-09, 2009-10, 2010-11 and 2011-12.

16. Audit report and restated financial information issued by the Peer Review auditors i.e. M/s J Agarwal & Associates, Chartered Accountants, dated July 12, 2013 included in the Draft Prospectus.
17. Letter dated July 12, 2013 from the Statutory Auditors of our Company, M/s J. Agarwal & Associates., Chartered Accountants, detailing the tax benefits.
18. Copy of certificate from the statutory Auditors of Our Company, M/s J. Agarwal & Associates, Chartered Accountants, dated July 30, 2013 regarding the sources and deployment of funds as on December 31, 2012.
19. Board Resolution dated July 30, 2013 for approval of Draft Prospectus.
20. Due Diligence Certificate dated August 3, 2013 to be submitted to SEBI from Lead Manager viz. Mefcom Capital Markets Limited along with the filing of the Prospectus.
21. Copy of approval from BSE vide letter dated [•] to use the name of BSE in this offer document for listing of Equity Shares on SME Platform of BSE.

Any of the contracts or documents mentioned in this Draft Prospectus may be amended or modified at any time, if so required, in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## **DECLARATION**

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the regulations 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 Draft Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or regulations issued, as the case may be. We further certify that all statements in this Draft Prospectus are true and correct.

## **SIGNED BY ALL THE DIRECTORS**

Mr. Ankur Agarwal

Mr. Mukash Kumar

Mr. Abhishek Tandon

Mr. Anoop Srivastava

Mr. Om Prakash Agarwal

Mr. Gaya Prasad Gupta

## **SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER**

Ms. Vibha Wadhva

Date: August 5, 2013

Place: New Delhi