

### **Gajra Differential Gears Limited**

(Our Company was incorporated as "Gajra Transmission and Differential Gears Private Limited" on March 08, 1991 under the Companies Act, 1956, as amended ("Companies Act") with the Registrar of Companies, Maharashtra ("RoC"). The name of Our Company was lastly changed to "Gajra Differential Gears Limited" on conversion into a Public Limited Company and a fresh Certificate of Incorporation was obtained from RoC on September 14, 2010. For further details of change in the name and registered office of Our Company, please refer to the chapter titled "*History and Other Corporate Matters*" beginning on page number 99 of this Draft Red Herring Prospectus.)

Registered Office: Ground Floor, Elve Chambers, Green Street, Fort, Mumbai-400023, Maharashtra India; Tel: +91 – 22 – 22662088; Fax: +91 – 22 – 2266 2742 Works cum Office: Lohar Pipliya, Near Kshipra, A.B. Road, Dewas - 455 001, Madhya Pradesh, India

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Contact Person: Mr. Deepak Upadhyay, Company Secretary & Compliance Officer; E-Mail: cs.dg@gajra.com

PROMOTERS OF OUR COMPANY: MS. RITA R. GAJRA, MR. RAJ D. KIRTANI AND R. B. GAJRA HUF

PUBLIC ISSUE OF 60,00,000 EQUITY SHARES OF RS. 10/- EACH (THE "EQUITY SHARES") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE) AGGREGATING TO RS. [•] LACS ("THE ISSUE") OF GAJRA DIFFERENTIAL GEARS LIMITED (THE "COMPANY" OR THE "ISSUER"). THE ISSUE WOULD CONSTITUTE 46.17% OF THE FULLY DILUTED POST ISSUE PAID UP CAPITAL OF OUR COMPANY.

#### PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH. THE PRICE BAND AND MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ADVERTISED AT LEAST TWO (2) WORKING DAYS PRIOR TO THE BID / ISSUE OPENING DATE.

#### THE FLOOR PRICE IS [•] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [•] TIMES OF THE FACE VALUE

In case of revision in the Price Band, the Bidding/Issue Period will be extended by three (3) additional working days after revision of the Price Band subject to the Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the Bid/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("**BSE**") whose online IPO system will be available for bidding, by issuing a press release, and also by indicating the change on the website of Our Company, Book Running Lead Manager ("**BRLM**") and at the terminals of the Syndicate Members.

This Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyer ("QIB") Bidders, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB portion shall be available for allocation on proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price.

#### RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of Our Company, there has been no formal market for the Equity Shares of Our Company. The Face Value of the Equity Shares is Rs. 10 per Equity Share and the Floor Price is  $[\bullet]$  times of the face value and Cap Price is  $[\bullet]$  times of the face value. The Price Band (as determined and justified by the Book Running Lead Manager and Our Company as stated under chapter titled "*Basis for Issue Price*" beginning on page number 63 of this Draft Red Herring Prospectus) should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of Our Company or regarding the price at which the Equity Shares will be traded after listing.

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 this Issue, including the risks involved. The Equity Shares offered in this Issue have not been recommended or approved by the Securities and Exchange Board of India ('SEBI'), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is drawn to the section titled "Risk Factors" beginning on page number 11 of this Draft Red Herring Prospectus.

#### **ISSUER'S ABSOLUTE RESPONSIBILITY**

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

IPO GRADING
This Issue has been graded by [•] and has been assigned the "IPO Grade [•]", indicating [•] fundamentals through its letter dated [•]. For more information on
IPO Grading, please refer to the chapter titled "General Information" on page number 37 of the Draft Red Herring Prospectus.

LISTING
The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE). Our Company
has received in-principle approval from the BSE for the listing of our Equity Shares vide letter dated [•]. For purpose of this Issue, the Designated Stock
Exchange is BSE.

Excitating to DOE.			
BOOK RUNNING LEAD MANAGER		REGISTRAR TO THE ISSUE	
Greecing & Sharing with You	ASHIKA CAPITAL LIMITED 1008, 10 <sup>th</sup> Floor, Raheja Centre, 214, Nariman Point, Mumbai – 400 021. Tel : +91 – 22 – 6611 1700 Fax : +91 – 22 – 6611 1710 E-mail: mbd@ashikagroup.com Website: www.ashikagroup.com Contact Person: Mr. Narendra Gamini / Mr. Manish Gaur SEBI Registration Number: INM000010536	BIGSHARE SERVICES PRIVATE LIMITED E/2, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai – 400 072. Tel: +91 – 22 – 4043 0200/ 2847 0652 Fax: +91 – 22 – 2847 5207 E-mail:ipo@bigshareonline.com Website: www.bigshareonline.com Contact Person: Mr. Ashok Shetty SEBI Registration Number: INR000001385	
BID/ISSUE PROGRAMME			
BID/ISSUE OPENS ON [•]		BID/ISSUE CLOSES FOR QIB BIDDERS ON [•] <sup>#</sup> BID/ ISSUE CLOSES FOR NON- QIB BIDDERS ON [•]	
		DID/ ISSUE CLOSES FOR NON- QIB BIDDERS ON [•]	

<sup>4</sup> Our Company may consider closing the Bidding by QIBs one day prior to the Bid/Issue Closing Date subject to the Bid/Issue Period being for a minimum of three Working Days

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### **SECTION I: GENERAL**

### **DEFINITIONS AND ABBREVIATIONS**

Unless the context otherwise indicates or implies, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith, within this Draft Red Herring Prospectus. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

### General

Terms	Description
'GDGL', 'The Company',	Unless the context otherwise indicates or implies, refers to Gajra Differential
'The Issuer', 'Our Company'	Gears Limited, a public limited company incorporated under the Companies
'we', 'us' or 'Our'	Act, 1956.

### **Conventional / General Terms**

Terms	Description
Act/ Companies Act	The Companies Act, 1956 as amended from time to time
Equity Shares	The Equity Shares of face value of Rs. 10 each of Gajra Differential Gears Limited
Indian GAAP	Generally Accepted Accounting Principles in India
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992 as amended from time to time
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Regulations/ SEBI	
ICDR Regulations/ SEBI	Securities and Exchange board of India (Issue of Capital and Disclosure
(ICDR) Regulations/ SEBI	Requirements) Regulations, 2009 as amended from time to time
(ICDR) Regulations, 2009	

### **Issue Related Terms**

Terms	Description
Allotment / Allotment of Equity	Unless the context otherwise requires, means the allotment of Equity Shares
Shares / Allot	pursuant to this Issue to successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Allotment Advice	In relation to Bidders, the note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be allotted the Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof.
ASBA / Application Supported by Blocked Amount	An application, whether physical or electronic, used by all Bidders to make a Bid authorising an SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Account	Account maintained with a SCSB which will be blocked by such SCSB to the extent of the appropriate Bid Amount in relation to a Bid by an ASBA Bidder
ASBA Bidder	Prospective investors to this Issue who intend to Bid/ apply through ASBA
ASBA Bid cum Application Form	The Bid cum Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus. Pursuant to SEBI circular number CIR/CFD/DIL/7/2010 dated July 13, 2010, ASBA Bid cum Application Forms are available for download from the websites of the Stock Exchanges.
ASBA Bid Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s) Pursuant to SEBI circular number CIR/CFD/DIL/7/2010 dated July 13, 2010, ASBA Bid cum Revision Forms are available for download from the websites of the Stock Exchanges.

Terms	Description
Banker(s) to the Issue /Escrow	The Bank(s) which is/ are clearing member(s) and is/ are registered with SEBI
Collection Bank(s)	as Banker(s) to the Issue with whom the Escrow Account will be opened, in
	this case being [•].
	The basis on which Equity Shares will be Allotted to Bidders under the Issue
Basis of Allotment	and which is described in "Issue Procedure - Basis of Allotment" beginning on
	page number 209 of this Draft Red Herring Prospectus.
	An indication to make an offer during the Bidding/Issue Period by a Bidder
$\mathbf{D}_{\mathbf{r}}^{\mathbf{r}}\mathbf{I}(\mathbf{r})$	pursuant to submission of Bid cum Application Form or by an ASBA Bidder pursuant to submission of ASBA Bid cum Application Form, as the case may
Bid (s)	be, to subscribe to the Equity Shares of Our Company at a price within the
Did America	Price Band, including all revisions and modifications thereto.
Dille	The highest value of the optional Bids indicated in the Bid cum Application
Bid Amount	Form and payable by a Bidder on submission of a Bid in the Issue
	The date on which the members of the Syndicate and SCSB's shall start
Did/Lagua On anina Data	accepting Bids for this Issue, which shall be the date notified in a widely
Bid/Issue Opening Date	circulated English national newspaper, a Hindi national newspaper and a
	regional newspaper where the Registered Office of Our Company is situated
	The date after which the members of the Syndicate and SCSB's will not accept
Bid/Issue Closing Date	any Bids for this Issue, which shall be notified in a widely circulated English
	national newspaper, a Hindi national newspaper and a regional newspaper
	where the Registered Office of Our Company is situated
	The form used by a Bidder to make a Bid and which will be considered as the
Bid cum Application Form	application for Allotment for the purposes of the Red Herring Prospectus and
	the Prospectus including the ASBA Bid cum Application Form by an ASBA Bidder (as applicable)
	Any prospective investor who makes a Bid pursuant to the terms of the Draft
Bidder	Red Herring Prospectus and the Bid cum Application Form, including an
Diudoi	ASBA Investor
Bidding Period/ Bidding Issue	The period between the Bid / Issue Opening Date and the Bid / Issue Closing
Period or Issue/ Bidding Period	Date inclusive of both days and during which prospective Bidders and the
or Bid/ Issue Period	ASBA Bidders can submit their Bids, including any revisions thereof
Book Building Process/ Method	The book building route as provided in Schedule XI of the SEBI ICDR
_	Regulations, 2009, in terms of which this Issue is being made
BRLM / Book Running Lead	Book Running Lead Manager to this Issue, in this case being Ashika Capital
Manager/Book Runner	Limited
Brokers to this Issue	Brokers registered with any recognised Stock Exchange, appointed by the Members of the Syndicate
	The note or advice or intimation including any revisions thereof, sent to each
CAN / Confirmation of	successful Bidder indicating the Equity Shares allocated after discovery of the
Allocation Note	Issue Price in accordance with the Book Building Process
	The higher end of the Price Band, above which the Issue Price will not be
Cap Price	finalised and above which no Bids will be accepted
	Issue Price finalised by Our Company in consultation with the BRLM, which
	shall be any price within the Price Band. Only Retail Individual Bidders and
Cut-off Price	Eligible Employees, who's Bid Amount does not exceed Rs. 2,00,000 are
	entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not
	entitled to Bid at the Cut-off Price
Controlling Branches of the	Such branches of the SCSB which coordinate with the BRLM, the Registrar to
SCSBs	the Issue and the Stock Exchanges and a list of which is available on
	www.sebi.gov.in
Demographic Details	The demographic details of the Bidders such as their address, PAN, occupation and bank account details.
	A depository registered with SEBI under the SEBI (Depositories and
Depository	Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
	Such branches of SCSB's which shall collect the ASBA Bid cum Application
Designated Branches	Form used by the ASBA Bidders and a list of which is available on

Terms	Description
	www.sebi.gov.in
Designated Date	The date on which funds are transferred from the Escrow Account or the amount blocked by the SCSB is transferred from the bank account of the Bidder, as the case may be, to the Public Issue Account or the Refund Account, as appropriate, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
DP ID	Depository Participant's Identity
Draft Red Herring Prospectus or DRHP	The Draft Red Herring Prospectus dated January 20, 2011 issued in accordance with Section 60B of the Companies Act and the SEBI ICDR Regulations, filed with SEBI and which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
Eligible NRIs	NRI's from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Draft Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein.
Equity Shares	Equity shares of face value of Rs. 10 each of Gajra Differential Gears Limited unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favor the Bidder (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement dated [•] to be entered into by Our Company, the Registrar to the Issue, the BRLM, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
First Bidder / Sole Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form or ASBA Revision Form
Floor Price	The lower end of the Price Band, at or above which the Issue Price will be finalised and below which no Bids will be accepted, in this case being Rs [•]
Indian National	As used in the context a citizen of India defined under the Indian Citizenship Act, 1955, as amended from time to time, who is not a NRI
Issue or Issue to the Public	The public issue of 60,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] each aggregating to Rs. [•] Lacs
Issue Period	The Issue Period shall be [•] days, [•] being the Bid/ Issue Opening Date and [•] being Bid/ Issue Closing Date
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Draft Red Herring Prospectus. The Issue Price will be decided by Our Company in consultation with the BRLM on the Pricing Date
Issue Proceeds	The proceeds of the Issue that are available to Our Company
Listing Agreement	The Listing Agreement to be entered into with the Stock Exchange(s) by the Company.
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Fund Portion	5% of the QIB Portion or 1,50,000 Equity Shares shall be available for allocation for Mutual Funds only, out of the QIB Portion on a proportionate basis
Non-Institutional Bidders	All Bidders (including sub-accounts which are foreign corporates or foreign individuals) that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 2,00,000 (but not including NRI's other than eligible NRI's)
Net Proceeds	Proceeds from the Fresh Issue available to Our Company, after deducting the Company's share of the underwriting and issue management fees, selling commissions and other expenses related with the Issue.
Non-Institutional Portion	The portion of the Issue being not less than 15% of the Issue comprising of 9,00,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders on proportionate basis, subject to receipts of valid bids at

Terms	Description
	or above the Issue Price
Non-Resident	A person resident outside India, as defined under FEMA and includes a Non Resident Indian
OCB / Overseas Corporate Bodies	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 irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Securities by a Person resident outside India) Regulations, 2000.
Payment through electronic transfer of funds	Payment through NECS, Direct Credit, RTGS or NEFT, as applicable.
Price Band	Price band of a minimum price (Floor Price) of Rs. [•]and the maximum price (Cap Price) of Rs. [•]and includes revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by Our Company in consultation with the BRLM and advertised, at least two Working Days prior to the Bid/ Issue Opening Date, in two national newspapers (one each, in English and in Hindi) and in one regional newspaper, where the Registered Office of Our Company is situated, with wide circulation
Pricing Date	The date on which Our Company in consultation with the BRLM finalises the Issue Price
Prospectus	The Prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	An account opened with the Bankers to the Issue to receive monies from the Escrow Account and from the SCSBs from the bank accounts of the Bidders on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub- account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with Insurance Regulatory and Development Authority, provident fund with minimum corpus of Rs. 2,500 Lacs, pension fund with minimum corpus of Rs. 2,500 Lacs, National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India and insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India.
QIB Portion	The portion of the Issue being up to 50% of the Issue and comprising up to 30,00,000 Equity Shares to be allotted to QIBs, of which 5% shall be available for allocation on proportionate basis to Mutual Funds
Refund Account(s)	The no-lien account maintained by the Refund Bank(s) to which the money shall be transferred on the Designated Date and from which refunds (excluding refunds to the ASBA Bidders), if any, of the whole or part of the Bid Amount shall be made
Refund Banker	[•]
Refunds through electronic transfer of funds	Refunds through NECS, Direct Credit, NEFT, RTGS or the ASBA process, as applicable
Registrar to the Issue/Registrar	Registrar to the Issue, in this case being Bigshare Services Private Limited a company incorporated under the Companies Act and registered with SEBI and having its registered office at Mumbai.
Retail Individual Bidder(s)	Individual Bidders (including HUFs applying through their Karta and eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 2,00,000 in any of the bidding options in the issue
Retail Portion	The portion of the Issue being not less than 35% of the Issue comprising of 21,00,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)

Terms	Description
Revision Form	The form used by the Bidders, excluding ASBA Bidders, to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The red herring prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three (3) days before the Bid Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
Stock Exchange	Bombay Stock Exchange Limited
Self Certified Syndicate Bank (SCSB)	SCSB is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making an Application Supported by Blocked Amount and recognised as such by the SEBI, a list of which is available on www.sebi.gov.in
Syndicate	The BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between the BRLM, the Syndicate Member and Our Company in relation to the collection of Bids (excluding Bids by the ASBA Bidders) in this Issue
Syndicate Members/members of the Syndicate	An intermediary registered with the SEBI to act as a syndicate member and who is permitted to carry on the activity as an underwriter
TRS/ Transaction Registration Slip	The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder, as proof of registration of the Bid
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
Underwriters	The BRLM and the Syndicate Member
Underwriting Agreement	The agreement among the Underwriters and Our Company to be entered into on or after the Pricing Date
Working Day	All days other than a Sunday or a public holiday (except during the Bid/Issue Period where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

### **Company / Issuer Related Terms**

Terms	Description
Articles / Articles of Association	Articles of Association of Our Company, as amended
Auditors	The Statutory Auditors of Our Company, M/s. P N Nagar & Co., Chartered Accountants
Board/Board of Directors	Board of Directors of Our Company including a duly constituted committee thereof
Director(s)	The director(s) of Gajra Differential Gears Limited or a committee constituted thereof, unless otherwise specified in the context
Key Management Personnel	The officers vested with the executive powers and the officers at the level immediately below the Board of Directors of the Issuer and other persons whom the Issuer has declared as a Key Managerial Personal and as described in the chapter titled " <i>Our Management</i> " on beginning on page number 102 of this Draft Red Herring Prospectus
Memorandum/ Memorandum of Association/MoA	Memorandum of Association of Our Company, as amended, unless the context otherwise specifies
Promoters	Mr. Raj D. Kirtani, Ms. Rita R. Gajra and R. B. Gajra HUF
Group Entity/ Group Entities	Includes, such entities as are disclosed as Group Entities in the chapter titled "Financial Information of Our Group Entities"
Registered Office	The registered office of Our Company situated at: Ground Floor, Elve Chambers, Green Street, Fort, Mumbai-400 023, Maharashtra, India
Works cum Office	The works cum office of Our Company situated at: Lohar Pipliya, Near Kshipra, A.B. Road, Dewas - 455 001, Madhya Pradesh, India

### **Industry Related Terms**

Terms	Description
ACMA	Automotive Component Manufacturer Association of India
CWP	Crown, Wheel & Pinion
HCV	Heavy Commercial Vehicle
HTV	Heavy Transport Vehicle
LCV	Light Commercial Vehicle
MCV	Medium Commercial Vehicle
MUV	Multi Utility Vehicle
OE	Original Equipment
OEM	Original Equipment Manufacturer
SIAM	Society of Indian Automobile Manufacturers
SKA	Spider Kit Assembly
SUV	Sports Utility Vehicle

### Abbreviations

Terms	Description
A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
Bn/bn	Billion
BOD	Board of Directors
CAN	Confirmation of Allocation Note
CAGR	Compound Annual Growth Rate
СВ	Controlling Branch
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CENVAT	Central Value Added Tax
CIN	Corporate Identification Number
COO	Chief Operating Officer
CST Act	Central Sales Tax Act 1956
DB	Designated Branch
DIN	Director Identification Number
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECB	External Commercial Borrowings
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods Scheme
EDC	Earnings Per Share i.e., profit after tax for a Fiscal divided by the weighted
EPS	average outstanding number of equity shares at the end of that Fiscal
EU	European Union
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations
	thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India)
	Regulations 2000 and amendments thereto
FI(s)	Financial Institution (s)
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional
F11(S)	Investor) Regulations, 1995 and registered with SEBI under applicable laws in

Terms	Description			
	India			
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year, unless otherwise			
	stated			
FIPB	Foreign Investment Promotion Board			
	Foreign Venture Capital Investor registered under the Securities and Exchange			
FVCI	Board of India (Foreign Venture Capital Investor) Regulations, 2000 and			
	amendments thereto			
GDP	Gross Domestic Product			
GIR Number	General Index Registry Number			
GoI/Government	Government of India			
HNI	High Net worth Individual			
HUF	Hindu Undivided Family			
ICAI	Institute of Chartered Accountants of India			
ICSI	Institute of Company Secretaries of India			
ICWAI	Institute of Cost and Works Accountants of India			
IEC	Importer Exporter Code			
INR / Rs / Rs. / Rupees	Indian Rupees, the legal currency of the Republic of India			
Income Tax Act / IT Act	The Income Tax Act, 1961, as amended from time to time			
Indian GAAP	Generally Accepted Accounting Principles in India			
IP	Intellectual Property			
IPO	Initial Public Offering			
Kg/Kgs.	Kilogram(s)			
Ltd.	Limited			
MICR	Magnetic Ink Character Recognition			
Mn / mn	Million / millions			
MNC	Multi National Company			
MODVAT	Modified Value Added Tax			
MOU	Memorandum of Understanding			
NA	Not Applicable			
1111	Net Asset Value being paid up equity share capital plus free reserves (excluding			
	reserves created out of revaluation) less deferred expenditure not written off			
NAV	(including miscellaneous not written off) and debit balance of Profit and Loss			
	Account, divided by weighted average number of equity shares outstanding during			
	the year			
NECS	National Electronic Clearing Service			
NEFT	National Electronic Fund Transfer			
NOC	No Objection Certificate			
NR	Non Resident			
NRE Account	Non Resident External Account			
	Non Resident Indian, is a person resident outside India, who is a citizen of India or			
NRI / Non Resident Indian	a person of Indian origin as defined under FEMA and the FEMA (Transfer or			
Trici / Tron Resident menan	Issue of Security by a Person Resident Outside India) Regulations, 2000			
NRO Account	Non Resident Ordinary Account			
NSDL	National Securities Depository Limited			
NTA	Net Tangible Assets			
	per annum			
p.a. P/E Ratio	Price/Earnings Ratio			
PAN	Permanent Account Number allotted under the Income Tax Act, 1961			
PAT	Profit After Tax			
PAT	Profit Before Tax			
PIO	Persons of Indian Origin			
PLR	Prime Lending Rate			
Pvt./(P)	Private			
QA	Quality Assurance			
QC	Quality Control			
QS	Quality Standard			
Qty	Quantity			

RBI       The Reserve Bank of India         RBI Act       The Reserve Bank of India Act, 1934 as amended from time to time         RoC       The Registrar of Companies, Maharashtra located at 100, Everest Buildin         Marine Lines, Mumbai - 400 002, Maharashtra, India       Ronw         Return on Net Worth       Return on Net Worth         RTGS       Real Time Gross Settlement         SCRA       Securities Contracts (Regulation) Act, 1956, as amended from time to time         SCRB       Self Certified Syndicate Bank         SEBI Takeover Regulations       Securities and Exchange Board of India (Substantial Acquisition of Shares a Takeovers) Regulations, 1997, as amended from time to time         Sec.       Section         Securities Act       US Securities Act, 1933, as amended from time to time         SIA       Secretariat for Industrial Assistance         SICA       Sick Industrial Companies (Special Provisions) Act         State Government       The government of a state of the Union of India         Stock Exchange       BSE         STC       Service Tax Code         Sq. Mts.       Square Meters         Sq. Mts.       Square Meters         Sq. Mts.       Square Meters         TAN       Tax Deduction Account Number         TIN       Taxpayer Identification Number	Terms	Description		
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USD/U.S.\$/US	UoI			
Linited States Dollars, currency of the Linited States of America	USD/U.S.\$/US			
Dollar Onned States Donars, currency of the Onned States of America.		United States Dollars, currency of the United States of America.		
VAT Value Added Tax		Value Added Tax		
Venture Capital Funds as defined and registered with SEBI under the SE	VOF	Venture Capital Funds as defined and registered with SEBI under the SEBI		
VCFs (Venture Capital Funds as defined and registered with SEBF under the SE	VCFS			
WDV Written Down Value	WDV			
w.e.f. With effect from	w.e.f.			

### **SECTION I – GENERAL**

### PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

### **Financial Data**

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP, the Companies Act and the SEBI ICDR Regulations, which are included in this Draft Red Herring Prospectus under the section titled "*Financial Statements*" beginning on page number 128.

Our Fiscal commences on April 1 and ends on March 31 of the next year. All references to a particular Fiscal / financial year unless otherwise indicated, are to the 12 month period ended March 31 of that year. In the Draft Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and US GAAP. 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 the Drat Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations on the financial disclosures presented in the Draft Red Herring Prospectus should accordingly be limited.

### **Industry and Market Data**

Unless stated otherwise, industry and market data used in this Draft Red Herring Prospectus has generally been obtained or derived from various sources, including industry websites, publications and/or publicly available documents and data. Industry websites, publications and publicly available documents generally state that the information contained therein has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that the industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

Further, the extent to which the market and industry data used in the Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different industry sources.

#### FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus includes certain forward looking statements with respect to our financial condition, results of operations and business. These forward-looking statements can generally be identified by the fact that they do not relate to any historical or current facts. Forward-looking statements often use words such as "aim", "anticipate", "believe", "could", "expect", "estimate", "intend", "may", "objective", "plan", "project", "shall", "should", "will", "would", or other words or phrases with similar meaning. Similarly, statements that describe our objectives, strategies, plans or goals are also forward looking statements. By their nature, forward looking statements are subject to risk and uncertainty and there are a number of factors that could cause actual results and developments to differ materially from those expressed in or implied by, such forward-looking statements.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have businesses and our ability to respond to them, our ability to successfully implement strategy, growth and expansion of our business, technological changes, exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the industry.

For further discussions of factors that could cause our actual results to differ, please see the section titled "*Risk Factors*" and chapter titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page number 11 and 149 respectively of this Draft Red Herring Prospectus.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither Our Company nor the Book Running Lead Manager nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI requirements, Our Company, the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.

#### SECTION II: RISK FACTORS

An investment in equity or equity related securities involves a degree of financial risk. You should carefully consider all information in this Draft Red Herring Prospectus, including the risks described below before making an investment in our Equity Shares. This section addresses general risks associated with the industry in which we operate and specific risks associated with our business. Any of the following risks, as well as the other risks and uncertainties discussed in this Draft Red Herring Prospectus, could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline and may lose all or part of your investment in our Equity Shares. In addition, the risks set out by us in this Draft Red Herring Prospectus may not be exhaustive and additional risks and uncertainties, not presently known to us, or which we currently deem immaterial, may arise or become material in the future. In making an investment decision, prospective investors must rely on their own examination of Our Company and the terms of the Issue, including the merits and risks involved.

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

Unless otherwise stated, the financial information of Our Company used in this section is derived from our restated financial statements.

#### Materiality:

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

- (i) Some events may not be material individually, but may be found material collectively.
- (ii) Some events may have material impact qualitatively instead of quantitatively.
- (iii) Some events may not be material at present but may have material impact in future.

The risk factors are as envisaged by the management along with the proposals to address the risk, if any. Wherever possible, the financial impact of the risk factors has been quantified.

### A. INTERNAL RISK FACTORS TO OUR COMPANY

1. There are certain criminal complaints against Mr. Ramesh B. Gajra, karta of our promoter, R. B. Gajra HUF. We do not have complete records of the documents pertaining to such litigations and are not aware of the current status of such litigations. An adverse outcome in such litigations may adversely affect our business, operations and reputation.

There are two criminal complaints viz. criminal complaint numbers 179/N of 1994 and 180/N of 1994 pending before the courts in Mumbai, one of which is filed by Mr. S. S. Mehta against Mr. Ramesh B. Gajra, karta of our Promoter, R. B. Gajra HUF and one of which is filed by Mr. N. S. Rathore against Mr. Ramesh B. Gajra, karta of our Promoter, R. B. Gajra HUF. These criminal complaints pertain to disputes between the complainants therein and Mr. R. B. Gajra in relation to the occupation and possession of premises located at Elve Chambers, Green Street, Fort, Mumbai, India. We do not have complete records of the documents pertaining to such litigations and are not aware of the current status of such litigations. Our Promoters have informed us that they are not in a position to quantify or appreciate the impact of any adverse outcome in such criminal litigations. For details, please see the chapter titled *"Outstanding Litigations and Material Developments"* beginning on page number 165 of this Draft Red Herring Prospectus.

### 2. Our Company, Promoters, Directors and our Group Entities are part of certain litigations, the outcome of which could adversely affect our business operations and financial condition

Our Company, Promoters, Directors and Entities Promoted by our Promoters are involved in certain legal proceedings and claims in relation to certain civil and tax matters incidental to their business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us/them liable to liabilities/penalties and may adversely affect their business and results of operations. A classification of these legal and other proceedings are given in the following table:

Type of Proceedings	Number of cases	Amount to the extent quantifiable
Cases filed against our Company		
Civil cases	1	Not ascertainable
Criminal cases	Nil	Nil
Tax Proceedings	Nil	Nil
Total	1	Not ascertainable
Cases filed against our Directors and Promote	ters	
Civil cases	2	1,98,359
Criminal cases	2	Not ascertainable
Tax Proceedings	Nil	Nil
Total	4	1,98,359
Cases filed against our Group Entities		
Civil cases	45	125,826,636
Criminal cases	Nil	Nil
Tax Proceedings	1	Not ascertainable
Total	46	125,826,636
Cases filed against any other entities which n	nay have a material ad	verse effect on our Company
Civil cases	Nil	Nil
Criminal cases	Nil	Nil
Tax Proceedings	Nil	Nil
Total	Nil	Nil
Potential Litigation		
Civil Cases	Nil	Nil
Criminal Cases	Nil	Nil
Tax Cases	9	36,790,94
Total	9	36,790,94

\*The table above does not include those penalties, interests and costs, if any, which may be imposed or which may have been pleaded but not quantified in the course of legal proceedings, or which the Court/Tribunal otherwise has the discretion to impose. The imposition and amount of such penalties/interests/costs are at the discretion of the court/tribunal where the case is pending. Such liability, if any, would crystallise only on the Order of the tribunal where the case(s) is/are pending.

### 3. The Remuneration Committee of Our Company's Board of Directors as constituted on the date of this Draft Red Herring Prospectus is not in compliance with the Listing Agreements

Our Company has constituted a Remuneration Committee of our Board of Directors, comprising of Ms. Rita R. Gajra, Mr. Mahendra Shah and Mr. Chandrakant Khushaldas. However, Ms. Rita R. Gajra is an executive Director of Our Company and accordingly, the said Remuneration Committee has not been constituted in accordance with the Listing Agreements. While the constitution of a Remuneration Committee is not a mandatory requirement under the Listing Agreements, Our Company shall take steps to re- constitute the Remuneration Committee is accordance with the requirements of the Listing Agreement prior to the filing of the Red Herring Prospectus with SEBI and with the ROC. For further details in this regard, please refer to the chapter titled "*Our Management*" on page number 102 of this Draft Red Herring Prospectus.

4. Our Company proposes to utilise part of the Issue Proceeds for the purchase of second hand machinery from overseas vendors. Our Company may not be able to obtain warranty/guarantee in respect of such equipment from such vendors. In case such equipment/s do not function correctly or requires replacement of parts which may be not easily available in India, Our Company's operations and business may be adversely affected.

Our Company proposes to utilise approximately Rs. 935.00 Lacs of the Issue Proceeds towards purchase of certain second hand equipments from overseas vendors. As the equipments being purchased are second hand, Our Company may not be able to obtain warranty/ guarantee from the vendors of such equipments. Our Company may not, also, be able to source replacements / spare parts for such equipments easily or at all, as and when required. In case such equipment/s do not function correctly or requires replacement of parts which are not easily available in India, Our Company's operations may get adversely affected.

5. Our lender, Madhya Pradesh Financial Corporation, has rescheduled the repayment of loans availed by us, aggregating to Rs. 362.52 Lacs vide letter dated September 09, 2009. Further, our lender, State Bank of India, has rephased certain term loans aggregating to a sum of Rs. 707.00 Lacs vide letter dated June 26, 2009

Repayment terms of Our Company's borrowings from Madhya Pradesh Financial Corporation and State Bank of India have been rescheduled and/ or rephased by our lenders, pursuant to request for such rescheduling and/ or rephasing being made by Our Company. Our lender, Madhya Pradesh Financial Corporation, has rescheduled the repayment of loans availed by us, aggregating to Rs. 362.52 Lacs *vide* letter dated September 09, 2009. Further, our lender, State Bank of India, has rephased certain term loans aggregating to a sum of Rs. 707.00 Lacs *vide* letter dated June 26, 2009. During the relevant period, Our Company's business was adversely affected by global recession and consequently Our Company made applications for the reschedulement/ rephasement of the said loans as Our Company's turnover was insufficient for Our Company to make payments of the instalments to the said lenders. For further details in this regard, please see the chapters titled "*History and Other Corporate Matters*" and "*Financial Indebtedness*" on pages 99 and 160 of this Draft Red Herring Prospectus.

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

We had negative cash flows from our investing activities as well as financing activities in the previous years as per our Restated Financial Statements and the same are summarised as under:

		-
$(R_{c})$	in	Lacs)
IND	in	Lucsi

Dantiaulans	For the period ended	d For the year ended March 31,				
Particulars	September 30, 2010	2010	2009	2008	2007	2006
Net Cash used in Investing Activities	(102.33)	(109.09)	(99.54)	(437.68)	(389.36)	(685.74)
Net Cash Receipt/ Used in Financing Activities	(141.62)	(221.25)	(71.90)	(79.53)	(69.33)	555.92

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

### 7. There are certain audit qualifications in the auditors reports of Our Company for the past five years.

There are certain audit qualifications in the auditors' reports of Our Company for the past five years as set forth hereinbelow:

#### Financial year 2010

No provision has been made for accrued liability on account of leave encashment, amount unascertained, and benefit due to employees in accordance with AS - 15.

#### Financial year 2009

No provisions has been made for accrued liability on account of gratuity Rs. 2698761 and leave encashment, amount unascertained, benefit due to employees in accordance with AS - 15.

### Financial year 2008

No provision has been made for accrued liability on account of leave encashment benefit due to employees in accordance with AS - 15, the amount is unascertained.

#### Financial year 2007

No provision has been made for accrued liability on account of leave encashment benefit due to employees in accordance with AS - 15, the amount is unascertained.

### Financial year 2006

No provision has been made for accrued liability on account of leave encashment benefit due to employees in accordance with AS - 15, the amount is unascertained.

Furthermore, Our Company has incorrectly filed its annual filings in Form 23ACA for the abovementioned years except Fiscal 2010 to the extent that disclosures in regard to such audit qualifications have not been made therein.

### 8. Our Promoter, R. B. Gajra HUF has not filed income tax returns for assessment years 2007 and 2006. R. B. Gajra HUF has filed delayed tax returns for assessment years 2008, 2009 and 2010.

Our Promoter, R. B. Gajra HUF obtains income pursuant to its holding, as a partner, in M/s. Elve Corporation, also our Group Entity. This income is taxed at source. However, R. B. Gajra HUF has not filed any income tax returns for the assessment years 2007 and 2006. R. B. Gajra HUF has filed delayed tax returns for assessment years 2010, 2009 and 2008. Furthermore, our Promoters are unable to ascertain whether any income tax returns have been filed at all, by R. B. Gajra HUF, for any period prior to 2007.

In case any action is initiated against R. B. Gajra HUF by governmental authorities in respect of such nonfiling of income tax returns, the same may have a material adverse impact our Promoters.

#### 9. Certain financial information included in this Draft Red Herring Prospectus is not audited

Certain financial information of our Promoter, R. B. Gajra HUF are not excerpted from its audited financial statements as the audited financial information in respect of this entity is not available as on the date of this Draft Red Herring Prospectus. The said financial information has been excerpted from the certified financial statements of R. B. Gajra HUF.

#### 10. We have in the last 12 months issued Equity Shares at a price which may be lower than the Issue Price.

The details of issue of Equity Shares in the past 12 months, which may have been made at a price lower than the Issue Price, are as follows:

Date of Allotment	Name of the person	Number of Equity Shares	Issue Price (Rs.)	Reason for Allotment
March 15,	R. B. Gajra HUF	2,00,000	50.00	Conversion of Redeemable Preference Shares
2010	Ms. Rita R. Gajra (on behalf of M/s. Elve Corporation)	5,00,000	50.00	Further Issue of Shares

The price at which the above equity shares are issued may be less than the Issue Price. The price at which the Equity Shares were being issued in last twelve months is not indicative of the price which may be offered in the issue. For Further details of equity shares issued, please refer to the chapter titled "*Capital Structure*" beginning on page number 46 of the Draft Red Herring Prospectus.

### 11. Our Company's registered office and several corporate/ other offices are taken on leave and license basis. Any termination of the lease and/or non renewal could adversely affect our operations.

The registered office of Our Company situated at Ground Floor, Elve Chambers, Green Street, Fort, Mumbai-400 023, Maharashtra, India and several of our other offices are taken on Leave and License from various lessors. If we are required to vacate such premises by our lessors or if we are unable to renew the lease on favourable terms or at all, we may suffer a disruption in our corporate affairs and business.

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

Some of our Group Entities such as Gajra Gears Private Limited are involved in a similar line of business as that of Our Company i.e. manufacture of gears and automobile components. As on date, Our Company has not signed any non-compete or such other agreement / document with our Group Entities, thus the interests of these entities may conflict with Our Company's interests and / or with each others if these entities expand their business in the future. For further details, please refer to the chapters titled 'Business Overview', 'Our Promoters and Promoter Group', beginning on page numbers 82 and 116, respectively and Annexure VII titled 'Statement of Related Party Transactions' beginning on page number 141 of this Draft Red Herring Prospectus.

# 13. One of our Group Entity, Gajra Gears Negeri Sembilan Sendirian Berhad ("GGNS"), an entity incorporated under the laws of Malaysia, is under receivership as on the date of this Draft Red Herring Prospectus. It is possible that consequences may follow in relation to the same which may adversely affect those of our Promoters involved in promoting this entity.

GGNS, is a private limited company incorporated under the laws of Malaysia on August 25, 1975 and a subsidiary of Gajra Gears Private Limited, India ("GGPL") under a joint venture partnership with Negeri Sembilan Development Corporation, Seremban, Malayasia ("NSDC"). GGNS went into receivership on November 05, 1984. The receivers and managers thereby appointed have realised all the assets charged under the debenture documents and have paid the proceeds to the preferential creditors and the debenture holders in part settlement of their outstanding loans since all the assets of GGNS were not sufficient to cover all its liabilities. The secured creditors remained undischarged and as no assets of GGNS were available for realisation and distribution to its unsecured creditors and shareholders. The shareholders rights were then suspended.

In respect of GGNS, those of our Promoters and Group Entities associated with the abovementioned entities have informed us that the finalisation of accounts, audit, filing of various returns and forms with different authorities (including annual returns and annual accounts), convening/holding of board meetings, general meetings and various other statutory compliances for several years have not been made since Financial Year 1984. Our Promoters and Group Entities associated with the abovementioned entities are unable to ascertain any liabilities or contingent liabilities of such entities, other than those reflected in the last available annual audited accounts of those entities as on March 31, 1984. However, no action to strike the same off the record has been taken by the Registrar of Companies.

## 14. Our Company did not comply with Section 383(A) of the Companies Act, 1956 regarding the appointment of whole time company secretary for the Fiscals 2000, 2001 and 2002. Such non-compliances may result into penalties or other action on Our Company by the statutory authorities.

The paid up capital of Our Company exceeded Rs. 5.00 Crores on March 28, 2000 pursuant to which Our Company was required to comply with Section 383(A) of the Companies Act in as much as appointing a wholetime company secretary became mandatory. Our Company did not comply with Section 383(A) of the Companies Act, 1956 regarding the appointment of whole-time company secretary for the Fiscals 2000, 2001 and 2002. However, Our Company appointed a company secretary on October 06, 2003.

Our Company may be liable to imposition of punishment in the form of penalties by the RoC for failure to comply with Section 383A of the Companies Act during the abovementioned period.

### 15. Our business requires a number of statutory and regulatory permits and licenses to operate and any delay or inability to obtain or renew the same in a timely manner may have an adverse impact on our business

Being a manufacturing organisation, we require several statutory and regulatory permits, licenses and approvals to operate our business. Many of these approvals are granted for a fixed period of time and need renewal from time to time. We are required to renew such permits, licenses and approvals periodically. There can be no assurance that the relevant authorities will issue such permits or approvals to Our Company or that they will issue in time. Further, these permits, licenses and approvals are subject to several conditions and Our Company cannot assure that it shall be able to continuously meet the conditions and this may lead to cancellation, revocation or suspension of relevant permits / licenses / approvals. Failure by Our Company to renew, maintain or obtain the required permits, licenses or approvals may result in the interruption of Our Company's operations and may have a material impact on our business.

For further details please refer to the section titled "Government and Other Statutory Approvals" beginning on page number 165 of this Draft Red Herring Prospectus.

### 16. Some of our Promoter Group Companies and Group Entities are loss making entities

The losses made by the Promoter Group Companies and Partnership Firms promoted by our Promoters during the last three financial years are given herein under:

			(Rs. In Lacs)
Name of the Entities	March 31, 2010	March 31, 2009	March 31, 2008
M/s. Elve Corporation	8.64	53.10	(37.73)
Gajra Gears Private Limited	(145.56)	(256.27)	(1068.53)
Shakun Investments Private Limited	(0.14)	(0.15)	(0.11)
Bhisham Investments Private Limited	(0.15)	(0.16)	(0.12)
Kennedy Investments Private Limited	(0.14)	(0.16)	(0.12)

### 17. 76% of Our Company's consolidated gross sales for the financial year ended March 2010 was from a limited number of customers.

For the financial year ended March, 2010, our top ten customers accounted for nearly 76% of our total revenue.

Particulars	Six month period ended September 30, 2010		Sentember 30, 2010 FY 2010		FY 2009	
rarticulars	Amount (Rs. in Lacs)	%	Amount (Rs. in Lacs)	%	Amount (Rs. in Lacs)	%
Sales from top 3 customers	653.27	45.00	1333.07	47.00	1696.05	56.00
Sales from top 5 customers	864.74	59.00	1732.89	61.00	1978.16	65.00
Sales from top 10 customers	1086.51	75.00	2176.76	76.00	2314.93	76.00

As we rely on our top ten customers for the success of our business, any loss of each or all of such customers could have a material adverse effect on our business.

### 18. Certain secured and unsecured loans taken by Our Company may be recalled by our lenders at any time.

Unsecured loans amounting to Rs. 572.05 Lacs outstanding as on September 30, 2010 taken by Our Company may be recalled by our lenders at any time. Any failure to service our indebtedness, maintain the required security interests, comply with a requirement to obtain a consent or otherwise perform our obligations under our financing agreements could lead to a termination of one or more of our credit facilities, trigger cross default provisions, penalties and acceleration of amounts due under such facilities which may adversely affect our business, financial condition and results of operations. For details of our indebtedness, please refer to the chapter titled *"Financial Indebtedness"* on page number 160 of this Draft Red Herring Prospectus.

### 19. We have certain contingent liabilities and if any of them crystallises, this could adversely affect our financial condition

As per our Audited Balance Sheet as on March 31, 2010 and our financial statements for the six month period ended September 30, 2010, contingent liabilities of Our Company are as follows:

1				(Rs. in Lacs)
Sr. No.	Particulars	September 30, 2010	March 31, 2010	March 31, 2009
1.	Estimated amount of Contracts remaining to be executed on capital account	23.06	5.15	3.30
2.	Surety in the Bond executed by Gajra Gears Private Limited in favour of the President of India for availing exemption under EPGC Scheme	450.00	450.00	450.00
3.	Claim against Our Company not acknowledged as debt	3.80	3.80	3.80
4.	Sales Tax appeals pending with Deputy Commissioner of Commercial Tax, Appeals, Cuttack	-	0.03	0.03

In the event any of these contingent liabilities gets crystallised, our financial condition may be adversely affected. For further information please refer to the chapter titled "Auditors' Report and Financial Information of Our Company" beginning on page number 128 of this Draft Red Herring Prospectus.

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

We depend significantly on the expertise, experience and continued efforts of our key managerial personnel. If one or more members of our Key Managerial Personnel are unable or unwilling to continue in his/her present position, it could be difficult to find a replacement, and business could thereby be adversely affected. Competition for Key Managerial Personnel in our industry is intense and it is possible that we not be able to retain our existing Key Managerial Personnel or may fail to attract/ retain new employees at equivalent positions in the future. As such, loss of Key Managerial Personnel could adversely affect our business, results of operations and financial condition. For further details on the key managerial personnel of Our Company please refer to the chapter titled "Our Management" beginning on page number 106 of this Draft Red Herring Prospectus.

### 21. The implementation of the project for which proposed issue is planned is at a preliminary stage. Any delay in implementation of the same may increase the capital cost and also affect returns from the project

We are in the process of enhancing our capacities through the proposed expansion cum modernisation. We have estimated the cost and drawn the implementation schedule based on our experience. Presently, the implementation is at a preliminary stage. Any delay in implementation of the same will increase the capital cost and also affect the realisation of returns from the project.

## 22. Our funding requirements and the deployment of the proceeds of the Issue are based on Management estimates and have not been independently appraised; any deviation in the actual performance could adversely impact our operations and sustainability

Our funding requirement and deployment of the proceeds of the issue are based on management estimates, current quotation from suppliers and our current business plan. The fund requirements and intended use of proceeds have not been appraised by bank or financial institution and are based on our estimates and on third party quotations. We may have to revise our expenditure and fund requirements as a result of variations including in the cost structure, changes in estimates, changes in quotations, exchange rate fluctuations and external factors, which may not be within the control of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirement and increasing or decreasing the expenditure for a particular purpose form its planned expenditure at the discretion of our board. In addition, schedule of implementation as described herein are based on management's current expectations and our subject to change due to various factors some of which may not be in our control.

## 23. There are certain restrictive covenants in the Sanction Letter of the State Bank of India pursuant to the loan taken by us which could adversely influence our ability to carry out certain business activities including capital-raising activities, in turn affecting our business and results of operations

State Bank of India has sanctioned/ approved certain Cash Credit, Fund Based and Non Fund based limits to Our Company in pursuance of their sanction letter. We would be subject to usual and customary restrictive covenants of the term loans and working capital facilities availed by us.

However, following are some of the major restrictive covenants, which are material in nature:

- Dividend cannot be paid, without Bank's approval.
- Our Company will not undertake capital expenditure or raise term loans without Bank's approval.
- Unsecured loan will not be withdrawn till the currency of loan.
- Unsecured loan should be subordinated to the Bank's debt and would be interest free.

Further, Our Company has created a charge on its assets in favour of the bank. In case of default by Our Company in repayment of the loans, the bank may exercise their rights over the security, which may be detrimental to the interest of Our Company.

For details on the Secured Loans, please refer to the chapter titled "Financial Indebtedness" beginning on page number 160 of this Draft Red Herring Prospectus.

### 24. Our Promoter, Ms. Rita R. Gajra has interests in Our Company other than reimbursement of expenses incurred or normal remuneration or normal benefits.

Our Company has availed a loan of Rs. 29.50 Lacs from Ms. Rita R. Gajra, our Promoter and our Promoter may be deemed to be interested in Our Company to the extent of such loan. For details, see the chapter titled "*Our Promoters and Promoter Group*" beginning on page number 116 of this Draft Red Herring Prospectus.

### 25. A portion of the shareholding of our Promoters, R. B. Gajra HUF and Ms. Rita R. Gajra, aggregating to 21,48,100 equity shares of Our Company, has been pledged with State Bank of India

21,48,100 equity shares of Our Company held by our Promoters, Ms. Rita R. Gajra and R. B. Gajra HUF, have been pledged with State Bank of India as per terms and conditions of the credit facilities extended by the bank. In the event, the pledge is enforced, the shareholding of our Promoters shall be reduced to that extent. For further details in relation to the Promoters' shareholding pledged, please see the chapter titled "*Capital Structure*" on page number 46 of this Draft Red Herring Prospectus.

## 26. We are yet to place orders for the entire plant and machinery aggregating to Rs. 935.00 Lacs required towards our expansion cum modernisation. Any delay in placing the orders or supply of plant and machinery may result in cost and time overrun and thereby affecting our profitability

We propose to acquire plant and machinery aggregating Rs. 935.00 Lacs for our expansion cum modernisation but we have not yet placed any order for the entire plant and machineries required. Further, we are subject to risks on account of inflation in the price of plant and machineries and fluctuation in the foreign currency. Any delay in placing the orders or supply of equipment may result in cost and time overrun. The details of quotations received are included in the chapter titled "*Objects of the Issue*" on page number 56 of this Draft Red Herring Prospectus.

## 27. Execution of the objects of the Issue is dependent on performance of external agencies. Any non performance by these agencies may result in incremental cost and time overruns of the Project and in turn could adversely affect our business operations and profitability

Our expansion project and other objects of the Issue are dependent on performance of external agencies, which are responsible for construction of buildings, installation and commissioning of plant and machinery and supply & testing of equipments. We cannot assure that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements with respect to timeline and quality of performance, we may require replacing these external agencies which could result in incremental cost and time overruns of the objects of the Issue, and in turn could adversely affect our business operations and profitability.

### 28. Our work orders are primarily dependent on adequate and timely supply of adequate amount of raw materials at a competitive prices

Our business is primarily dependent on our main raw materials forging and steel bars. Timely and cost effective execution of our orders is dependant on adequate and timely supply of raw materials. We do not have any firm tie up for continuous supply of required raw material of desired quantity with required specifications. In case we are unable to procure the requisite quantities of raw materials well in time and at competitive prices, our performance may be adversely affected.

## 29. Our operations are subject to high working capital requirements. Our inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, or at all, to meet our requirement of working capital or pay our debts, could adversely affect our operations

Our business requires significant amount of working capital. In many cases, significant amount of our working capital is required for purchasing and maintaining of stock of primary raw materials such as forging and steel bars. These raw materials are purchased locally. Though, presently we have availed working capital limits to the extent of Rs. 950.00 Lacs from our lenders, we may need to incur additional indebtedness in the future to satisfy our working capital needs. All these factors may result in increase in the quantum of our current assets and

short-term borrowings. Our inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, or at all, to meet our requirement of working capital or pay our debts, could adversely affect our financial condition and results of operations.

### **30.** Our production on several items is substantially below our installed capacity during financial years 2008 to 2010.

For the following items, our production is substantially below our installed capacity for the financial years 2008 to 2010:

Financial Year	<b>Current Installed Capacity</b> (in metric tons)	<b>Capacity Utilised</b> (in metric tons)	Percentage (%)
2007-2008	3225	1589	49.27
2008-2009	3225	1580	49.00
2009-2010	3225	1454	45.09

Crown Wheel & Pinion, Spider Kit assemblies, Bevel Gears, Loose pinion and Spiders.

### 31. The deployment of the issue proceeds is entirely at the discretion of the Management / Company and no independent agency has been appointed to monitor its deployment

As per SEBI ICDR Regulations, appointment of monitoring agency is required only for Issue size above Rs. 50,000 Lacs. Since, our issue size is below this amount, we have not appointed a monitoring agency to monitor the utilisation of Issue proceeds. Further, we cannot assure that the actual costs or schedule of implementation of the proposed manufacturing facility will not vary from the estimated costs or schedule of implementation, and such variance may be on account of one or more factors, some of which may be beyond our control. However, Our Company shall inform about material deviations if any, in the utilisation of issue proceeds to the stock exchange. Our Company shall provide details in the Balance Sheet about utilisation of issue proceeds.



### 32. The trademark that been licensed to us by one of our Group Entity, Gajra Gears Private Limited. Any hindrance in usage of these trademarks by our promoter will have significant impact on our business



The trademark **Lines** is licensed to us by one of our Group Entities, Gajra Gears Private Limited by an agreement dated November 26, 2010 granting us a non-exclusive right to use the trademark. We cannot assure you that we will continue to have the uninterrupted use of the trademark. Further, this logo is used not only by Our Company and but also by certain of our Group Entities. In case the use of this logo by our Group Entities results in dilution of our brand value, our business may be adversely affected.

### **33.** We have entered into certain related party transactions and \we may continue to do so in the future. This could have an adverse effect on our financial condition and results of operation

Our Company has since incorporation, entered into certain transactions with related parties. Furthermore, it is likely that we may continue to enter into related party transactions in the future. Such transactions or any future transactions with related parties may involve conflicts of interest and impose certain liabilities on Our Company. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. For detailed information on our related party transactions, refer Annexure VII to our restated financial statements forming part of the chapter titled "Auditors' Report and Financial Information of Our Company" on page number 128 of this Draft Red Herring Prospectus.

### 34. Our present and proposed manufacturing facilities are geographically located at one place, i.e. at Dewas, Madhya Pradesh and the loss or shutdown of operations at the facility could have a material adverse effect on us

Our present and proposed manufacturing facilities are situated within and around Dewas and our business operations are vulnerable to damage or interruptions in operations due to adverse weather conditions, earthquakes, fires, explosions, power loss, civil disturbances or other similar events which may affect this area. Any failure of our systems or any shutdown of any part of our manufacturing unit, networks, operations because

of operational disruptions, natural disaster such as flood or earthquake, or other factors, could disrupt our services and result in significant costs and delays in execution of orders. We do not have a diversified base of manufacturing operations, and local disturbances would have a material adverse effect on our business, and consequently on our results of operations and financial condition.

## 35. We employ a large labour force and in case any labour disputes arise in the course of our business operations, the same could disrupt operations and adversely affect the results of operation and financial condition of Our Company

Our current manufacturing processes are labour intensive. We employ a large number of skilled and unskilled labourers. Any disputes between the management and labour in Our Company can result in a disruption of our manufacturing activities and thereby affect the profitability of Our Company.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Furthermore, it may become difficult for us to maintain flexible labour policies in case cost of labour in our industry increases. Our labour are currently not unionised but in the event of any such unionisation in future, we may experience unrest or slowdowns, increase in wage costs and employee numbers. These eventualities may adversely impact our operations and financial condition.

### **36.** Our insurance coverage may not adequately protect us against certain operational hazards and this may have a material adverse effect on our business.

Our Company has, in the ordinary course of business and as required by certain loan agreements to which we are a party, availed insurance cover for certain risks. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, or the insurance policy covering such risk is not honoured, our results of operations may be adversely affected. For details of our insurance policies please refer to the section titled "Business Overview" on page number 82 of this Draft Red Herring Prospectus.

### 37. Our inability to follow our business or growth strategy could have an adverse impact on our results of operations.

Our growth and business strategy is dependent on market conditions, our ability to identify and take advantage of opportunities, abilities of our key managerial personnel to guide our policies appropriately and many other factors. In addition, our expansion in new and existing markets may present challenges that differ from those in our current operations. In the event that we are unable to implement our growth plans it could lead to delays and affect our results of operations.

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

Our customers generally do not enter into any long term contracts with us. Our ability to maintain close and satisfactory relationships with our customers and to consistently manufacture products that meet their requirements is therefore important to our business. There is no assurance that these customers will continue to purchase products from us or that they will not scale down their orders. This could impact the financial performance of Our Company

### **39.** Any failure to keep abreast with the latest trends in the technologies may adversely affect our cost competitiveness and ability to develop new products

The market we operate is characterised by rapid technological change, evolving industry standards, and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product to meet client needs. We may not be successful in anticipating or adequately responding to these advances in a timely basis, or, if we do respond, product we develop may not be successful in the marketplace. Further, products that are developed by our competitors may render our offerings non-competitive or force us to reduce prices, thereby adversely affecting our margins.

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

Our Company has not declared any dividend in the past three years. However, the amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lenders' approvals and other factors. There can be no assurance that we shall have distributable profits or that we will declare dividends in the future. Additionally, the terms and conditions of any financing we obtain in the future, may include restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

### EXTERNAL RISK FACTORS

#### 41. Auto Industry is cyclical and volatile, which could affect the auto components demand

Demand for auto components are driven by the demand from Original Equipment Manufacturers (OEMs) and from replacement market in Auto sector. The general discretionary nature of automobile demand (like car) and the resulting production of vehicles depend, among other factors, on GDP development, disposable income, consumer confidence and preferences, and the availability of financing. As the volume of auto production fluctuates, the demand for auto components is also extremely volatile as OEMs usually do not commit to purchase pre-determined quantities from their suppliers.

## 42. The auto-component industry is highly competitive and driven by companies which provide significant pricing advantages to the customers of our industry. Our failure to compete effectively could reduce our profit margins

Within the auto components segment, we compete with many domestic and international players. Some of these competitors have achieved greater market penetration than we have in certain markets in which we compete, and some have greater financial and other resources than we do. As a result, we may need to accept lower contract margins or unit price contracts in order for us to compete against competitors that have the ability to supply at lower prices or have a pre-existing relationship with the distributors. If we are unable to compete successfully in such markets, we may lose our customers and hence our profits could be adversely affected.

### 43. The auto supply industry demands technological changes and capital intensity, any incapability to match up these requirements may affect our business and result of operations.

The auto supply industry is highly competitive and characterised by swift technological changes, capital intensity and the need for continuous improvements in manufacturing facilities. OEMs place constant pressure on their suppliers to reduce prices and the suppliers have to protect their margins. For this suppliers have to continuously improve their productivity by upgrading their technology to make it more economical.

### 44. Any slowdown in the rate of growth of Automotive Industry or slowdown in the economy could affect our growth prospects and there may be decline in profits

Automotive industry growth is linked to the economic growth and any deceleration in economic growth will also reflect in the growth of the automobile sector. Auto component industry catering to automobile industry will be adversely affected by any decline in the growth of the auto industry. Like all the other players in the auto component industry, we will also be exposed to the risk of such deceleration in the growth of the industry. In fact, year 2008-09 was a bad year for this Industry and the Industry is recovering fast from such slow down.

### 45. Financial instability in Indian and Global financial markets could adversely affect Our Company's results of operations and financial condition

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets. The recent global financial turmoil in FY 2008-09, an outcome of the sub-prime mortgage crisis which originated in the United States of

America, has led to a loss of investor confidence in worldwide financial markets. Indian financial markets have also experienced the contagion effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material and adverse effect on Our Company's business, operations, financial condition, profitability and price of its Shares.

### 46. Global economic, political and social conditions may affect our ability to do business, increase our costs and negatively affect our business

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

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

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

### **48.** Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business

Certain events that are beyond our control, including terrorist attacks and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect our business, results of operations and financial condition, and more generally, any of these events could lower confidence in India as an investment destination. Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Although this has not been the case to date, such political tensions could create a perception that there is a risk of disruption of products provided by India-based companies, which could have an adverse effect on the market for our products. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate. India has witnessed communal clashes in the past. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could result in disruptions in transportation or communication networks, as well as have adverse implications for general economic conditions in India. Such events could have an adverse affect on our business, on the value of our Equity Shares and on your investment in our Equity Shares.

### 49. The appreciation of the Rupee against the foreign currency would have a material adverse effect on our results of operations

Our Company has exposure in the US Dollar and may have exposure to other foreign currencies. The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may fluctuate substantially in future. We cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on the results of our operations. We have not entered into any foreign exchange hedging contracts in relation to these risks.

## 50. The Issue Price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue and the market price of our Equity Shares may decline below the Issue Price and you may not be able to sale your Equity Shares at or above the Issue Price

The Issue Price of our Equity Shares will be determined on the basis of the Book Building Process. This price will be based on numerous factors (For further information please refer chapter titled "*Basis for Issue Price*" beginning on page number 64 of the Draft Red Herring Prospectus.) and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to sale your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- Changes in revenue or earnings estimates or publication of research reports by analysts;
- Speculation in the press or investment community;
- General market conditions; and
- Domestic and international economic, legal and regulatory factors unrelated to our performance.

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

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

### 52. Current economic conditions may adversely affect Our Company's 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. Reduced consumer spending may force competitors to further reduce prices. Our Company is exposed to different industries and counterparties, including partners with which Our Company has contractual or other business relationships, research and promotional services agreements, suppliers of raw materials, drug wholesalers and other customers. Any of these interdependent relationships may become unstable in the current economic environment. Significant changes and volatility in the consumer environment and in the competitive landscape may make it increasingly difficult for Our Company to predict future income and earnings. Any adverse change in general economic conditions, as well as any resulting change in the relationships Our Company has developed in the industry may have a material adverse effect on its financial condition and results of operations.

#### 53. Political, economic and social developments in India could adversely affect Our Company's business.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our Company's business, and the market price and liquidity of Our Company's Equity Shares, may be affected by changes in the Government's policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect Our Company's business.

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

Our Company's performance and the growth of its business is necessarily dependant on the performance of the overall Indian economy. India's economy could be adversely affected by a general rise in interest rates currency

exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions. The Government of India has recently revised its growth projection for Fiscal 2010. A slowdown in the Indian economy could adversely affect Our Company's business, including its ability to implement its strategy and increase its participation in our industry.

### 54. The extent and reliability of Indian infrastructure could adversely affect Our Company's results of operations and financial condition

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

#### 55. Our Company's ability to raise foreign capital may be constrained by Indian law.

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

### 56. Natural calamities could have a negative effect on the Indian economy and adversely affect Our Company's business

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during Fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting Our Company's business and the price of its Equity Shares.

### 57. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on the business and results of operations of Our Company

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern such as swine influenza around the world could have a negative impact on economies, financial markets and business activities worldwide, which could have a material adverse effect on Our Company's business. Although, Our Company has not been adversely affected by such outbreaks, Our Company can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concern will not have a material adverse of Our Company.

### 58. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect Our Company's business

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely affect Our Company's ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could harm Our Company's business and financial performance, ability to obtain financing for capital expenditures and the price of Our Company's Equity Shares.

### **59.** Our Company's performance is linked to the stability of policies and political situation in India as well as the countries with which Our Company has business relations

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. However, any adverse move could slowdown the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in Our Company's securities could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India and thereby affect Our Company's business.

### 60. The Indian economy has sustained varying levels of inflation in the recent past

India recently experienced very high levels of inflation, with inflation peaking at 12.91% in August 2008. According to India's Ministry of Finance Department of Economic Affairs' Monthly Economic Report March 2010, year-on-year inflation in terms of the wholesale price index for March 2010 was 9.90% while year-on-year inflation in terms of the wholesale price index for March 2009 was 1.20%. However, the year-on-year inflation rate for March 2010 was virtually unchanged from the year-on-year inflation rate of 9.89% in February 2010. In the event of a high rate of inflation, Our Company's costs, such as salaries, wages or any other of Our Company's expenses may increase. Accordingly, high rates of inflation in India could increase Our Company's costs, which could have an adverse effect on Our Company's results of operations.

#### **Prominent Notes:**

- 1) Investors may contact the BRLM who has submitted the Due Diligence Certificate to the Board for any complaint/clarification/ information pertaining to the issue. All grievances relating to ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSBs, giving full details such as name, address of the applicants, number of Equity Shares applied for, Bid Amounts blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form has been submitted by the ASBA Bidder. For contact details of the BRLM, please refer to the section titled "General Information" beginning on page number 37 of this DRHP.
- Issue of 60, 00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] Lacs (hereinafter referred to as the "Issue"). The Issue would constitute 46.17% of the fully diluted Post Issue Paid-Up capital of Our Company.
- 3) The Pre-Issue Net Worth of Our Company as on March 31, 2010 is Rs. 870.46 Lacs and as on September 30, 2010 is Rs. 929.73 Lacs as per our Restated Financials Statements.
- 4) The Book Value per Equity Share (of Face Value of Rs. 10 each) of Our Company as on March 31, 2010 is Rs. 12.44 and as on September 30, 2010 is Rs. 13.29 as per our Restated Financials Statements.
- 5) The average cost of acquisition of Equity Shares for the promoters are as under:

Sr. No.	Name of the Promoter	Average Cost Per Share* (Rs)
1.	Ms. Rita R. Gajra	9.15
2.	Mr. Raj D. Kirtani	0.32
3.	R. B. Gajra HUF	12.25

\*average cost of acquisition of equity shares by the above mentioned Promoters has been computed by taking the weighted average cost

- 6) For details on Related Party Transactions, refer to Annexure VII on page number 141 under chapter titled "Auditors' Report and Financial Information of Our Company" beginning on page number 128 in this Draft Red Herring Prospectus.
- 7) There have been no transactions in the Equity Shares of Our Company, directly or indirectly, by the Promoters, their relatives and associates, the Promoter Group and the Directors in the past six months.

- 8) There has been no financing arrangement, directly or indirectly, whereby the Promoter Group, the Directors of Our Company who are the Promoters of Our Company, the Directors of Our Company and their relatives have financed the purchase by any other person of equity shares of Our Company, other than in the normal course of business of the financing entity, during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.
- 9) Except as stated under the chapter titled *"Capital Structure"* beginning on page number 46 of this DRHP, Our Company has not issued any shares for consideration other than cash.
- 10) Trading in equity shares of Our Company for all the investors shall be in dematerialised form only.
- 11) For details of lien and hypothecation of immoveable and immoveable properties and assets of Our Company, please refer to the section titled "Auditors' Report and Financial Information of Our Company" beginning on page number 128 in this Draft Red Herring Prospectus.
- 12) There are no contingent liabilities as on March 31, 2010 except as mentioned in section titled "Auditors' Report and Financial Information of Our Company" beginning on page number 128 in this DRHP.
- 13) All information shall be made available by the BRLM and Our Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
- 14) Investors are advised to refer to the chapter titled "*Basis for Issue Price*" beginning on page number 63 of this DRHP before making an investment in this Issue.
- 15) Investors are advised to go through the chapter titled "Issue Procedure" beginning on page number 209 of this DRHP.
- 16) This Issue is being made through 100% Book Building Process wherein up to 50% of the Issue to the Public shall be available for allotment to Qualified Institutional Buyers ("QIB") on a proportionate basis, subject to valid bids being received at or above the Issue Price. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Funds Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, not less than 15% of the issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- 17) Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form and also update their demographic details with their respective depository participant.
- 18) In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIBs, Retail Individual Bidders and Non-Institutional Bidders. For details, refer to the chapter titled "Issue Procedure" beginning on page number 209 of this DRHP.
- 19) Our Company and the BRLM will update the Offer Document in accordance with the Companies Act and the SEBI ICDR Regulationsand Our Company and the BRLM will keep the public informed of any material changes relating to Our Company till the listing of our shares on the stock exchanges.
- 20) No loans and advances have been made to any person(s)/companies in which Directors are interested except as stated in the "Auditors' Report and Financial Information of Our Company" on beginning on page number 128 of this DRHP.
- 21) No part of the Issue proceeds will be paid as consideration to Promoters, Directors, Key Managerial Personnel, associate or Group Company.

### SECTION IV: INTRODUCTION

#### SUMMARY OF OUR INDUSTRY

#### Automotive Industry

#### **Global Position of Indian Automotive Industry:**

Automotive industry plays a pivotal role in country's rapid economic and industrial development. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipments, logistics, paper, cement, sugar, etc. It facilitates the improvement in various infrastructure facilities like power, rail and road transport. Due to its deep forward and backward linkages with almost every segment of the economy, the industry has a strong and positive multiplier effect and thus propels progress of a nation. The automotive industry comprises of the automobile and the auto component sectors. It includes passenger cars; light, medium and heavy commercial vehicles; multi-utility vehicles such as jeeps, scooters, motor-cycles, three wheelers, tractors, etc; and auto components like engine parts, drive and transmission parts, suspension and braking parts, electrical, body and chassis parts; etc.

In India, automotive industry is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country. Presently, India is fifth largest manufacturer of commercial vehicles as well as largest manufacturer of tractors. The sector has shown great advances in terms of development, spread, absorption of newer technologies and flexibility in the wake of changing business scenario.

The Indian automotive industry has made rapid strides since delicensing and opening up of the sector in 1991. It has witnessed the entry of several new manufacturers with the state-of-art technology, thus replacing the monopoly of few manufacturers. The norms for foreign investment and import of technology have also been liberalised over the years for manufacture of vehicles.

(Source: Website of Business Portal of India: Industry and Services: Automobile Industry)

#### **Domestic Scenario**

#### **Indian Economy:**

There was a significant slowdown in the growth rate in the second half of 2008-09, following the financial crisis that began in the industrialised nations in 2007 and spread to the real economy across the world. The growth rate of the gross domestic product (GDP) in 2008-09 was 6.7 per cent, with growth in the last two quarters hovering around 6 per cent.

The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9 per cent. As per the advance estimates of GDP for 2009-10, released by the Central Statistical Organisation (CSO), the economy is expected to grow at 7.2 per cent in 2009-10, with the industrial and the service sectors growing at 8.2 and 8.7 per cent respectively. This recovery is impressive for at least three reasons. First, it has come about despite a decline of 0.2 per cent in agricultural output, which was the consequence of sub-normal monsoons. Second, it foreshadows renewed momentum in the manufacturing sector, which had seen continuous decline in the growth rate for almost eight quarters since 2007-08. Indeed, manufacturing growth has more than doubled from 3.2 per cent in 2008-09 to 8.9 per cent in 2009-10. Third, there has been a recovery in the growth rate of gross fixed capital formation, which had declined significantly in 2008-09 as per the revised National Accounts Statistics (NAS).

#### **Auto Components Industry:**

India's automotive component industry manufactures the entire range of parts required by the domestic automobile industry. Auto component manufacturers supply to two kinds of buyers – original equipment manufacturers (OEM) and the replacement market. The replacement market is characterised by the presence of several small-scale suppliers who score over the organised players in terms of excise duty exemptions and lower overheads. The demand from the OEM market, on the other hand, is dependent on the demand for new vehicles. With the Indian Auto industry set to enter a new era, domestic auto component players are clear beneficiaries. While auto majors are ramping up capacity to keep pace with local demand, global auto majors like Volkswagen and Renault-Nissan are also raising their presence and looking at India as a potential global auto hub. Auto component players with scale and size are winners. The Automotive Component Industry's output amounted for the financial year 2008-09 at US\$

19 billion with a growth rate of 6.1% against financial year 2007-08. It is likely to touch US\$ 40 billion, increasing India's share in the global auto component market from 1 per cent to 3 per cent by 2015-16. The Indian auto component industry is highly fragmented with close to 500 organised players and more than 5000 smaller, unorganised players. In terms of demand, Automobile Component Manufacturers Association (ACMA) estimates that the domestic market accounts for 85% of demand (of which original equipment manufacturers: 50% and replacement demand: 35%) while exports account for 15% of component demand.

In terms of industry-wise split, two and three wheelers contribute 35% of demand of auto component industry, while cars constitute 32%. Finally in terms of product profile, according to ACMA, components related to engine and transmission parts account for 55% of the Indian auto component industry sales, as shown in the chart given below. (*Source: ACMA*)

### Auto Component Industry – Exports & Imports:

The industry has been exporting around 20% of its output and growing at the rate of 8%. In the year 2008-09, industry has exported US\$ 3.8 billion versus US\$ 3.5 billion in year 2007-08. Principal export items include replacement parts, tractor parts, motorcycle parts, piston rings, gaskets, engine valves, fuel pump nozzles, fuel injection parts, filter & filter elements, radiators, gears, leaf springs, brake assemblies & bearings, clutch facings, head lamps, auto bulbs & halogen bulbs, spark plugs and body parts. (*Source: ACMA*)

#### **Auto Ancilliary:**

Component demand from OEMs in most sub-segments of the automotive industry is showing signs of revival since Q2, 2009-10, aided by the continuing economic upturn and the fiscal stimulus announced by the Government in the wake of the crisis. The medium-term outlook for the automotive and consequently the auto ancillary industry appears healthy, given the gradual revival in vehicle financing, leaner channel inventory, the healthy trend in the underlying demand conditions, and the expected pre-buying of M&HCVs (ahead of changes in emission norms). The demand from the exports market, however, remains weak because of the conditions prevailing in the key target markets.

In Q2, 2009-10, most auto component suppliers reported revenue growth and improvement in profitability on the back of larger business volumes and soft commodity prices. The key challenges facing the auto ancillary industry at this juncture include rising commodity prices and weak demand in the exports markets. Additionally, if the domestic growth trend sustains over a few more quarters, many auto component suppliers may have to revive the capacity enhancement plans they had put on hold last year following large-scale demand destruction.

The beginning of an uptrend is often marked by low breakeven levels, given the cost control measures that would have been initiated during the downturn. However, the ability to continue with the cost control measures over the long term, especially during an uptrend, remains to be seen. While the period 2008-09 and 9 month 2009-10 have been marked by a relatively large number of rating downgrades by ICRA in the auto components space, the pressure appears to have eased with domestic demand reporting a healthy pickup.

#### Replacement volumes continue to grow at a healthy pace

For an auto ancillary company, a balanced mix between OEM and aftermarket sales is a significant positive. Typically, a strong after market provides for greater sales stability and stronger operating margins than an OEM. However, strong OEM sales are often the basis for an established presence in the aftermarket, given that OEM sales provide significant brand visibility. A balanced mix between OEM and aftermarket sales helps maximise returns on investment by enabling a component manufacturer to exploit the entire product cycle from product launch to replacement. Despite the downturn in the automotive market, component suppliers with a stronger presence in the aftermarket were better able to withstand the pressures on top-line and profitability.

#### Domestic vehicle demand stages strong recovery in current Fiscal

Barring the M&HCV segment, the Indian automotive industry reported a strong volume recovery in Q2, 2009-10. The M&HCV segment has also witnessed sequential growth over the last two quarters (Q2 and Q3, 2009-10), and is expected to register increasing volumes over the rest of the current Fiscal. The demand revival in the Indian automotive industry is being supported by a positive economic outlook and the gradual return towards normalcy that is being witnessed in the vehicle financing market. CV demand is also being supported by the excise duty cuts and

accelerated depreciation that are part of the fiscal stimulus package initiated by the government in Q4, 2008-09. Additionally, the M&HCV industry also anticipates strong demand generated by the emission norm1 change triggered pre-buying in Q4, 2009-10.

### The Major Business Drivers in the Industry are:

- Mass transport system is required for the India's huge geographic spread
- Cheaper (Declining Interest rates) & Easy Finance Schemes
- Replacement of Aging Four Wheelers
- Increasing Road Development and making of various National Highway Projects for example Golden Quadrilateral
- Increasing Dispensable Income of Rural Agriculture Sector
- Higher GDP Growth
- Increasing Disposable Income with the Service Sector
- Growing Concept of Second Vehicle in Urban Areas (*Source: ACMA*)

#### SUMMARY OF OUR BUSINESS

The Gajra Group started its first unit under the banner of 'M/s. Elve Corporation', a partnership firm, which was engaged in the business of trading in diesel engines and spare parts. Thereafter, in the year 1962, M/s. Gajra Gears, a partnership firm was formed for manufacturing of transmission gears, which was later converted in to private limited company in 1972.

The Gajra Group formally split in the year 1990 through a Family Settlement Deed and Gajra Gears Private Limited and M/s. Elve Corporation came under the control of Mr. R. B. Gajra, spouse of Ms. Rita R. Gajra (Our Promoter). Since then, neither Mr. R. B. Gajra nor Ms. Rita R. Gajra have had any association with the entities promoted by other family members of the extended Gajra family. Gajra Gears Private Limited is engaged in the manufacturing of transmission gears mainly used by the automotive industry whereas M/s. Elve Corporation, presently 100% export oriented unit, is engaged in the exports of different variety of gears.

Our Company was incorporated in 1991 for the manufacturing of differential/ axle gears for cars, trucks, tractors, jeeps, MCVs and LCVs. Initially, we set up our facility to manufacture differential gears at the existing location of our Group Entity, Gajra Gears Private Limited, Dewas to manufacture differential gears. Subsequently, in the year 1998, we purchased a freehold land at Village Lohar Pipliya-Kshipra, District Dewas, Madhya Pradesh, India from Gajra Gears Private Limited and constructed a factory Building and administrative block during the period 1998-2002. Immediately thereafter, we shifted all the existing machineries from the old unit and installed the same at this new unit along with additional machineries. We commenced the production of differential gears at new site w.e.f. March 23, 2002. Our products are catering to replacement, Original Equipment Manufacturer ("**OEM**") as well as export segment.

In a short span of time, the enthusiasm to exceed customer expectations of high quality, competitive pricing and value for customers has made us one of the growing players in the Indian replacement market. In addition, fast development of superior quality products with good customer service has enabled us to develop more than 300 Crown Wheel Pinion Ratios and 60 Differential Spider Kit Assemblies.

We have self-contained setup with modern equipment, a competent R&D team, trained manpower, and in-house manufacturing of cutting tools, jigs and fixtures. This has enabled us to cut down the new product development time to just a few months. We use high quality machines in our manufacturing programs. We strive to provide the highest quality differential parts with the best possible prices using the latest manufacturing and metallurgical processes available.

### **Our Competitive Strengths**

#### **Strong Brand Image**

Our Company believes it has very strong brand image in the domestic market. Brand "Gajra" (which relates to Our Company as well as our Group Entity, Gajra Gears Private Limited) relates to various gear products and caters both to the OEM and the replacement demand. We believe the long existence of our brand and the strength of our brand equity enables us to stay ahead of the competition.

### **Experience and Expertise**

Professionally managed Company run by Promoters having over four decades experience in the line of manufacturing and supplying differential components in the domestic and international market. Our Company has trained and skilled work force dedicated to our effort to ensure perfection and impeccability in every work area. We also provide our workforce with continuous training & improvement and endeavour to inculcate a sense of belonging and participation among our employees.

#### **Continuous Efforts & Plans for Supplier Upgradation**

We fully realise the importance of all participants in a product's supply chain till it reaches the end user. Therefore, we make our suppliers an integral part of our success effort and we are also in the process of upgrading all our suppliers to ISO standards in order to make them globally competitive like ourselves.

### Access to Latest Technology

Continuous Gas Carburizing (CGC) Furnace had been installed at our factory to have world-class facility for 'Heat Treatment' of Crown Wheel & Pinions and with this facility we have improved in quality, export possibility and domestic sales by improvement in cost savings.

### We have strong Product Development & Reverse Engineering Capabilities

We have developed various products for export and domestic market. The development is based on reverse engineering since Our Company is mainly catering to replacement market.

#### **Energy Conservation**

Electrical furnaces have been replaced by propane operated gas fired furnaces by using best quality burners, which will save energy consumption. Also voltage stabilisers and internal monitoring controls are being introduced to save energy, optimum utilisation and reducing per unit production cost.

### THE ISSUE

The following table summarises the Issue details:

Equity Shares offered:				
Public Issue of Equity Shares by Our Company	ity Shares 60, 00,000 Equity Shares of Rs.10 each for cash at a price of Rs. [•] per equity share (including a share premium of Rs. [•] per equity share) aggregating to Rs. [•] Lacs.			
Of Which:				
QIB Portion	Upto 30,00,000 Equity Shares of Rs 10 each, constituting up to 50% of the Issue to the public aggregating to Rs. [•] Lacs shall be available for allotment on a proportionate basis. Out of which 5% i.e. 1, 50, 000 Equity Shares of Rs 10 each shall be available for allocation on proportionate basis to Mutual Funds, and the balance QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds.			
Non- Institutional Portion	Not less than 9, 00,000 Equity Shares of Rs 10 each for cash at a price of Rs [•] aggregating to Rs [•] Lacs constituting at least 15% of the Issue to the Public. ( <i>Allocation on proportionate basis</i> )			
Retail Portion	Not less than 21, 00,000 Equity Shares of Rs.10 each for cash at a price of Rs [•] aggregating to Rs [•] Lacs constituting at least 35% of the Issue to the Public. (Allocation on proportionate basis)			
Equity Shares outstanding prior to the Issue	69,96,200 Equity Shares of Rs.10 each			
Equity Shares outstanding post the Issue	1,29,96,200 Equity Shares of Rs.10 each			
Objects of the Issue	Please refer to section titled "Objects of the Issue" beginning on page number 56 of this Draft Red Herring Prospectus			

**Note:** Investors may note that in case of over-subscription in the Issue, allotment to QIB, Non-Institutional and Retail Individuals shall be on a proportionate basis. For details, please refer to the section titled "Issue Procedure" beginning on page number 209 of this DRHP.

Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of other category or combination of categories at the sole discretion of Our Company, in consultation with the BRLM. For more information, please refer to the section titled "Issue Procedure - Basis of Allotment" beginning on page number 209 of this Draft Red Herring Prospectus.

### SUMMARY OF FINANCIAL INFORMATION

The following summary of financial information derived from our restated financial statements as of and for the years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 March 31, 2006. These Restated Financial Statements have been prepared in accordance with the Indian GAAP, the Companies Act and the SEBI ICDR Regulations and are presented in the section titled "Financial Statements" beginning on page number 132 of this Draft Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our Restated Financial Statements, the notes thereon and the chapter titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page number 150 of this Draft Red Herring Prospectus.

Particulars	As at	As at March 31,					
	September, 30						
	2010	2010	2009	2008	2007	2006	
FIXED ASSETS							
Gross Block							
a) Tangible	3943.53	3898.20	3857.03	3805.50	3343.83	3088.57	
b) Intangible	181.45	164.93	137.43	91.88	52.45	-	
Total	4124.98	4063.13	3994.46	3897.38	3396.28	3088.57	
Less: Depreciation	1791.77	1682.54	1500.86	1299.78	1123.52	946.75	
NET BLOCK	2333.21	2380.59	2493.60	2597.60	2272.76	2141.82	
Capital work in progress	145.35	101.63	98.07	91.24	147.12	52.57	
NET FIXED ASSETS (A)	2478.56	2482.22	2591.67	2688.84	2419.88	2194.39	
INVESTMENT (B)	-	-	-	-	-	-	
DEFFERED TAX ASSETS (C)							
Current Assets, Loans & Advances							
Inventories	1931.95	1763.33	1710.69	1655.89	1730.01	1592.68	
Sundry debtors	348.23	365.79	362.52	311.25	302.69	307.23	
Cash & Bank Balances	19.20	21.02	92.69	76.81	75.18	113.78	
Loans And Advances	207.05	176.33	199.85	171.10	278.92	176.87	
Other Current Assets							
TOTAL (D)	2506.43	2326.47	2365.75	2215.05	2386.80	2190.56	
Liabilities and Provisions							
Secured Loans	1763.11	1762.42	1739.62	1514.13	1468.85	1429.07	
Unsecured Loans	572.05	572.05	804.55	804.55	729.55	623.55	
Deferred Tax Liabilities	-	-	-	-	-	19.40	
Current Liabilities and Provisions	1720.10	1603.76	1937.02	2189.69	1928.75	1261.80	
TOTAL (E)	4055.26	3938.23	4481.19	4508.37	4127.15	3333.82	
NET WORTH (A+B+C+D-E)	929.73	870.46	476.23	395.52	679.53	1051.13	
Represented by:							
Equity Share Capital	699.62	699.62	629.62	629.62	629.62	629.62	
Preference Share Capital	-	-	100.00	100.00	-	-	
Share Application Money	-	-	-	-	-	-	
Reserves and Surplus	245.46	178.34	(253.39)	(334.10)	49.91	421.51	
Less: Miscellaneous Expenditure	(15.35)	(7.50)	-	-	-	-	
NET WORTH	929.73	870.46	476.23	395.52	679.53	1051.13	

### SUMMARY STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

Note: The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses, Significant Accounting Policies and Adjustment made in the Restated Financial Statement as appearing in Annexure IV, V and VI.

Particulars	As at September, 30	As at March 31,					
	2010	2010	2009	2008	2007	2006	
INCOME							
Turnover ( including Job Work )	1497.00	2978.83	3167.08	2913.51	2317.43	2584.70	
Less: Excise Duty on Sales	98.10	184.30	296.66	397.90	174.81	346.64	
Net Sales	1398.90	2794.53	2870.42	2515.61	2142.62	2238.06	
Other income	42.18	69.68	159.89	33.10	26.57	2.78	
Increase/(Decrease) in Inventories	180.01	42.53	64.08	(79.33)	64.45	516.99	
TOTAL INCOME	1621.09	2906.74	3094.39	2469.38	2233.64	2757.83	
EXPENSES							
Raw Material Consumed	582.60	932.04	1201.96	1057.08	1185.20	1423.01	
Manufacturing Expenses	394.00	684.05	732.54	795.64	596.25	588.72	
Personnel Expenses	229.46	459.94	421.78	342.53	320.38	263.79	
Administrative / Other Expenses	32.74	74.66	76.11	65.28	74.96	68.40	
Selling and Distribution Expenses	48.35	99.34	82.05	89.80	44.30	40.55	
Foreign Exchange Loss / (Gain)	-	-	3.67	29.83	(16.97)	8.30	
Interest Expenses	142.31	261.55	293.72	269.97	232.08	131.99	
Earlier Year Expenses / (Income)	(0.03)	2.43	1.73	1.03	(1.16)	0.75	
Depreciation	109.24	226.93	239.10	200.58	187.85	131.37	
TOTAL EXPENSES	1538.67	2740.94	3052.66	2851.74	2622.89	2656.88	
Profit Before Tax	82.42	165.80	41.73	(382.36)	(389.25)	100.95	
Less: Provision for Taxation							
Current Tax	15.30	14.70	0.00	-	-	8.50	
Fringe Benefit Tax	-	0.05	1.77	1.75	1.75	2.70	
Deferred Tax Liability	-	-	-	-	(19.40)	19.40	
Tax for earlier years		(0.69)	(40.75)	(0.11)		47.34	
Profit After Tax	67.12	151.74	80.71	(384.00)	(371.60)	23.01	
Less: Proposed Dividend	-	-	-	-	-	-	
Less: Tax on Proposed Dividend	-	-	-	-	-	-	
Less: 10% Transfer to General Reserve	-	-	-	-	-	-	
Profit available after transfer to Reserve	67.12	151.74	80.71	(384.00)	(371.60)	23.01	

### SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED

Note: The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses, Significant Accounting Policies and Adjustment made in the Restated Financial Statement as appearing in Annexure IV, V and VI.

	As at				`	Rs. in Lacs)
Particulars	September, 30		For the y	ear ended	March 31,	
	2010	2010	2009	2008	2007	2006
Cash Flow from Operating						
Activities						
Net Profit/(Loss) before Taxation &	82.42	165.80	41.73	(282.26)	(389.25)	100.95
extraordinary items	02.42	105.80	41.75	(382.36)	(389.23)	100.93
Adjustments for :						
Depreciation	109.24	226.93	239.10	200.58	187.85	131.37
Provision for Doubtful Debts	-	6.25	8.19	-	-	
Bad Debts written off	1.47	2.37	2.48	0.04	0.03	0.26
Foreign Exchange Loss(Gain)			3.67	29.83	(16.97)	8.30
Interest charged to P&L A/c	142.31	261.55	293.72	269.97	232.08	131.99
Dividend	-	-	-	-	-	-
Interest / Other Income	(1.18)	(7.60)	(7.21)	(25.75)	(15.57)	(2.18)
Interest on I T Refund	(2.07)	(0.61)	(14.93)	-	(0.48)	(0.10
Net Loss/Profit on sale of Investment	-	-	-	-	-	
Net Loss/Profit on sale of asset		(0.18)	(20.25)	(6.11)	(7.91)	(0.05
Preliminary expenses written off	-	-	-	-	-	
Operating Profit before Working	222.10	654.51	546.50	06.00	(10.00)	270.5
Capital Changes	332.19	654.51	546.50	86.20	(10.22)	370.54
Adjustment for:						
Trade & other receivable	16.09	(11.89)	(61.74)	(8.59)	4.50	(23.72)
Loans & Advances	(57.49)	23.21	(13.10)	120.97	(98.06)	0.8
Inventories	(168.63)	(52.64)	(54.80)	74.12	(137.33)	(594.33
Trade payables	116.34	(333.26)	(252.67)	260.94	666.96	453.28
Misc. Exp. not W/off	(7.85)	(7.50)	-	-	-	
Cash generated from operations	230.65	272.43	164.19	533.64	425.84	206.58
Direct taxes	11.48	(13.76)	23.13	(14.80)	(5.75)	(0.93
Net Cash from Operating Activities			107.00	`		
(A)	242.13	258.67	187.32	518.84	420.09	205.65
Cash Flow from Investing						
Activities						
Purchase of Fixed Assets	(105.58)	(119.86)	(143.93)	(473.32)	(415.72)	(688.86
Sale of fixed assets	-	2.56	22.25	9.89	10.31	0.84
Increase/decrease in Capital Work in						
Progress	-	-	-	-	-	
Purchase of Investment	-	-	-	-	-	
Interest Received	3.25	8.21	22.14	25.75	16.05	2.28
Sale of Investment						
Net Cash used in Investing						
Activities (B)	(102.33)	(109.09)	(99.54)	(437.68)	(389.36)	(685.74
Cash Flow from Financing						
Activities						
Proceeds from Unsecured Loans					12.00	
(Net)	-	-	-	-	12.00	
Proceeds from Bank borrowings		0.5.55	242.55	<b>0</b> 11 0.5	1.00.00	1000
(Net)	36.06	86.69	349.62	211.09	160.29	1020.32
Repayment of Bank Borrowings	(35.37)	(63.89)	(124.13)	(165.82)	(120.51)	(324.11

## SUMMARY OF CASH FLOW STATEMENT, AS RESTATED

Particulars	As at September, 30	For the year ended March 31,				
	2010	2010	2009	2008	2007	2006
Money received towards Preference shares	-	-	-	100.00	-	-
Proceed from Equity Shares & Premium thereon*	-	250.00	-	-	-	-
Money received towards Security Deposit from customers	-	(232.50)	-	75.00	94.00	-
Interest Paid	(142.31)	(261.55)	(293.72)	(269.97)	(232.08)	(131.99)
Foreign Exchange Loss / (Gain)			(3.67)	(29.83)	16.97	(8.30)
Net Cash Receipt/ Used in Financing Activities (C)	(141.62)	(221.25)	(71.90)	(79.53)	(69.33)	555.92
Net Increase/ Decrease in Cash & Cash Equivalents (A + B + C)	(1.82)	(71.67)	15.88	1.63	(38.60)	75.83
Cash & Cash Equivalents As on beginning of year	21.02	92.69	76.81	75.18	113.78	37.95
Cash & Cash Equivalents As on end of year	19.20	21.02	92.69	76.81	75.18	113.78

\* Net of conversion of Preference Shares

#### GENERAL INFORMATION

Our Company was originally incorporated as Gajra Transmission and Differential Gears Private Limited on March 08, 1991 under the Companies Act *vide* Certificate of Incorporation bearing registration number 60687 issued by the Registrar of Companies, Maharashtra, Mumbai. Subsequently, Our Company became a deemed public company with effect from July 01, 1994 by operation of section 43A (1-A) of the Companies Act. Thereafter, the name of Our Company was changed to Gajra Differential Gears Limited *vide* Fresh Certificate of Incorporation Consequent on Change of Name dated April 18, 1999. Thereafter, Our Company was converted into a private limited company and subsequently, the name of Our Company changed to Gajra Differential Gears Private Limited upon reconversion pursuant to compliance with the requirements under section 43A(4) of the Companies Act and *vide* Fresh Certificate of Incorporation Consequent on Change of Name dated August 31, 1999. The name of Our Company was lastly changed to Gajra Differential Gears Limited on conversion into a public limited company was lastly changed to Gajra Differential Gears Limited on Conversion to Public Limited Company dated September 14, 2010.

Our Company had been allotted Corporate Identity Number U29130MH1991PLC060687.

Our Registered Office	Our Works cum Office
Gajra Differential Gears Limited	
Ground Floor, Elve Chambers,	Gajra Differential Gears Limited
Green Street, Fort, Mumbai - 400 023,	Lohar Pipliya, Near Kshipra,
Maharashtra, India.	A.B. Road, Dewas - 455 001,
<b>Tel:</b> +91-22-2266 2088	Madhya Pradesh, India.
Fax: +91-22-2266 2742	<b>Tel:</b> +91-7272-264151
Contact Person: Mr. Deepak Upadhyay	Fax: +91-7272-264574
E-mail: gajradg@gajra.com	
Website: www.gajra.com	

For further details of change in the name and registered office of Our Company, please refer to the section titled *"History and Other Corporate Matters"* beginning on page number 149 of this DRHP.

#### Address of the Registrar of Companies

Our Company is registered with the Registrar of Companies, Mumbai, Maharashtra, situated at the following address:

100, Everest Building, Marine Drive, Mumbai- 400 002, Maharashtra, India

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

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

Name and Address of the Director	Designation	Status	DIN
Mr. Raj D. Kirtani Age: 58 years Address: T-101, Friends Houses, Kanadia- Ring Road Corner, Indore - 452 016, Madhya Pradesh, India	Managing Director	Executive and Non-Independent	00467197
Ms. Rita R. Gajra Age: 60 years Address: 13/1, Nandanvan, Race Course Road, Indore - 452 001, Madhya Pradesh, India	Whole Time Director	Executive and Non-Independent	00826318
Mr. Mahendra Kumar Shah Age: 66 years Address: 'Apoorva' 8/1, South Tukoganj,	Director	Non-Executive and Independent	00467229

Name and Address of the Director	Designation	Status	DIN
Behind Nath Mandir, Indore - 452 001,			
Madhya Pradesh, India			
Mr. Chandrakant Khushaldas			
Age: 74 years		Non-Executive and	
Address: Uttarayan, AD 315, 74-C Scheme,	Additional Director		00260818
Vijay Nagar, A. B. Road, Indore - 452 001,		Independent	
Madhya Pradesh, India			

For further details and profile of Our Directors, please refer to the chapter titled "Our Management" and "Our Promoters and Promoter Group" beginning on pages 102 and 116 respectively of this Draft Red Herring Prospectus.

## COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Deepak Upadhyay Gajra Differential Gears Limited Lohar Pipliya, Near Kshipra, A.B. Road, Dewas - 455 001, Madhya Pradesh, India. Tel: +91 – 7272 – 264151 Fax: +91 – 7272 – 264574 Website: www.gajra.com Email: cs.dg@gajra.com

#### Investors can contact the Compliance Officer Mr. Deepak Upadhyay and/or the Registrar to the Issue i.e. Bigshare Services Private Limited and/or the Book Running Lead Manager i.e. Ashika Capital Limited, in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allocation, credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders, etc.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue i.e. Bigshare Services Private Limited, with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA account number and the designated branch of the relevant SCSB where the ASBA Form was submitted by the ASBA Bidder(s).

#### **ISSUE MANAGEMENT TEAM**

Book Running Lead Manager to the Issue			
Ashika Capital Limited			
1008, 10 <sup>th</sup> Floor, Raheja Centre,			
214, Nariman Point,			
Mumbai - 400 021,			
Maharashtra, India.			
Tel: +91-22-6611 1700			
Fax: +91-22-6611 1710			
E-mail: mbd@ashikagroup.com			
Website: www.ashikagroup.com			
SEBI Registration number: INM000010536			
Contact Person: Mr. Narendra Gamini / Mr. Manish Gaur			

#### Legal Advisors to the Issue

M/s. Crawford Bayley & Co. Advocates & Solicitors 4<sup>th</sup> Floor, State Bank Building, N. G. N. Vaidya Marg, Fort, Mumbai - 400 023, Maharashtra, India. Tel: +91-22-2266 3713 Fax: +91-22-2266 0355 E-mail: sanjay.asher@crawfordbayley.com

#### **Registrar to the Issue**

Bigshare Services Private Limited E/2, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai - 400 072, Maharashtra, India. Tel: +91-22-4043 0200 Fax: +91-22-2847 5207 E-mail: ipo@bigshareonline.com Website: www.bigshareonline.com Contact Person: Mr. Ashok Shetty SEBI Reg. No.: INR000001385

#### **Statutory Auditors to the Company**

M/s. P. N. Nagar & Co. Chartered Accountants 1<sup>st</sup> Floor, Silver Arc Plaza, 20/1, New Palasia, Indore - 452 001 Madhya Pradesh, India. Tel: +91-731-253 9393 Fax: +91-731-253 9393 E-mail: 6497@gmail.com Contact Person: Mr. P. N. Nagar Membership No: 06497 Firm Registration No: FRN 000883C

#### Advisor to the Company

M/s. P. K. Shishodiya & Co. Chartered Accountants 406, Manas Bhawan, 11-R.N.T. Marg, Indore - 452 001. Madhya Pradesh, India. Tel: +91-731-251 9332/ 252 2951 Fax: +91-731-251 9332 E-mail: sisodiya@sancharnet.in Contact Person: Mr. P. K. Shishodiya

## **Bankers to Our Company**

State Bank of India Commercial Branch, A.B. Road (Near GPO), Indore - 452 001, Madhya Pradesh, India. Tel.: +91-731-427 3208/ 9 Fax: +91-731-270 7309 E-mail: murty.esn@sbi.co.in Website: www.statebankofindia.com Contact Person: Mr. E. S. N. Murty

#### Bankers to the Issue and Escrow Collection Banks

The Bankers to the Issue shall be appointed prior to the filing the Red Herring Prospectus with the RoC.

Syndicate Member(s)

The syndicate members shall be appointed prior to the filing the Red Herring Prospectus with the RoC.

Refund Banker to the Issue
The Refund Bankers shall be appointed prior to the filing the Red Herring Prospectus with the RoC.

#### Self Certified Syndicate Banks

The lists of banks that have been notified by SEBI to act as SCSBs for the ASBA process are provided at www.sebi.gov.in. Investors are requested to refer the SEBI website for updated list of SCSBs and their designated branches.

#### Brokers to the Issue

All members of the recognised Stock Exchanges would be eligible to act as Brokers to the Issue in consultation with the BRLM.

#### Statement of Inter-se Allocation of Responsibilities

Since Ashika Capital Limited is the sole Book Running Lead Manager to the Issue, the entire Issue related activities will be handled by Ashika Capital Limited and shall be responsible for the following activities in relation to the Issue:

Sr. No.	Activity
1.	Capital structuring with the relative components and formalities such composition of debt and equity,
1.	type of instruments, etc.
2.	Conducting a Due diligence of Our Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the SEBI ICDR Regulations and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges (pre-issue), RoC and SEBI.
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.
4.	Appointment of the Registrar, Bankers to the issue and appointment of other intermediaries viz. printers and advertising agency
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.
7.	<ul> <li>Retail &amp; HNI segment marketing, which will cover <i>inter alia</i>:</li> <li>Preparation of road show presentation</li> <li>Finalising centres for holding Brokers' conference</li> <li>Finalising media, marketing and PR Strategy</li> <li>Follow up on distribution of publicity and issue material including application form, brochure and deciding on quantum of issue material</li> <li>Finalising collection centres as per schedule III of SEBI ICDR Regulations.</li> </ul>
8.	<ul> <li>Institutional Marketing, which will cover <i>inter alia</i>:</li> <li>Finalisation of list of investors</li> <li>Finalisation of one to one meetings and allocation of institutions</li> <li>Finalisation of presentation material</li> </ul>
9.	Managing Book & co-ordination with stock Exchanges for bidding terminals, mock trading etc
10.	Pricing and QIB allocation
11.	Follow-up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.
12.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalising basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates/demat credits or refunds and dematerialising delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue, Self Certified Syndicate Banks, the bank handling refund business. The Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with Our Company.

#### **Credit Rating**

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

#### **IPO Grading**

This Issue has been graded by  $[\bullet]$ , a SEBI registered credit rating agency, as  $[\bullet]$  indicating  $[\bullet]$  fundamentals. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. A copy of the press release provided by  $[\bullet]$ , furnishing the rationale for its grading will be attached as Annexure I at the time of filing the Red Herring Prospectus with the RoC and will be made available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on Business Days during the Bid/ Issue Period.

#### Experts

Except for the report of [•] in respect of the IPO Grading of this Issue and the reports of the Auditor of Our Company on the restated financial statements, included in this Draft Red Herring Prospectus, Our Company has not obtained any expert opinions.

#### Trustees

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

#### **Monitoring Agency**

In terms of Regulation 16(1) of the SEBI ICDR Regulations, we are not required to appoint a monitoring agency for the purposes of this Issue, as the size of the Issue is less than Rs. 50,000 Lacs. However, the Audit Committee of the Board will monitor the utilisation of the proceeds of the issue. We will disclose the utilisation of the proceeds of this Issue, including interim use, under a separate head in our quarterly financial disclosures and annual audited financial statements until the Issue proceeds remain unutilised, to the extent required under the applicable law and regulation.

#### **Appraising Entity**

The project to be financed by the Issue Proceeds has not been appraised by any Bank or Financial Institution. The objects of this Issue and means of finance therefore are based on internal estimates of Our Company

#### **Book Building Process**

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

- i. Our Company,
- ii. Book Running Lead Manager, in this case being Ashika Capital Limited,
- iii. Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with BSE and eligible to act as underwriters, in this case being [•],
- iv. Sub Syndicate Member(s),
- v. Registrar to the Issue, in this case being Bigshare Services Private Limited,
- vi. Escrow Collection Bank, and
- vii. SCSBs.

The SEBI ICDR Regulations have permitted an issue of securities to the public through the Book Building Process under Regulation 26(1), wherein not more than 50% of the Issue shall be available for allocation to QIBs on a proportionate basis ("QIBs" and such portion the "QIB Portion").. Out of the Net QIB Portion 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Further, not less than 15% of the Issue shall be available for allotment to Non Institutional Bidders on a proportionate basis and not less than 35% of

the Issue shall be available for allotment to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of Our Company, in consultation with the Book Running Lead Manager and the Designated Stock Exchange.

In accordance with the SEBI ICDR Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. In addition, QIBs are now required to pay 100% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/ Issue Period and allocation to QIBs will be on a proportionate basis. For further details, see chapter titled *"Terms of the Issue"* on page number 206 of this DRHP.

All the Bidders, except Anchor Investors, shall have the option to submit their Bids under the "ASBA Process", which would entail blocking of funds in the investor's bank account rather than immediate transfer of funds to the respective Escrow Accounts.

Our Company shall comply with the SEBI ICDR Regulations and any other ancillary directions issued by SEBI for the purpose of this Issue. In this regard, we have appointed Ashika Capital Limited as the Book Running Lead Manager to manage the Issue and procure subscriptions to the Issue.

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

Investors are advised to make their own judgment about investment through the ASBA process prior to submitting a ASBA Bid cum Application Form to a SCSB.

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

#### (Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue)

Bidders can bid at any price within the Price Band. For instance, assume a price band of Rs. 20 to Rs. 24 per equity share, issue size of 3,000 equity shares and receipt of five (5) bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the Bidding Period. The illustrative book below shows the demand for the equity shares of the issuer company at various prices and is collated from bids received from various investors.

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

The price discovery is a function of demand at various prices. The highest price at which Our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer, in consultation with the BRLM, will finalise the Issue Price at or below such cut off price, i.e., at or below Rs. 22. All Bids at or above this Issue Price and cut-off bids are valid bids and are considered for allocation in the respective categories.

#### Steps to be taken by the Bidders for Bidding

- (i) Check eligibility for bidding (please refer to the chapter titled "*Issue Procedure Who Can Bid*" beginning on page number 209 of this Draft Red Herring Prospectus).
- (ii) Ensure that bidder has an active demat account and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Bid cum Application Form, as the case may be.
- (iii) Ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid Cum Application Form. In accordance with the SEBI ICDR Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction (please refer to the chapter titled "Issue Procedure - Permanent Account Number or PAN" on page number 209 of this Draft Red Herring Prospectus).

- (iv) Ensure that the Bid cum Application Form or the ASBA Bid cum Application Form, as the case may be, is duly completed as per instructions given therein and in this Draft Red Herring Prospectus and in the respective forms.
- (v) Ensure the correctness of your Demographic Details (please refer to the chapter titled "Issue Procedure -Bidders Depository Account Details" on page number 209) given in the Bid cum Application Form or the ASBA Bid cum Application Form, as the case may be, with the details recorded with your Depository Participant.
- (vi) Bids by QIBs will only have to be submitted to the BRLM, other than bids by QIBs who bid through the ASBA process, shall submit bids to the Designated Branches of SCSBs; and
- (vii)Bids by ASBA Bidders will have to submit their bids to the designated branches of the SCSBs. ASBA Bidders should ensure that their bank account have adequate credit balance at the time of submission to the SCSBs to ensure that the ASBA Bid cum Application Form is not rejected.
- (viii) Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form and the ASBA Form (see the chapter titled "*Issue Procedure*" beginning on page number 209 of this Draft Red Herring Prospectus). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;

#### Withdrawal of the Issue

In accordance to SEBI ICDR Regulations, Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue, anytime after the Bid/ Issue Opening Date but before the Allotment of Equity Shares, without assigning reasons thereof. In such an event Our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed. The BRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day of receipt of such notification.

Further, in the event Our Company in consultation with the BRLM withdraws the Issue after the Bid/ Issue Closing Date and thereafter determines that it shall proceed with an initial public offering of its Equity Shares, we shall file a fresh DRHP with the SEBI.

Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchange, which Our Company shall apply for after Allotment and the final RoC approval of the Prospectus after it is filed with the RoC.

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date, Our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Draft Red Herring Prospectus. If such money is not repaid within 8 days after Our Company become liable to repay it, i.e. from the date of withdrawal, then Our Company, and every Director of Our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

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

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

Bid/Issue Opens On	[•]
Bid/Issue Closes On (For QIB Bidders)	[•]
Bid/Issue Closes On (Except for QIB Bidders)	[•]

\*Our Company may consider closing the Bidding by QIB Bidders one Working Day prior to the Bid/Issue Closing Date subject to the Bid/Issue period being for a minimum of three Working Days.

Bids and any revision in Bids shall be accepted only between **10.00 AM and 5.00 PM** (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application

Form or in case of Bids submitted through ASBA, the Designated Branches of the SCSBs, except that on the Bid/ Issue Closing Date. **On the Bid/ Issue Closing Date, the Bids and any revision of Bids (excluding the ASBA Bidders)** shall be accepted only between **10.00 AM and 3.00 PM** (Indian Standard Time) during the Bidding Period and shall be uploaded until (i) 4.00 PM in case of Bids by QIB Bidders, Non-Institutional Bidders and where the Bid Amount is in excess of Rs. 2,00,000, and (ii) until 5.00 PM or such extended time as permitted by the BSE, in case of Bids by Retail Individual Bidders and where the Bid Amount is up to Rs. 2,00,000. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the ASBA Bidders shall be uploaded by the SCSBs in the electronic system to be provided by the BSE.

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

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one (1) day prior to the Bid/ Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/ Issue Closing Date. All timings mentioned in the DRHP are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, BRLM, Syndicate Members and the SCSBs will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

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

Our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up or down to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the SCSBs and the Stock Exchanges, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and at the terminals of the Syndicate Members. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain  $[\bullet]$  Equity Shares, irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000.00 to Rs. 7,000.00.

#### **Underwriting Agreement**

After the determination of the Issue Price, but prior to filing of the Prospectus with the RoC, Our Company shall enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event the respective Syndicate Members do not fulfil their underwriting obligations. The underwriting shall be to the extent of the Bids uploaded by the Underwriters including through its Syndicate/ Sub-Syndicate, subject to Regulation 13 of the SEBI ICDR Regulations.

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

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

(Rs in Lacs)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten
[•]	[•]	[•]

The above-mentioned amount is indicative and will be finalised after determination of the Issue Price and finalisation of the "Basis of Allocation".

The above mentioned Underwriters are registered with SEBI under Section 12 (1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on  $[\bullet]$ , has accepted and entered into the Underwriting Agreement with the Underwriters.

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

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

#### CAPITAL STRUCTURE

The share capital of Our Company, as of the date of this DRHP, is set forth below:

Particulars	Nominal Value (Rs)	Aggregate Value (Rs)
A) AUTHORISED CAPITAL 1,50,00,000 Equity Shares of Rs. 10 each	15,00,00,000	
B) ISSUED SUBSCRIBED AND PAID-UP CAPITAL 69,96,200 Equity Shares of Rs. 10 each	6,99,62,000	
C) PRESENT ISSUE IN TERMS OF THIS DRHP*** 60,00,000 Equity Shares of Rs. 10 each	6,00,00,000	[•]
Of Which:*	•	
i. QIB Portion of up to 30, 00,000 Equity Shares, being up to 50% of the Issue	3,00,00,000	[•]
ii. Non-Institutional Portion of not less than 9, 00,000 Equity Shares, being not less than 15% of the Issue	90,00,000	[•]
<li>Retail Portion of not less than 21, 00,000 Equity Shares, being not less than 35% of the Issue</li>	2,10,00,000	[•]
D) PAID-UP EQUITY CAPITAL AFTER THE ISSUE 1,29,96,200 Equity Shares of Rs. 10 each	12,99,62,000	[•]
E) SHARE PREMIUM ACCOUNT		
Before the Issue	2,80,00,000	
After the Issue**	[•]	

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in any portion would be met with spill over from other categories at the discretion of Our Company in consultation with the BRLM and the Designated Stock Exchange. Investors may note that in case of over-subscription in the Issue, allotment to QIB Bidders, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis.

\*\* The Share Premium account after the issue will be determined only after the Book Building Process.

\*\*\* This Issue has been authorised by resolution of our Board dated April 14, 2010, and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the AGM of the shareholders of Our Company held on July 15, 2010.

## Details of changes in the Authorised Share Capital

Sr. No.	Particulars	of Increase	Date of Shareholders'	AGM/EGM
<u> 190.</u>	From	То	Meeting	
1.	-	Rs. 50,00,000 consisting of 5,00,000 equity shares of Rs. 10 each	Incorporation	-
2.	Rs. 50,00,000 consisting of 5,00,000 equity shares of Rs. 10 each	Rs. 1,00,00,000 consisting of 10,00,000 equity shares of Rs. 10 each	December 31, 1996	EGM
3.	Rs. 1,00,00,000 consisting of 10,00,000 equity shares of Rs. 10 each	Rs. 4,00,00,000 consisting of 40,00,000 equity shares of Rs. 10 each	December 5, 1997	EGM
4.	Rs. 4,00,00,000 consisting of 40,00,000 equity shares of Rs. 10 each	Rs. 9,00,00,000 consisting of 40,00,000 equity shares of Rs. 10 each aggregating to Rs. 4,00,00,000 and 50,00,000 12% redeemable cumulative preference shares of Rs. 10 each aggregating to Rs. 5,00,00,000.	December 8, 1998	EGM
	Reclassification of capital structure	re		
5.	Rs. 9,00,00,000 consisting of 40,00,000 equity shares of Rs. 10 each aggregating to Rs. 4,00,00,000 and 50,00,000 12%	Rs. 9,00,00,000 consisting of 80,00,000 equity shares of Rs. 10 each aggregating to Rs. 8,00,00,000 and 10,00,000 12%	March 28, 2000	EGM

Sr. No.	Particulars	of Increase	Date of Shareholders'	AGM/EGM
110.	From	То	Meeting	
	redeemable cumulative preference	redeemable cumulative preference		
	shares of Rs. 10 each aggregating	shares of Rs. 10 each aggregating		
	to Rs. 5,00,00,000.	to Rs. 1,00,00,000.		
	<b>Reclassification of capital structur</b>			
	Rs. 9,00,00,000 consisting of	Rs. 9,00,00,000 consisting of		
	80,00,000 equity shares of Rs. 10	80,00,000 equity shares of Rs. 10		
6	each aggregating to Rs.	each aggregating to Rs.		
0.	8,00,00,000 and 10,00,000 12%	8,00,00,000 and 10,00,000 0%	June 26, 2009	EGM
	redeemable cumulative preference	redeemable cumulative preference		
	shares of Rs. 10 each aggregating	shares of Rs. 10 each aggregating		
	to Rs. 1,00,00,000.	to Rs. 1,00,00,000.		
	Rs. 9,00,00,000 consisting of	Rs. 15,00,00,000 consisting of		
	80,00,000 equity shares of Rs. 10	1,40,00,000 equity shares of Rs.		
	each aggregating to Rs.	10 each aggregating to Rs.		
7.	8,00,00,000 and 10,00,000 0%	14,00,00,000 and 10,00,000 0%	July 15, 2010	AGM
	redeemable cumulative preference	redeemable cumulative preference		
	shares of Rs. 10 each aggregating	shares of Rs. 10 each aggregating		
	to Rs. 1,00,00,000.	to Rs. 1,00,00,000.		
	<b>Reclassification of capital structur</b>	re		
	Rs. 15,00,00,000 consisting of			
	1,40,00,000 equity shares of Rs.			
8.	10 each aggregating to Rs.	Rs. 15,00,00,000 consisting of		
0.	14,00,00,000 and 10,00,000 0%	1,50,00,000 equity shares of Rs.	July 15, 2010	AGM
	redeemable cumulative preference	10 each		
	shares of Rs. 10 each aggregating			
	to Rs. 1,00,00,000.			

## Notes to the Capital Structure

## 1. Share Capital History of Our Company

## Equity Share Capital:

Date of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consider ation	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Share Capital (Rs.)	Cumulative Share Premium (Rs.)
March 8, 1991	200	10	10	Cash	Subscription to the MoA <sup>(1)</sup>	200	2000	NIL
December 15, 1994	20,000	10	10	Cash	Preferential Allotment <sup>(2)</sup>	20,200	2,02,000	NIL
February 4, 1997	6,06,000	10	-	Bonus	Bonus Issue in the ratio of 30:1 <sup>(3)</sup>	6,26,200	62,62,000	NIL
February 4, 1997	2,50,000	10	10	Cash	Preferential Allotment <sup>(4)</sup>	8,76,200	87,62,000	NIL
December 5, 1997	20,60,000	10	10	Cash	Preferential Allotment <sup>(5)</sup>	29,36,200	2,93,62,000	NIL
February 28, 1998	10,000	10	10	Cash	Preferential Allotment <sup>(6)</sup>	29,46,200	2,94,62,000	NIL
March 28, 2000	33,50,000	10	10	Cash	Preferential Allotment <sup>(7)</sup>	62,96,200	6,29,62,000	NIL
March 15, 2010	2,00,000	10	50	Other than Cash	Conversion of 0% redeemable cumulative	64,96,200	6,49,62,000	80,00,000

Date of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consider ation	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Share Capital (Rs.)	Cumulative Share Premium (Rs.)
					preference shares into Equity Sahres			
March 15, 2010	5,00,000	10	50	Cash	Preferential Allotment <sup>(9)</sup>	69,96,200	6,99,62,000	2,80,00,000

<sup>(1)</sup> Initial allotment of 100 equity shares each to the subscribers to the MoA of Our Company being Ms. Rita R. Gajra and Mr. Raj D. Kirtani.

- (2) Preferential allotment of 7,000 equity shares to Ms. Rita R. Gajra, 5,000 equity shares to Mr. Gautam R. Gajra (through natural guardian Ms. Rita R. Gajra), 4,000 equity shares to Miss. Rashmi R. Gajra (through natural guardian Ms. Rita R. Gajra) and 4,000 equity shares to Miss. Karishma R. Gajra (through natural guardian Ms. Rita R. Gajra).
- <sup>(3)</sup> Our Company vide its EGM resolution dated December 31, 1996, issued 6,06,000 equity shares of Rs. 10 as bonus shares to the existing shareholders as on October 31, 1996 in the ratio of 30 equity shares for every 1 equity share held by them by capitalisation of General Reserve.
- (4) Preferential allotment of 2, 50,000 equity shares to Ms. Rita R. Gajra (on behalf of all partners of M/s. Elve Corporation).
- <sup>(5)</sup> Preferential allotment of 20,20,000 equity shares to Ms. Rita R. Gajra (on behalf of all partners of M/s. Elve Corporation), 20,000 equity shares to Ms. Rita R. Gajra, 10,000 equity shares to Ms. Karishma R. Gajra, 10,000 equity shares to Ms. Rashmi R. Gajra.
- <sup>(6)</sup> Preferential allotment of 10,000 equity shares to Mr. Gautam R. Gajra.
- <sup>(7)</sup> Preferential allotment of 33, 50,000 equity shares to R. B. Gajra HUF (through its member Ms. Rita R. Gajra).
- (8) Pursuant to EGM held on March 15, 2010, Our Company converted 10,00,000 0% redeemable cumulative preference shares into 2,00,000 Equity Shares of Rs. 10 each at a premium of Rs. 40 per equity share to R. B. Gajra HUF (through its member Ms. Rita R. Gajra).
- <sup>(9)</sup> Preferential allotment of 5, 00,000 equity shares to Ms. Rita R. Gajra (on behalf of all partners of M/s. Elve Corporation).

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Name of the Allottee	Nature of Allotment	Benefits accrued to Our Company
February 4, 1997	6,06,000	10	-	Existing Shareholders as on October 31, 1996	Bonus in the ratio of 30 equity shares for every 1 equity share held	-
March 15, 2010	2,00,000	10	50	R. B. Gajra HUF (through its member Ms. Rita R. Gajra)	Conversion of 0% redeemable cumulative preference shares into equity shares	Redemption of liability

#### 2. Equity Shares allotted for consideration other than cash:

- **3.** No Equity Shares have been issued pursuant to any scheme approved under sections 391 to 394 of the Companies Act, 1956.
- 4. Our Company has not revalued its assets since inception.
- 5. Our Company has allotted Equity Shares during preceding one year from the date of the DRHP which may be lower than the Issue Price and the details of the allotment are as under:

Date of Allotme	Number of Equity	Face Value	Issue Price	Name of the Allottee	Nature of Allotment	
nt	Shares	(Rs.)	(Rs.)			
March	2,00,000	10	50	R. B. Gajra HUF	Conversion of 0% redeemable	

Date of Allotme nt	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Name of the Allottee	Nature of Allotment
15, 2010				(through its member Ms. Rita R. Gajra)	cumulative preference shares into Equity Shares
March 15, 2010	5,00,000	10	50	Ms. Rita R. Gajra (On behalf of M/s. Elve Corporation)	Preferential Allotment

- 6. Our Company does not have any Employee Stock Option Scheme /Employee Stock Purchase Plan for our employees and we do not intend to allot any shares to our employees under Employee Stock Option Scheme / Employee Stock Purchase Plan from the proposed issue.
- 7. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing of this Red Herring Prospectus with SEBI until the Equity Shares have been listed. Further, Our Company presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split / consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, except that if we enter into acquisition(s) or joint venture(s), we may consider additional capital to fund such activities or to use Equity Shares as a currency for acquisition or participation in such joint ventures.

#### 8. Capital built-up of the Promoters:

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

Date of allotment/ Transfer	Number of Equity Shares	Cumulative No. of Equity Shares	Face Value (Rs.)	Issue/ Transfer / Acquisition Price per Share (Rs.)	Nature of Conside ration	Nature of Transactio n	% of Pre - Issue Paid- Up Capital	% of Post Issue Paid-Up Capital
Ms. Rita R. C	Gajra (A)			· · · ·		•		
March 08, 1991	100	100	10	10	Cash	Subscriptio n to MOA	-	-
December 15, 1994	7,000	7,100	10	10	Cash	Preferential Allotment	0.10	0.05
February 4, 1997	2,13,000	2,20,100	10	-	Bonus Issue	Bonus in the ratio of 30:1	3.04	1.64
December 5, 1997	20,000	2,40,100	10	10	Cash	Preferential Allotment	0.28	0.15
September 15, 1999	22,70,000	25,10,100	10	10	Cash	Transfer <sup>(1)</sup>	32.45	17.47
June 29, 2002	(300)	25,09,800	10	10	Cash	Transfer <sup>(2)</sup>	-	-
Sub-Total (A							35.87	19.31
Mr. R. D. Ki	rtani (B)							
March 8, 1991	100	100	10	10	Cash	Subscriptio n to MOA	-	-
February 4, 1997	3,000	3,100	10	-	Bonus Issue	Bonus in the ratio of 30:1	0.05	0.02
Sub-Total (B	Sub-Total (B)							
R. B. Gajra I	IUF (C)							
March 28, 2000	33,50,000	33,50,000	10	10	Cash	Preferential Allotment	47.88	25.78

March 15, 2010	2,00,000	35,50,000	10	50	Other than Cash	Conversion of 0% redeemable cumulative preference shares into Equity Shares	2.86	1.54
Sub-Total (C	Sub-Total (C)							
GRAND TO	TAL (A+B+C)						86.66	46.65

Transferred from Ms. Rita R. Gajra (on behalf of all partners of M/s. Elve Corporation) to Ms. Rita R. Gajra in her individual capacity
 Transferred from Ms. Rita R. Gajra to Mr. Vijay Chainani.

9. The aggregate shareholding of the Promoters & Promoter Group as of the date of filing this Draft Red Herring Prospectus:

Deartheastern	Pre-Issue	
Particulars	No. of Shares	%
Promoters		
Ms. Rita R. Gajra	25,09,800	35.87
Mr. Raj D. Kirtani	3,100	0.05
R. B. Gajra HUF (through its member Ms. Rita R.	35,50,000	50.74
Gajra)		
Sub Total (A)	60,62,900	86.66
Promoter Group		
Ms. Rita R. Gajra (On behalf of M/s. Elve	5,00,000	7.16
Corporation)		
Ms. Rashmi R. Gajra	2,16,500	3.09
Ms. Karishma R. Gajra	2,16,500	3.09
Ms. Rita R. Gajra jointly with Mr. Vijay Chainani	100	-
Ms. Rita R. Gajra jointly with Mr. M. A. Gunari	100	-
Ms. Rita R. Gajra jointly with Mr. G. S. Bhagvat	100	-
Sub Total (B)	9,33,300	13.34
Total (A+B)	69,96,200	100.00

- 10. Our Promoters', as per the terms & conditions of the credit facilities sanctioned by banks, have pledged 21,00,000 equity shares held in the name of R. B. Gajra HUF and 48,100 equity shares held in the name of Ms. Rita R. Gajra aggregating to 21,48,100 Equity shares with the State Bank of India, Indore.
- 11. During the past six months, there are no transactions in our Equity Shares, which have been purchased/(sold) by our Promoters, their relatives and associates, persons in Promoter Group (as defined under sub-clause (zb) sub-regulation (1) Regulation 2 of the SEBI ICDR Regulations) or the Directors of Our Company.

## 12. Details of Promoters holding which would be Locked-in for 3 Years:

Date of Allotment /Transfer	Nature of Allotment	Number of Shares	Face Value (Rs.)	Issue/ Transfer Price (Rs.)	Consideration	% of Post Issue Capital*				
Ms. Rita R. Gajra	Ms. Rita R. Gajra (A):									
December 15, 1994	Preferential Allotment	2,000	10	10	Cash	0.02				
February 4, 1997	Bonus in the ratio of 30:1	1,73,000	10	-	Other than cash	1.33				
December 5, 1997	Preferential Allotment	17,000	10	10	Cash	0.13				
September 15, 1999	Transfer	22,70,000	10	10	Cash	17.47				
Sub-Total (A)						18.95				
Mr. R. D. Kirtani	( <b>B</b> )									
March 8, 1991	Subscription to MOA	100	10	10	Cash	-				

February 4, 1997	Bonus in the ratio of 30:1	3,000	10	-	Other than cash	0.02			
Sub-Total (B)									
R. B. Gajra HUF (C)									
March 28, 2000	Preferential Allotment	1,35,000	10	10	Cash	1.04			
Sub-Total (C)									
GRAND TOTAL (A+B+C)									

We confirm that specific written consent has been obtained from our Promoters, whose Equity Shares form part of Promoters' contribution, to lock-in their Equity Shares for a period of three years to ensure minimum Promoter's contribution to the extent of 20% of the post-Issue paid-up capital of Our Company.

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

- (i) equity shares acquired in past three years for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or
- (ii) equity shares resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution during the period of last three years;
- (iii) equity shares acquired by promoter during the preceding one year at a price lower than the price at which equity shares are being offered to public in the Issue;
- (iv) equity shares allotted to promoter during the preceding one year at a price less than the issue price, against funds brought in by them during that period, post conversion of partnership firms;
- (v) equity shares pledged with any creditor.

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

Further, Our Company has not been formed by the conversion of a partnership firm into a company.

The Promoters contribution has been brought in to the extent of not less than the specified minimum amount and from the person defined as Promoters under the SEBI ICDR Regulations. 20% of the post-Issue paid-up equity share capital, as determined after the book-building process from the above mentioned Promoters would be locked-in for a period of three years from the date of allotment in the present Issue and the balance Pre-Issue Paid-up Equity Share Capital would be locked-in for a period of one year from the date of allotment in the present Issue.

#### a. Equity Shares locked-in for one year

In addition to 20% of post-Issue shareholding of Our Company, locked-in for three years as the minimum Promoters' Contribution, as specified above, our entire pre-Issue Equity Share capital, constituting 25,99,800 Equity Shares, will be locked-in for a period of one year from the date of Allotment. Further, such lock-in of the Equity Shares would be created as per the bye laws of the Depositories.

#### b. Other requirements in respect of 'lock-in'

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

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

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

#### 13. The Pre-Issue & Post-Issue shareholding pattern of Our Company:

The table below presents the shareholding pattern of Our Company before the proposed Issue and as adjusted for the Issue:

Categ ory	Category of Shareholders	No. of Shareh	Pre Iss	ue	Post Iss	ue	Shares Pled otherwi encumbe	se
Code	Shareholders	olders	No. of Shares	%	No. of Shares	%	No. of Shares	As a %
(1)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VII)	(IX)= (VIII ) /(IV) *100
(A)	Shareholding of Promoter & Promoter Group							
1	Indian							
(a)	Individuals/Hindu Undivided Family	9	69,96,200	100.00	69,96,200	53.83	21,48,100	30.70
(b)	Central Government/State Government(s)	-	-	-	-	-	-	-
(c)	Bodies Corporate				-	-	-	-
(d)	Financial Institutions/ Banks	-	-	-	-	-	-	-
(e)	Any Others (Specify)	-	-	-	-	-	-	-
	Sub Total (A) (1)	9	69,96,200	100.00	69,96,200	53.83	21,48,100	30.70
2	Foreign							
(a)	Individuals (Non- Resident Individuals/Foreign Individuals)	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Any Others (Specify)	-	-	-	-	-	-	-
	Sub Total (A) (2)	-	-	-	-	-	-	-
	Total Shareholding of Promoter & Promoter Group (A)=(A)(1)+(A)(2)	9	69,96,200	100.00	69,96,200	53.83	21,48,100	30.70
<b>(B)</b>	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	-	-	-	[•]	[•]	-	-
(b)	Financial Institutions/ Banks	-	-	-	[•]	[•]	-	-
(c)	Central Government/State	-	-	-	[•]	[•]	-	-

Categ ory	Category of Shareholders	snaholdong Snaren		areh		ue	Shares Pled otherwi encumbe	se
Code	Snarenoluers	olders	No. of Shares	%	No. of Shares	%	No. of Shares	As a %
	Governments							
(d)	Venture Capital Funds	-	-	-	[•]	[•]	-	-
(e)	Insurance Companies	-	-	-	[•]	[•]	-	-
(f)	Foreign Institutional Investors	-	-	-	[•]	[•]	-	-
(g)	Foreign Venture Capital Investors	-	-	-	[•]	[•]	-	-
(h)	Any Other (Specify)	-	-	-	[•]	[•]	-	-
	Sub Total (B) (1)	-	-	-	[•]	[•]	-	-
2	Non – Institutions							
(a)	Bodies Corporate	-	-	-	[•]	[•]	-	-
(b)	Individuals						-	-
Ι	Individual Shareholders holding Nominal Share Capital up to Rs. 1 Lac	-	-	-	[•]	[•]	-	-
Π	Individual Shareholders holding Nominal Share Capital in excess of Rs. 1 Lac	-	-	-	[•]	[•]	-	-
	Any Other (Specify)	-	-	-	[•]	[•]	-	-
	Public Issue	-	-	-	60,00,000	46.17	-	-
	Sub Total (B) (2)	-	-	-	60,00,000	46.17	-	-
(B)	Total Public Shareholding (B)=(B)(1)+(B)(2)	-	-	-	60,00,000	46.17	-	-
	TOTAL (A) + (B)	9	69,96,200	100.00	1,29,96,200	100.00	-	-
(C)	Shares held by custodians and against which Depository Receipts have been issued	-	-	-	-	-	-	-
	GRAND TOTAL (A)+(B)+(C)	9	69,96,200	100.00	1,29,96,200	100.00	-	-

## 14. Particulars of the top Ten Shareholders:

The list of top ten shareholders of Our Company and the number of Equity Shares held by them is as under:

i. Top shareholders of Our Company, as on the date of filing of this DRHP, and the number of Equity Shares held by them is as under:

Sr. No	Name of the Shareholder	No. of shares	%
1.	Ms. Rita R. Gajra	25,09,800	35.87
2.	Mr. Raj D. Kirtani	3,100	0.05

Sr. No	Name of the Shareholder	No. of shares	%
3.	R. B. Gajra HUF (through its member Ms. Rita R. Gajra)	35,50,000	50.74
4.	Ms. Rita R. Gajra (On behalf of M/s. Elve Corporation)	5,00,000	7.16
5.	Ms. Rashmi R. Gajra	2,16,500	3.09
6.	Ms. Karishma R. Gajra	2,16,500	3.09
7.	Ms. Rita R. Gajra jointly with Mr. Vijay Chainani	100	Negligible
8.	Ms. Rita R. Gajra jointly with Mr. M. A. Gunari	100	Negligible
9.	Ms. Rita R. Gajra jointly with Mr. G. S. Bhagvat	100	Negligible
	Total	69,96,200	100.00

ii. Top shareholders of Our Company, as of ten days prior to the date of filing of this DRHP, and the number of Equity Shares held by them is as under:

Sr. No	Name of the Shareholder	No. of shares	%
1.	Ms. Rita R. Gajra	25,09,800	35.87
2.	Mr. Raj D. Kirtani	3,100	0.05
3.	R. B. Gajra HUF (through its member Ms. Rita R. Gajra)	35,50,000	50.74
4.	Ms. Rita R. Gajra (On behalf of M/s. Elve Corporation)	5,00,000	7.16
5.	Ms. Rashmi R. Gajra	2,16,500	3.09
6.	Ms. Karishma R. Gajra	2,16,500	3.09
7.	Ms. Rita R. Gajra jointly with Mr. Vijay Chainani	100	Negligible
8.	Ms. Rita R. Gajra jointly with Mr. M. A. Gunari	100	Negligible
9.	Ms. Rita R. Gajra jointly with Mr. G. S. Bhagvat	100	Negligible
	Total	69,96,200	100.00

iii. Top shareholders of Our Company, as of two years prior to the date of filing of this DRHP, and the number of Equity Shares held by them is as under:

Sr. No	Name of the Shareholder	No. of shares	%
1.	Ms. Rita R. Gajra	25,09,800	39.86
2.	Mr. Raj D. Kirtani	3,100	0.05
3.	R. B. Gajra HUF	33,50,000	53.21
4.	Ms. Rashmi R. Gajra	2,16,500	3.44
5.	Ms. Karishma R. Gajra	2,16,500	3.44
6.	Ms. Rita R. Gajra jointly with Mr. Vijay Chainani	100	Negligible
7.	Ms. Rita R. Gajra jointly with Mr. M. A. Gunari	100	Negligible
8.	Ms. Rita R. Gajra jointly with Mr. G. S. Bhagvat	100	Negligible
	Total	62,96,200	100.00

- **15.** Our Company, our Promoters and Promoter Group, our Directors and the BRLM have not entered into any buyback and/or standby arrangements for the purchase of Equity Shares from any person.
- 16. There are no financing arrangements, directly or indirectly, whereby the Promoters, their relatives, their group companies or associates, Promoter Group, the Directors of Our Company who are the Promoters of Our Company, the Directors of Our Company and their relatives have financed the purchase of Equity Shares of Our Company by any other person during the period of six months immediately preceding the date of this DRHP.
- 17. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the minimum allotment lot and multiple of one share thereafter, while finalising the Basis of Allotment. 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. The In such an event, the Equity Shares to be locked-in towards the Promoter's Contribution shall be suitably increased, so as to ensure that 20% of the post-Issue paid-up capital is locked in.
- **18.** Since the entire application money is being called on application, all the successful applicants will be issued fully paid-up shares only.

- 19. Under-subscription, if any, in any category would be allowed to be met with spill-over from any other category or combination of categories at the discretion of Our Company in consultation with the BRLM and the Designated Stock Exchange. For further details, see '*Issue Structure*' beginning on page number 209 of this DRHP. If the aggregate demand by Mutual Funds is less than 5% of QIB Portion, the balance share available for allocation in the Mutual Fund Portion will be added to the QIB Portion and be allocated proportionately to QIB Bidders.
- 20. Our Promoters and members of Promoter Group will not participate in this Issue.
- 21. Our Company has not raised any bridge loan against the proceeds of the Issue.
- **22.** As of the date of this DRHP, none of our Directors or Key Managerial Personnel hold Equity Shares in Our Company except as disclosed on the page number 209 of this DRHP.
- **23.** As of the date of this DRHP, there are no outstanding financial instruments or warrants or any other right that would entitle the existing Promoters or Shareholders, or any other person any option to receive Equity Shares after the offering.
- 24. Our Company undertakes that at any given point of time, there shall be only one denomination for the Equity shares of Our Company, unless otherwise permitted by law, and Our Company shall comply with such accounting and disclosure norms as specified by SEBI from time to time.
- 25. As on date of filing of this DRHP with SEBI, all the equity shares of Our Company are fully paid-up.
- **26.** No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our promoters to the persons who receive allotments, if any, in the Issue.
- 27. No single bidder can make a Bid for more than the number of Equity Shares being issued through this issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- 28. Our Company has not made any public issue since its incorporation.
- **29.** Our Company shall ensure that transactions in the Equity Shares by the Promoters and the Promoter Group between the date of registering this DRHP with the RoC and the Bid/Issue Closing Date shall be reported to the Stock Exchanges within twenty-four hours of such transactions.
- **30.** Neither the BRLM nor any of its associates hold any Equity Shares in Our Company as on the date of filing of this DRHP.
- 31. The total number of members of Our Company as on the date of filing DRHP is 9.
- **32.** As per RBI regulations, OCBs are not allowed to participate in this Issue, sub accounts of FIIs who are foreign corporates or foreign individuals are not QIBs, and hence cannot Bid in the QIB Portion in the Issue.

#### SECTION V: PARTICULARS OF THE ISSUE

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

The activities for which funds are being raised by Our Company through this Issue are:

- 1. Expansion-cum-Modernisation of existing Manufacturing Facility at Lohar Pipliya, Dewas, Madhya Pradesh
- 2. Enhancement of Infrastructure Facilities at the existing plant located at Lohar Pipliya, Dewas, Madhya Pradesh
- 3. Long term working capital requirement
- 4. Pre-payment and/or re-payment of term loans availed by Our Company
- 5. General corporate purposes

(Collectively, referred to herein as the "Objects")

In addition, Our Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges. We believe that listing will enhance Our Company's brand name and provide liquidity to Our Company's existing shareholders. Listing will also provide a public market for our Equity Shares in India.

The main objects clause of our Memorandum of Association enables Our Company to undertake the activities for which the funds are being raised by Our Company through this Issue. Further, the existing activities of Our Company are in accordance with the objects clause of our Memorandum of Association.

#### **Funds Requirement:**

The requirement of Funds, as estimated by the management is as under:

		(Rs in Lacs)
Sr. No.	Particulars	Amount
1	Expansion and modernisation of existing manufacturing facility at Lohar Pipliya, Dewas, Madhya Pradesh	935.00
2	Enhancement of infrastructure facilities at Lohar Pipliya, Dewas, Madhya Pradesh	227.00
3	Long term working capital requirements	1222.00
4	Pre-payment and/or re-payment of term loans availed by Our Company	450.00
5	General corporate purposes <sup>*</sup>	[•]

\* Will be incorporated after finalisation of the Issue Price

#### **Means of Finance:**

	(Rs in Lacs)
Particulars	Amount
Gross proceeds to be raised from the Issue <sup>*</sup>	[•]
Issue related expenses of Our Company <sup>*</sup>	[•]
Net proceeds of the Issue after deducting the Issue related expenses of Our Company ("Net Proceeds")*	[•]

\* Will be incorporated after finalisation of the Issue Price

Our funding requirements and deployment of the Net Proceeds are based on current conditions and are subject to change in light of changes in external circumstances or in our financial condition, business or strategy. 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. This may also include rescheduling the proposed utilisation of Net Proceeds and increasing or decreasing expenditure for a particular Object vis-à-vis the utilisation of Net Proceeds. We may also reallocate expenditure to the other activities. In certain cases, the delays may be caused due to external factors such as change in prevailing economic conditions, which consequently, may change our fund requirements. Any such change in our plans may require rescheduling of our current plans or discontinuing existing plans and an increase or decrease in the fund requirements for the Objects, at the discretion of Our Company.

The entire requirements of the objects detailed above are intended to be funded from the Net Proceeds. Accordingly, regulation 4 (2) (g) of SEBI (ICDR) Regulations (which requires firm arrangements of finance through verifiable means for 75% of the stated means of finance, excluding the amount to be raised through the proposed Issue and through existing identifiable internal accruals), does not apply.

#### Appraisal

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution or any independent organisation.

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

In case of variations in the actual utilisation of the Net Proceeds, increased fund requirements for any of the Objects may be financed by surplus funds, if any, allocated for the other Objects, subject to applicable law. In case of shortfall / cost overruns if any, for the Objects, we intend to meet the same through a range of options including utilisation out of the Net Proceeds in a Fiscal is not completely met, the same shall be utilised in the next Fiscal. Until Our Company realises the Net Proceeds, it will utilise its internal resources / debt for payments in respect of the Objects, which is currently intended to be reimbursed from the Net Proceeds.

#### Details of the Objects of the Issue:

#### 1. Expansion-cum-modernisation of existing manufacturing facility at Lohar Pipliya, Dewas:

We propose to expand and modernise our existing manufacturing facility of crown wheel and pinion unit situated at Lohar Pipliya, Dewas, Madhya Pradesh. Our existing manufacturing facility at Lohar Pipliya, Dewas, Madhya Pradesh is on a plot of land admeasuring 16.50 Acres, owned by Our Company, will house the machinery required for manufacturing of crown wheel. Our Company does not intend to acquire any land for the expansion and modernisation purposes as the land owned by Our Company are sufficient for the proposed expansion-cum-modernisation.

Presently we can manufacture 1, 40,000 units of crown wheel and pinion. After expansion and modernisation we will be able to manufacture 1, 80,000 units of crown wheel and pinion. The existing infrastructure facilities available with Our Company in terms of electricity, water, propane gas, etc. are sufficient to serve our future requirements. No further approvals are required by Our Company for the purpose of undertaking the said expansion and modernisation activities.

An amount of Rs. 935.00 lacs is proposed to be deployed to purchase the plant and machinery for the proposed expansion and modernisation activities. These machineries are second hand and will be sourced through various overseas vendors. The details of Plant & Machinery proposed to be procured by Our Company are as follows:

Sr. No.	Name / Details of the machine	Name of the Supplier / Vendor	Date of Quotation	Age of Machinery	Residual Life (Approx)	Amount	Qty	Equivalent Amount (Rs in Lacs)
1.	Gleason 608/609 Bevel Generators	Gibbs Machinery Company	December 16, 2010	35 years	15 years	USD 165,000	2	155.10
2.	Gleason 116 Spiral Bevel Generators	Gibbs Machinery Company	December 16, 2010	32 years	10 years	USD 160,000	2	150.40
3.	Gleason 606/607 Bevel Generators	Mc San Machinery Sales Co.	December 14, 2010	36 years	15 years	USD 77,500	1	36.43
4.	Gleason 26 Spiral Bevel Generators	Gibbs Machinery Company	December 16, 2010	37 years	15 years	USD 84,500	1	39.72
5.	Gleason 520 Lapper	Gibbs Machinery Company	December 16, 2010	25 years	15 years	USD 124,500	1	58.52
6.	Gleason 14 Gear Tester	Gibbs Machinery Company	December 16, 2010	24 years	10 years	USD 60,000	1	28.20

Sr. No.	Name / Details of the machine	Name of the Supplier / Vendor	Date of Quotation	Age of Machinery	Residual Life (Approx)	Amount	Qty	Equivalent Amount (Rs in Lacs)
7.	Oerlikon SL2 Lapper	K & C Machinery Limited	December 20, 2010	25 years	15 years	EURO 22,750	1	13.88
8.	Fellows Gear Shaper	Blumberg Machinery Co.	December 09, 2010	32 years	12 years	USD 39,500	1	18.57
9.	Liebherr Vertical Gear Hobber	Gibbs Machinery Company	December 16, 2010	30 years	15 years	USD 149,500	2	140.54
10.	Spline Roller	K & C Machinery Limited	December 20, 2010	31 years	15 years	EURO 93,750	1	57.19
	Total							698.55
	Custom Duty, Freight, Clearing / Forwarding Charges, Insurance, etc.@ 25% of the total cost							174.63
	Contingencies							62.00
	Grand Total							935.18
	Rounded off		111CD D= 47 d					935.00

\* Conversion rate assumed as 1USD = Rs. 47 and 1 EURO = Rs. 61

The above cost estimates are based on the quotations received from the said overseas suppliers/vendors. We have considered the quotations for the budgetary estimate purpose and have not placed orders for any of the aforesaid plant and machinery. The actual expenditure incurred and actual supplier/vendor may vary from the ones indicated above based on the time and cost, or tax or duty implications, involved in actual procurement. None of the suppliers/vendors are related to Our Company and our promoters / group entities. All the above quotations are valid for a period for 6 months from the date of the quotation and are valid as on date of filing of this DRHP.

#### 2. Enhancement of Infrastructure facilities at the existing plant located at Lohar Pipliya, Dewas

Our Company proposes to finish and furnish the existing office block situated at Lohar Pipliya, Dewas, Madhya Pradesh on the land owned by Our Company. The proposed area will house our Directors, employees as well as our corporate team, including our administrative staff. Our Company also proposes to undertake the construction of the internal roads and modifying the existing RCC drainage system of the said existing office block.

Our Company estimates to incur an expenditure of approximately Rs. 227.00 Lacs, towards the finishing and furnish the existing office block situated at Lohar Pipliya, Dewas, Madhya Pradesh. Our Company has received estimates from RKGA Consultants Private Limited, Architectural & Engineering Consultants having their office at "SAAKAR", Plot no. WB-09, Scheme No-94, Bombay Hospital Service Lane, Ring Road, Indore-452 010. The break-down of the expenditure and estimated periods of completion is as set forth below:

Sr. No.	Particulars	Area / Length	Unit	Rate (Rs)	Amount (Rs. in Lacs)
1	RCC Road	5800.00	Sqm.	1250.00	72.50
2	Modification and rectification of existing RCC drain	1415.00	Rmt.	1000.00	14.15
3	Finishing & furnishing of existing office block	800.00	Sqm.	15000.00	120.00
	Sub- Total				206.65
4	Contingencies @ 10% on the above				20.66
	Grand Total				227.31
	Rounded off to				227.00

#### 3. Working Capital Requirement

After the proposed enhancement, the production capacity of crown wheel and pinion unit situated at Lohar Pipliya, Dewas, Madhya Pradesh will increase from the present 1,40,000 units to 1,80,000 units of crown wheel and pinion.

Post expansion, Our Company shall require additional working capital to ensure smooth operations for the enhanced capacities.

The detailed calculation of our existing as well as our estimated long term working capital requirements is given below:
(Rs. in Lacs)

			(Rs. in Lac
	March 31, 2010	Sept. 30, 2010	Estimates
Particulars	(As per Restated	(As per Restated	Considering
	Financials)	Financials)	Expansion
Current Assets			
Inventories			
- Raw Material	18.03	3.64	216.56
- Consumables	289.94	292.94	250.00
- WIP	1232.13	1334.72	1598.70
- Finished Goods (Automobile Gears)	223.23	300.65	326.53
Sub-Total	1763.33	1931.95	2391.79
Sundry Debtors	365.79	348.23	582.71
Cash & Bank Balances	21.02	19.20	24.00
Loans & Advances and Other Current Assets	176.33	207.05	230.00
Total Current Assets (A)	2326.47	2506.43	3228.50
Current Liabilities & Provisions			
Creditors	952.71	1104.54	288.75
Other Liabilities	26.60	30.32	105.00
Provisions	19.57	19.57	20.00
Total (B)	998.88	1154.43	413.75
Net Working Capital (A) - (B)	1327.59	1352.00	2814.75
Additional long term working capital			1462.75
requirement			1402.75
Proposed to be Funded by			
Issue Proceeds			1222.00
Internal Accruals			240.75

## Assumptions for working capital requirements:

Particulars	Holdings Period (Months)		
Inventories			
- Raw Material	1.50		
- Consumables	Adhoc		
- WIP	6.00		
- Finished Goods (Automobile Gears)	1.25		
Sundry Debtors	2.00		
Creditors	2.00		

Presently, Our Company is meeting its working capital requirements through loans aggregating to Rs. 1000 lacs from our Banker namely, State Bank of India, Indore and unsecured loans from promoters/promoter group and/or Internal Accruals.

#### 4. Pre-payment and/or re-payment of term loans availed by Our Company

Our Company have availed certain term loan facilities from State Bank of India, Indore and Madhya Pradesh Financial Corporation and the aggregate outstanding amount as on September 30, 2010 is Rs. 774.63 Lacs. Our Company had availed this term loan to part finance the cost of machinery and building. Our Company intends to utilise Rs. 450.00 Lacs from the Issue proceeds towards pre-payment and/or re-payment of a portion of our debts in order to reduce the interest burden on Our Company. We have right to prepay these amounts under the terms of these loan agreements. For details of our indebtedness, please see the chapter tiltled *"Financial Indebtedness"* beginning on page number 160 of the DRHP.

Some of Our Company's financing arrangements contain provisions relating to pre payment penalties. On receipt of the Issue proceeds, we would initiate discussions with the above banks for reduction/waiver of the pre-payment penalty clause, and accordingly take decision in the best interests of Our Company.

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

#### 5. General Corporate Purposes

The Net Proceeds will be first utilised towards the Objects mentioned above. The balance is proposed to be utilised for general corporate purposes, including but not restricted to strategic initiatives, brand building exercises and strengthening of our marketing capabilities, meeting exigencies & contingencies, which Our Company in the ordinary course of business may not foresee, or any other purposes as approved by our Board of Directors subject to compliance with the necessary provisions of the Companies Act. Our management, in accordance with the policies of our Board, will have flexibility in utilising any surplus amounts out of the Net Issues for general corporate purposes.

#### 6. Issue Expenses

Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement and marketing expenses, SEBI filing fees, bidding software expenses, IPO grading expenses, Registrar's fees, and depository fees and listing fees. The details of the estimated Issue related expenses are as follows:
(Rs in Lacs)

(Rs in Lacs				
Activity	Estimated Expenses	As a percentage of the total estimated Issue expenses	As a percentage of the total Issue size	
Fees payable to the Book Running Lead Managers <sup>*</sup>	[•]	[•]	[•]	
Advertising and marketing expenses*	[•]	[•]	[•]	
Amount payable to the Registrar to the Issue <sup>*</sup>	[•]	[•]	[•]	
Fees payable to the Bankers to the Issue*	[•]	[•]	[•]	
Underwriting commission, brokerage and selling commission*	[•]	[•]	[•]	
SCSB commission*	[•]	[•]	[•]	
IPO Grading expense*	[•]	[•]	[•]	
Others (legal fees, listing fees, monitoring agency fees, printing and stationery expenses etc.)*	[•]	[•]	[•]	
Total estimated Issue expenses	[•]	[•]	[•]	

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

#### Schedule of Implementation

Sr. No.	Activity	Expected Month of Commencement	Expected Month of Completion
1.	Infrastructure facilities	May, 2011	September, 2011
2.	Placement of Order of Plant & Machinery	June, 2011	July, 2011
3.	Delivery & Installation of Plant and Machinery	August,2011	September,2011
4.	Trial Run	September,2011	-
5.	Commercial Production	October, 2011	-

#### Deployment of Funds in the objects of the Issue

Our Company has incurred certain Issue expenses out of the internal accruals of Our Company. No other amounts have been deployed towards any of the proposed objects of the Issue.

#### Year Wise break up of Deployment of Funds

Sr. No.	Particulars	April 2011- March 2012	
1	Expansion of existing manufacturing facility at Lohar Pipliya, Dewas	935.00	935.00
2	Development of Infrastructure facilities at the existing plant	227.00	227.00
3	Long term Working Capital Requirement	1222.00	1222.00
4	Pre-payment and/or re-payment of term loans availed by Our Company	450.00	450.00
5	General corporate purposes	[•]	[•]
	TOTAL	[•]	[•]

#### **Interim Use of Funds**

We, in accordance with the policies approved by our Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds from the Issue in high quality interest or dividend 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 Utilisation of Funds

In terms of Regulation 16(1) of the SEBI (ICDR) Regulations, we are not required to appoint a monitoring agency for the purposes of this Issue. As required under the listing agreement with the Stock Exchange, the Audit Committee appointed by our Board will monitor the utilisation of the proceeds of the Issue. We will disclose the utilisation of the proceeds of the Issue, including interim use, under a separate head in our quarterly financial disclosures and annual audited financial statements until the Issue Proceeds remain unutilised, to the extent required under the applicable law and regulation.

#### **Bridge loans**

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

#### **Collaboration or performance guarantee**

Our Company has no collaboration or performance guarantee with respect to the proposed objects.

#### **Other Confirmations**

Our Company will not pay any part of the proceeds of the Issue as consideration to the Promoters, Promoter Group, Directors, Group Entities or Key Managerial Personnel save and except in the normal course of business.

#### BASIC TERMS OF THE ISSUE

#### Terms of the Issue

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of Our Company, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, the Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment Advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, 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, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Authority for the Issue

Our Board has, pursuant to a resolution passed at its meeting held on April 14, 2010 authorised this Issue, subject to the approval of our shareholders under Section 81(1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on July 15, 2010.

#### **Ranking of Equity Shares**

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

#### Face Value and Issue Price per Share

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

#### **Terms of Payment**

Applications should be for a minimum of  $[\bullet]$  equity shares and  $[\bullet]$  equity shares thereafter. The entire price of the equity shares of Rs.  $[\bullet]$  per share (Rs. 10 face value + Rs.  $[\bullet]$  premium) is payable on application.

In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.

#### Market Lot and Trading Lot

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

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

#### **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Issue to the Public including devolvement of the Underwriter, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we and every Director of Our Company who is an officer in default, shall pay the amount with interest as prescribed under Section 73 of the Companies Act, 1956. If the number of allottees in the proposed Issue is less than 1,000 allottees, we shall forthwith refund the entire subscription amount received.

#### **BASIS FOR ISSUE PRICE**

Investors should read the following summary with the Risk Factors starting from page number 11 and the details about Our Company and its financial statements included in this DRHP on page number 132. The trading price of the Equity Shares of Our Company could decline due to these risks and the investor may lose all or part of his investment.

The Issue Price will be determined by Our Company in consultation with BRLM on the basis of assessment of market demand for the equity shares offered by Our Company by way of book building.

## **Qualitative Factors**

- Strong Brand Image
- Experience and Expertise
- Access to Latest Technology
- Strong Product Development & Reverse Engineering Capabilities
- Energy Conservation

For a detailed discussion on the qualitative factors which form the basis for computing the price, see the sections "Business Overview" and "Risk Factors" beginning on pages 82 and 11 respectively.

#### **Quantitative Factors**

Presented in this section is derived from Our Company's restated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

#### 1. Adjusted Earnings Per Equity Share

Year ended	EPS (Rs.)	Weight	
31 <sup>st</sup> March 2008	Negative	-	
31 <sup>st</sup> March 2009	1.28	1	
31 <sup>st</sup> March 2010	2.40	2	
Weighted average EPS	Rs. 2.03		
Six Months ended September 30, 2010*	Rs. 0.96		

\*Not Annualised

Notes:

- 1. EPS represents basic earnings per share calculated as per Accounting Standard 20 issued by Institute of Chartered Accountants of India.
- 2. The figures which are disclosed above are based on the restated audited financial information of Our Company.
- 3. The weighted average number of Equity shares is the number of Equity Shares outstanding at the beginning of the year, adjusted by the number of Equity share issued during the year multiplied by the time-weighting factor. The time-weighting factor is number of days for which the specific shares are outstanding as a proportion of the total number of days during the year.

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

Particulars	Issue Price of Rs. [•] per share
Based on 2009-2010 EPS of Rs. 2.40	[•]
Based on weighted average EPS of Rs. 2.03	[•]

Industry P/E	
Highest	37.80
Lowest	5.40
Industry Composite	21.30

Source: Capital Market, Vol., XXV/23, January 10-23, 2011; Industry- Auto Ancillaries

#### 3. Return on Net worth

Year ended	RONW (%)	Weight		
31 <sup>st</sup> March 2008	-	-		
31 <sup>st</sup> March 2009	16.95	1		
31 <sup>st</sup> March 2010	17.43	2		
Weighted Average RONW	17.	17.27		
Six Months ended September 30, 2010*	7.2	7.22		

\*Not Annualised

The average return on net worth has been computed on the basis of the restated audited Profit and Loss Statement of the respective years. The RONW has been computed by dividing Profit after Tax by Networth.

# 4. Minimum return on total Net worth after issue needed to maintain pre-issue EPS for the year ended March 31, 2010 is [•] % (Based on the restated financial statements)

## 5. Net Asset Value (NAV) per share (Rs.) as per our restated financial information

a)	As on 31 <sup>st</sup> March 2010	Rs. 12.44
b)	Pre-Issue (As on September 30, 2010)	Rs. 13.29
c)	Issue Price	[•]
d)	Post Issue	[•]

The figures which are disclosed above are based on the restated audited financial information of Our Company.

#### 6. Comparison with Industry Peers and Industry average

Name	EPS (Rs)	RoNW (%)	NAV (Rs.)	P/E
Bharat Gears Limited	7.10	14.50	55.60	8.40
Hi-Tech Gears Limited	9.10	32.00	35.50	8.90
Gajra Differential Gears Limited	2.40	17.43	12.44	[•]
Industry Composite	-	-	-	21.30

Source: Capital Market, Vol., XXV/23, January 10-23, 2011; Industry- Auto Ancillaries

#### 7. The face value of our Equity Shares is Rs. 10 and the Issue Price is Rs. [•] i.e., [•] times of the face value.

The Issue Price of Rs. [•] has been determined by Our Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors. The BRLM believe that the Offer Price of Rs. [•] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with "*Risk Factors*" and "*Auditors' Report and Financial Information of Our Company*" on page numbers 11 and 128 respectively, to have a more informed view. The trading price of the Equity Shares of Our Company could decline due to the factors mentioned in "*Risk Factors*" and you may lose all or part of your investments.

#### STATEMENT OF TAX BENEFITS

To The Board of Directors **Gajra Differential Gears Limited** Elve Chambers, Green Street, Fort, Mumbai - 400 023

Dear Sirs,

#### Sub: Statement of Possible Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits that may be available to Gajra Differential Gears Limited (the "Company") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 presently in force in India.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Further, we have also incorporated the amendments brought out by the Finance Act, 2010, where applicable.

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

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

Our views are based on the existing provisions of law and its interpretations, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes.

The contents of this annexure(s) are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in the preparation of this opinion, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

This report is intended solely for information and for the inclusion in the offer Document in connection with the proposed Initial Public offer of the equity shares of the Company to the public and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For P N Nagar & Co Chartered Accountants

P N Nagar Proprietor Membership No.006497 FRN.000883C Peer Certificate No: 003931

Place: Indore Dated: January 20, 2011

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

Statement of general tax benefits available to Gajra Differential Gears Limited and its shareholders

There are no special tax benefits to the company or its shareholders.

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to Gajra Differential Gears Limited and its Shareholders. These benefits are available to all companies or to the shareholders of any company, after fulfilling certain conditions as required in the respective Act.

#### **Benefits available to the Company:**

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received by the Company from domestic companies is exempt from income tax.
- Under section 115JAA (2A) of the Act, tax credit shall be allowed in respect of any tax paid (MAT) under section 115JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years immediately succeeding the year in which the MAT credit initially arose.
- Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.
- The Company is eligible for amortization of preliminary expenses being the expenditure on public Issue of share under Section 35D (2) (c) (iv) of the Act, subject to limits specified in sub section (3).
- 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 to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investments made on or after April 1, 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lacs.

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its 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" for making investment under this section on or after 1<sup>st</sup> April 2007 means any bond, redeemable after three years and issued on or after the 1<sup>st</sup> April 2007 by:

- (i) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or
- (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
  - As per Section 111A of the Act, short term capital gains arising to the Company from the sale of equity shares 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 and education cess).

#### **Benefits available to Resident Shareholders**

• Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.

- Under 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 wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to section 48 of the Act, in respect of long term capital gains (i.e. shares held for a period exceeding 12 months) from transfer of shares of Indian Company, it permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.
- Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is chargeable to securities transaction tax.
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains, (other than those exempt under section 10(38) of the Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax would however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the Act for any assessment year beginning on or after April 1, 2006.

- Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
- Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is chargeable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.
- The Issue of shares by the Company being an eligible Issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED of the Act.
- Under section 72(1) of the Act, where for any assessment year, the net result of the computation under the head "Profits & Gains of Business or Profession" is a loss to the company, not being loss sustained in a speculation business, and such loss cannot be and is not wholly set off against income from any other head of income for the same year, the same shall be eligible to be carried forward; and such loss carried forward shall be available for set off against income from business under head "Profits & Gains of Business or Profession" only for subsequent years. As per section 72(3) of the Act, the loss carried forward can be set off subject to a limit of 8 assessment years immediately succeeding the assessment year for which the loss was first computed.

#### **Benefits available to Mutual Funds**

• As per the provisions of Section 10(23D) of the Act, Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

## Benefits available to Foreign Institutional Investors ('FIIs')

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is chargeable to securities transaction tax.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion.

- Under section 115AD (1) (ii) of the Act short term capital gains on transfer of securities shall be chargeable @ 30% plus applicable surcharge and education cess. However, where such transaction of sale is entered on a recognized stock exchange in India and is chargeable to securities transaction tax. The rate of tax would be 15 percent plus applicable surcharge and education cess.
- Under section 115AD (1) (iii) of the Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.
- As per section 90(2) of the Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the Act to the extent they are more beneficial to the FII.

#### **Benefits available to Venture Capital Companies / Funds**

• Under section 10(23FB) of the Act, any income of Venture Capital companies/ Funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per section 115U of the Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

## <u>Benefits available to Non-Residents / Non-Resident Indian Shareholders (other than Mutual Funds, FIIs and Foreign Venture Capital Investors)</u>

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange in India and is chargeable to securities transaction tax.
- Under the first proviso to section 48 of the Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act-discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains, (other than those exempt under section 10(38) of the Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax would however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion.

- Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
- Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is chargeable to securities transaction tax.

Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits:

- Under section 115E of the Act, where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a Non-Resident Indian, long term capital gains arising to the non-resident Indian shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.
- Under provisions of 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 (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

**Non-resident Indians** have an option to be governed by the special provisions of Chapter XII A of the Act according to which:

- Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
- The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115 H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.
- Under Section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not to be governed by the above mentioned special provisions of chapter XII-A, then he will be entitled to tax benefits available to resident individuals.

## Wealth Tax

• The Shares held in a Company are not chargeable to Wealth Tax under the Wealth Tax Act, 1957.

## Gift Tax

• The Gift Tax Act, 1958 ceases to apply to gifts made on or after October 01, 1998. However as per section 56(vii)(c) of the Income Tax Act, 1961 shares received as gift by an Individual or HUF, the aggregate market value of which exceeds Rs.50000; are taxable as "Other Income" in the hands of recipient except from relatives and on certain occasions etc. specified under proviso to that section.

The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.

For P N Nagar & Co Chartered Accountants

P N Nagar Proprietor Membership No.006497 FRN.000883C Peer Certificate No: 003931

Place: Indore Dated: January, 20 2011

### SECTION VI - ABOUT THE COMPANY

#### INDUSTRY OVERVIEW

Unless otherwise indicated, the information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by Our Company, the Book Running Lead Manager and their respective legal or financial advisors, and no representations is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness, underlying assumptions and reliability cannot be assured. Accordingly, investment decisions should not be based on such information.

#### **Automotive Industry**

#### **Global Position of Indian Automotive Industry:**

Automotive industry plays a pivotal role in country's rapid economic and industrial development. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipments, logistics, paper, cement, sugar, etc. It facilitates the improvement in various infrastructure facilities like power, rail and road transport. Due to its deep forward and backward linkages with almost every segment of the economy, the industry has a strong and positive multiplier effect and thus propels progress of a nation. The automotive industry comprises of the automobile and the auto component sectors. It includes passenger cars; light, medium and heavy commercial vehicles; multi-utility vehicles such as jeeps, scooters, motor-cycles, three wheelers, tractors, etc; and auto components like engine parts, drive and transmission parts, suspension and braking parts, electrical, body and chassis parts; etc.

In India, automotive is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country. Presently, India is fifth largest manufacturer of commercial vehicles as well as largest manufacturer of tractors. The sector has shown great advances in terms of development, spread, absorption of newer technologies and flexibility in the wake of changing business scenario.

The Indian automotive industry has made rapid strides since delicensing and opening up of the sector in 1991. It has witnessed the entry of several new manufacturers with the state-of-art technology, thus replacing the monopoly of few manufacturers. The norms for foreign investment and import of technology have also been liberalised over the years for manufacture of vehicles.

(Source: Website of Business Portal of India: Industry and Services: Automobile Industry)

#### **Domestic Scenario**

#### Indian Economy:

There was a significant slowdown in the growth rate in the second half of 2008-09, following the financial crisis that began in the industrialised nations in 2007 and spread to the real economy across the world. The growth rate of the gross domestic product (GDP) in 2008-09 was 6.7 per cent, with growth in the last two quarters hovering around 6 per cent.

The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9 per cent. As per the advance estimates of GDP for 2009-10, released by the Central Statistical Organisation (CSO), the economy is expected to grow at 7.2 per cent in 2009-10, with the industrial and the service sectors growing at 8.2 and 8.7 per cent respectively. This recovery is impressive for at least three reasons. First, it has come about despite a decline of 0.2 per cent in agricultural output, which was the consequence of sub-normal monsoons. Second, it foreshadows renewed momentum in the manufacturing sector, which had seen continuous decline in the growth rate for almost eight quarters since 2007-08. Indeed, manufacturing growth has more than doubled from 3.2 per cent in 2008-09 to 8.9 per cent in 2009-10. Third, there has been a recovery in the growth rate of gross fixed capital formation, which had declined significantly in 2008-09 as per the revised National Accounts Statistics (NAS).

The following table summarises the GDP data for the last five years:

The key indicators for GDP are given below:
---------------------------------------------

Data categories and Components	2005-06	2006-07	2007-08	2008-09	2009-10
GDP and Related Indicators					
GDP Current Market Prices	3706473	4283979	4947857	5574449OE	6164178 AE
(Rs in Crores)	3700473	4203979	494/03/	5574449QE	0104178 AL
Growth Rate (%)	14.4	15.6	15.5	12.7	10.6
GDP (Factor Cost 2004-05 Prices)	3249130	3564627	3893457	4154973QE	4453064 AE
(Rs In Crores)	5249150	5504027	3693437	4134973QE	4433004 AE
Growth Rate (%)	9.5	9.7	9.2	6.7	7.2

QE=Quarter Estimates, AE=Annual Estimates

(Source: Economic Survey 2009-10)

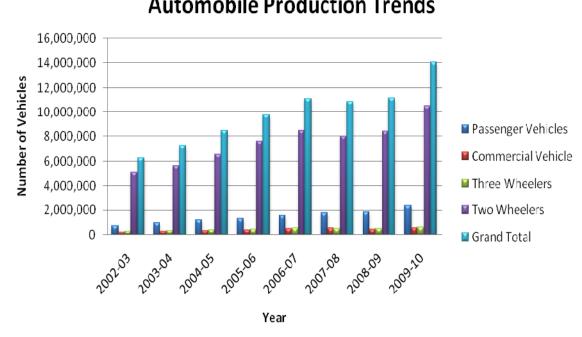
#### **Indian Automotive Production:**

#### **Automobile Production Trends:**

(Number of Vehicles)

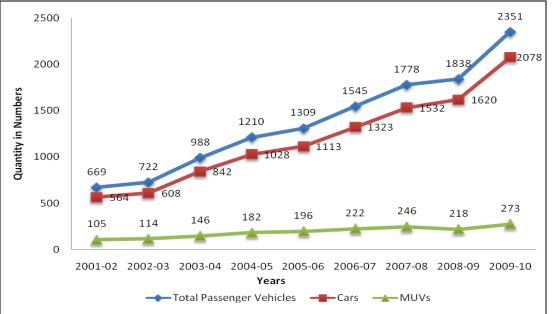
Automobile Production Trends									
Category	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	
Passenger Vehicles	723,330	989,560	1,209,876	1,309,300	1,545,223	1,777,583	1,838,593	2,351,240	
Commercial Vehicle	203,697	275,040	353,703	391,083	519,982	549,006	416,870	566,608	
Three Wheelers	276,719	356,223	374,445	434,423	556,126	500,660	497,020	619,093	
Two Wheelers	5,076,221	5,622,741	6,529,829	7,608,697	8,466,666	8,026,681	8,419,792	10,512,889	
Grand Total	6,279,967	7,243,564	8,467,853	9,743,503	11,087,997	10,853,930	11,172,275	14,049,830	

(Source: Website of Society of Indian Automobile Manufacturers, SIAM)

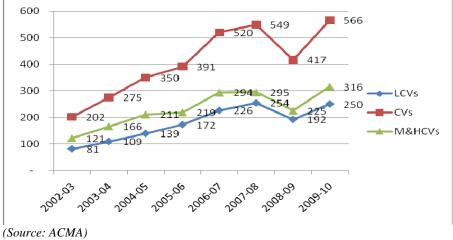


# **Automobile Production Trends**





<sup>(</sup>Source: The Automotive Component Manufacturers Association of India (ACMA))

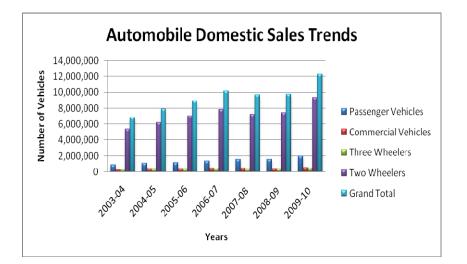


# **Commercial Vehicle Production:**

(Number of Vehicles)

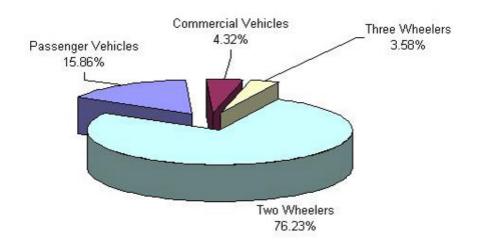
Automobile Domestic Sales Trends									
Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10		
Passenger Vehicles	902,096	1,061,572	1,143,076	1,379,979	1,549,882	1,552,703	1,949,776		
Commercial Vehicles	260,114	318,430	351,041	467,765	490,494	384,194	531,395		
Three Wheelers	284,078	307,862	359,920	403,910	364,781	349,727	440,368		
Two Wheelers	5,364,249	6,209,765	7,052,391	7,872,334	7,249,278	7,437,619	9,371,231		
Grand Total	6,810,537	7,897,629	8,906,428	10,123,988	9,654,435	9,724,243	12,292,770		

(Source: Website of Society of Indian Automobile Manufacturers, SIAM)



#### **Domestic Market Share for 2009-10:**

Category	%
Passenger Vehicles	15.86
Commercial Vehicles	4.32
Three Wheelers	3.58
Two Wheelers	76.23



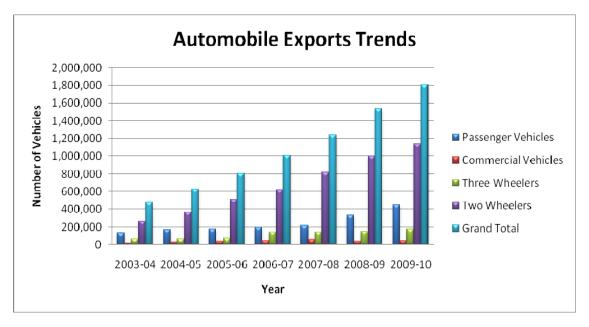
# Segment Wise Market Share in 2009-10

(Source: Website of Society of Indian Automobile Manufacturers, SIAM)

# Automobile Exports Trends:

						(N)	umber of venicles)
Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Passenger Vehicles	129,291	166,402	175,572	198,452	218,401	335,729	446,146
Commercial Vehicles	17,432	29,940	40,600	49,537	58,994	42,625	45,007
Three Wheelers	68,144	66,795	76,881	143,896	141,225	148,066	173,282
Two Wheelers	265,052	366,407	513,169	619,644	819,713	1,004,174	1,140,184
Grand Total	479,919	629,544	806,222	1,011,529	1,238,333	1,530,594	1,804,619

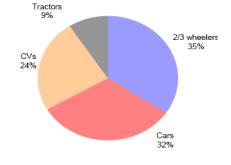
(Source: Website of Society of Indian Automobile Manufacturers, SIAM)



#### **Auto Components Industry**

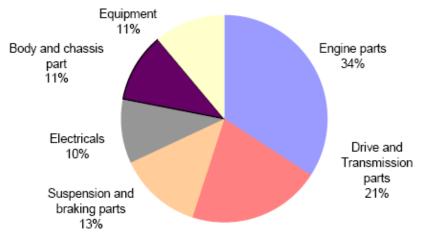
India's automotive component industry manufactures the entire range of parts required by the domestic automobile industry. Auto component manufacturers supply to two kinds of buyers – original equipment manufacturers (OEM) and the replacement market. The replacement market is characterised by the presence of several small-scale suppliers who score over the organised players in terms of excise duty exemptions and lower overheads. The demand from the OEM market, on the other hand, is dependent on the demand for new vehicles. With the Indian Auto industry set to enter a new era, domestic auto component players are clear beneficiaries. While auto majors are ramping up capacity to keep pace with local demand, global auto majors like Volkswagen and Renault-Nissan are also raising their presence and looking at India as a potential global auto hub. Auto component players with scale and size are winners. The Automotive Component Industry's output amounted for the financial year 2008-09 at US\$ 19 billion with a growth rate of 6.1% against financial year 2007-08. It is likely to touch US\$ 40 billion, increasing India's share in the global auto component market from 1 per cent to 3 per cent by 2015-16. The Indian auto component industry is highly fragmented with close to 500 organised players and more than 5000 smaller, unorganised players. In terms of demand, Automobile Component Manufacturers Association (ACMA) estimates that the domestic market accounts for 85% of demand (of which original equipment manufacturers: 50% and replacement demand: 35%) while exports account for 15% of component demand.

In terms of industry-wise split, two and three wheelers contribute 35% of demand of auto component industry, while cars constitute 32%. Finally in terms of product profile, according to ACMA, components related to engine and transmission parts account for 55% of the Indian auto component industry sales, as shown in the chart given below. (Source: ACMA)



#### Industry-wise break-up of auto components

(Source: ACMA) Product-wise contribution:

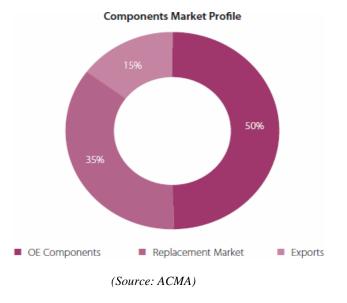


(Source: ACMA)

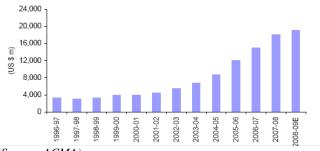
# Market Structure of Indian Component Industry

Supply to the OEMs constitutes the major share of the Indian auto component market, at 50 per cent of the total market, followed by the replacement market.

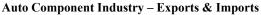
(Source: www.ibef.org)



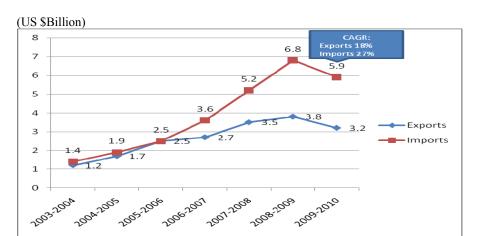


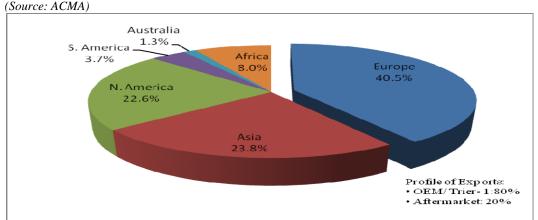


(Source: ACMA)

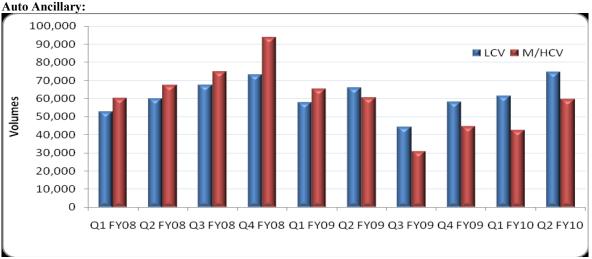


The industry has been exporting around 20% of its output and growing at the rate of 8%. In the year 2008-09, industry has exported US\$ 3.8 billion versus US\$ 3.5 billion in year 2007-08. Principal export items include replacement parts, tractor parts, motorcycle parts, piston rings, gaskets, engine valves, fuel pump nozzles, fuel injection parts, filter & filter elements, radiators, gears, leaf springs, brake assemblies & bearings, clutch facings, head lamps, auto bulbs & halogen bulbs, spark plugs and body parts. (Source: ACMA)











(Source: SIAM)

Component demand from OEMs in most sub-segments of the automotive industry is showing signs of revival since Q2, 2009-10, aided by the continuing economic upturn and the fiscal stimulus announced by the Government in the wake of the crisis. The medium-term outlook for the automotive and consequently the auto ancillary industry appears healthy, given the gradual revival in vehicle financing, leaner channel inventory, the healthy trend in the underlying demand conditions, and the expected pre-buying of M&HCVs (ahead of changes in emission norms). The demand from the exports market, however, remains weak because of the conditions prevailing in the key target markets.

In Q2, 2009-10, most auto component suppliers reported revenue growth and improvement in profitability on the back of larger business volumes and soft commodity prices. The key challenges facing the auto ancillary industry at this juncture include rising commodity prices and weak demand in the exports markets. Additionally, if the domestic growth trend sustains over a few more quarters, many auto component suppliers may have to revive the capacity enhancement plans they had put on hold last year following large-scale demand destruction.

The beginning of an uptrend is often marked by low breakeven levels, given the cost control measures that would have been initiated during the downturn. However, the ability to continue with the cost control measures over the long term, especially during an uptrend, remains to be seen. While the period 2008-09 and 9 month 2009-10 have been marked by a relatively large number of rating downgrades by ICRA in the auto components space, the pressure appears to have eased with domestic demand reporting a healthy pickup.

#### Replacement volumes continue to grow at a healthy pace

For an auto ancillary company, a balanced mix between OEM and aftermarket sales is a significant positive. Typically, a strong after market provides for greater sales stability and stronger operating margins than an OEM. However, strong OEM sales are often the basis for an established presence in the aftermarket, given that OEM sales provide significant brand visibility. A balanced mix between OEM and aftermarket sales helps maximise returns on investment by enabling a component manufacturer to exploit the entire product cycle from product launch to replacement. Despite the downturn in the automotive market, component suppliers with a stronger presence in the aftermarket were better able to withstand the pressures on top-line and profitability.

#### Domestic vehicle demand stages strong recovery in current fiscal

Barring the M&HCV segment, the Indian automotive industry reported a strong volume recovery in Q2, 2009-10. The M&HCV segment has also witnessed sequential growth over the last two quarters (Q2 and Q3, 2009-10), and is expected to register increasing volumes over the rest of the current Fiscal. The demand revival in the Indian automotive industry is being supported by a positive economic outlook and the gradual return towards normalcy that is being witnessed in the vehicle financing market. CV demand is also being supported by the excise duty cuts and accelerated depreciation that are part of the fiscal stimulus package initiated by the government in Q4, 2008-09. Additionally, the M&HCV industry also anticipates strong demand generated by the emission norm1 change triggered pre-buying in Q4, 2009-10.

#### The Major Business Drivers in the Industry are:

- Mass transport system is required for the India's huge geographic spread
- Cheaper (declining interest rates) & easy finance schemes
- Replacement of aging four wheelers
- Increasing road development and making of various National Highway Projects for example Golden Quadrilateral
- Increasing dispensable income of rural agriculture sector
- Higher GDP growth
- Increasing disposable income with the service sector
- Growing concept of second vehicle in urban areas

(Source: ACMA)

#### Global Trends that will Impact the Auto component industry in India:

- Key factors influencing the global car manufacturer have ripple effect on the domestic automobile industry in different parts of the world as well as the auto ancillary industry which supply parts to the auto industry.
- Internationally consumer preferences are determining the current styles, reliability, and performance standard of vehicle.
- Government regulations in relations to trade, safety, and environment etc. also make it necessary for modernisation and changes in designs and production methods.

- Competitive rivalries and corporate strategies also provide impetus for research, design innovations, and changes in the manufacturing processes.
- The top automakers in the world are constantly under pressure to identify consumer preferences, national biases, and new market segments where they can sell vehicle and gain market share. Their ability to be flexible enough to quickly respond to all these pressure will determine their future in the industry. Implications of these factors are vast and get propagated along the supply chain of the automaker.
- The major factor influencing the global car makers is the pattern of demand for new cars. In the developed countries of the world i.e. Western Europe, Japan, and United States (US) original equipment manufacturer (OEMs) have been facing a mature market for the past 10 years, with stagnant demand (as compared to developing countries like India and China), product proliferation, and stiff price competition.

#### Vision & Outlook of Auto policy of Government of India:

The Government is extending its full support in order to boost the automotive industry and derive maximum benefit from the growing Industry. Following are some of the measures, which the government has taken to promote investment in Indian auto Industry:

- Ease of export & import norms.
- Tariff Barriers: being reduced
- Non Tariff Barriers: Non existent
- Free Trade Agreements (FTA) with various ASEAN countries
- Setting up of Special Economic Zone (SEZ) to provide tax benefit to budding companies.

#### Automotive Gear Industry

The Indian Gear Industry is dependent on the Automotive Industry, Engineering Industry and Machine Tools Industry for its production.

In India, the Gear manufacturers are very well aware of the world developments and technology competence in Indian industry is quite comparable to other advanced countries within the restraints of capital investment.

There are mainly 14 units in the automotive sector in the country who specialise in the manufacture of gears, transmission gears, etc. The gear market for convenience is often divided into four major divisions; they are automotive, industrial, marine and lastly the aerospace.

It is the automotive sector that forms the single largest group when it comes to gear applications. In fact the automotive sector is almost three times the size of other three sectors added together.

#### **Demand Supply Scenario**

The fortune of the gear industry, which forms a very small proportion of the auto ancillary industry, is pegged to the growth of the auto industry. The following are the demand drivers for the gears:

- Auto industry's prospects
- Economy and sectoral performances
- Purchasing power, income levels
- Total vehicle population

#### **Future Outlook**

With the automotive industry showing signs of revival in domestic market, the outlook for the automotive components industry has improved. The commercial vehicle and passenger car segments have done well in FY2010. As far as export demand is concerned, the Indian automotive components industry has strong potential to increase exports with India emerging as the sourcing hub for global automotive giants. The trend is likely to continue in future as the Indian manufacturers enjoy competitive advantage in the production of assembled parts like clutches (one of the fastest growing items in the global export market) and lighting equipment requiring low labor costs. In a similar vein, Indian manufacturers enjoy advantage in the production of castings and forgings, as these are subject to less stringent environment regulations in India, as compared with developed countries. Gear manufacturing is today a multi billion dollar industry. As the demands of this industry are growing, manufacturers are now increasingly seeking machining tools and technology that can meet with the tough challenges. As in this increasingly globalise world order manufacturers need suppliers that have global resources for delivering better machines, tools etc. Gears

are now produced in near-net shape, with a cut in production as well as labour costs and elimination or reduction of wastes. These are also impacting the gear manufacturers to have greater freedom in the choice of materials. (Source: Federation of Automobile Dealers Associations)

#### **BUSINESS OVERVIEW**

The Gajra Group started its first unit under the banner of 'M/s. Elve Corporation', a partnership firm, which was engaged in the business of trading in diesel engines and spare parts. Thereafter, in the year 1962, M/s. Gajra Gears, a partnership firm was formed for manufacturing of transmission gears, which was later converted in to private limited company in 1972.

The Gajra Group formally split in the year 1990 through a Family Settlement Deed and Gajra Gears Private Limited and M/s. Elve Corporation came under the control of Mr. R. B. Gajra, spouse of Ms. Rita R. Gajra (Our Promoter). Since then, neither Mr. R. B. Gajra nor Ms. Rita R. Gajra have had any association with the entities promoted by other family members of the extended Gajra family. Gajra Gears Private Limited is engaged in the manufacturing of transmission gears mainly used by the automotive industry whereas M/s. Elve Corporation, presently 100% export oriented unit, is engaged in the exports of different variety of gears.

Our Company was incorporated in 1991 for the manufacturing of differential/ axle gears for cars, trucks, tractors, jeeps, MCVs and LCVs. Initially, we set up our facility to manufacture differential gears at the existing location of our Group Entity, Gajra Gears Private Limited, Dewas to manufacture differential gears. Subsequently, in the year 1998, we purchased a freehold land at Village Lohar Pipliya-Kshipra, District Dewas, Madhya Pradesh, India from Gajra Gears Private Limited and constructed a factory Building and administrative block during the period 1998-2002. Immediately thereafter, we shifted all the existing machineries from the old unit and installed the same at this new unit along with additional machineries. We commenced the production of differential gears at new site w.e.f. March 23, 2002. Our products are catering to replacement, Original Equipment Manufacturer ("**OEM**") as well as export segment.

In a short span of time, the enthusiasm to exceed customer expectations of high quality, competitive pricing and value for customers has made us one of the growing players in the Indian replacement market. In addition, fast development of superior quality products with good customer service has enabled us to develop more than 300 Crown Wheel Pinion Ratios and 60 Differential Spider Kit Assemblies.

We have self-contained setup with modern equipment, a competent R&D team, trained manpower, and in-house manufacturing of cutting tools, jigs and fixtures. This has enabled us to cut down the new product development time to just a few months. We use high quality machines in our manufacturing programs. We strive to provide the highest quality differential parts with the best possible prices using the latest manufacturing and metallurgical processes available.

#### **Our Competitive Strengths**

#### **Strong Brand Image**

Our Company believes it has very strong brand image in the domestic market. Brand "Gajra" (which relates to Our Company as well as our Group Entity, Gajra Gears Private Limited) relates to various gear products and caters both to the OEM and the replacement demand. We believe the long existence of our brand and the strength of our brand equity enables us to stay ahead of the competition.

#### **Experience and Expertise**

Professionally managed company run by Promoters having over four decades experience in the line of manufacturing and supplying differential components in the domestic and international market. Our Company has trained and skilled work force dedicated to our effort to ensure perfection and impeccability in every work area. We also provide our workforce with continuous training & improvement and endeavour to inculcate a sense of belonging and participation among our employees.

#### **Continuous Efforts & Plans for Supplier Upgradation**

We fully realise the importance of all participants in a product's supply chain till it reaches the end user. Therefore, we make our suppliers an integral part of our success effort and we are also in the process of upgrading all our suppliers to ISO standards in order to make them globally competitive like ourselves.

#### Access to Latest Technology

Continuous Gas Carburizing (CGC) Furnace had been installed at our factory to have world-class facility for 'Heat Treatment' of Crown Wheel & Pinions and with this facility we have improved in quality, export possibility and domestic sales by improvement in cost savings.

#### We have strong Product Development & Reverse Engineering Capabilities

We have developed various products for export and domestic market. The development is based on reverse engineering since Our Company is mainly catering to replacement market.

#### **Energy Conservation**

Electrical furnaces have been replaced by propane operated gas fired furnaces by using best quality burners, which will save energy consumption. Also voltage stabilisers and internal monitoring controls are being introduced to save energy, optimum utilisation and reducing per unit production cost.

#### **Our Strategies**

Our Company's growth strategies over the short and medium term are based on the following factors.

#### **Expanding the Product Portfolio**

With the development and growth in the automobile sector, Our Company is addressing the requirements of this sector by expanding and modernising the existing facility for manufacturing of improved quality products. As a part of Our Company's growth strategy we endeavor to constantly develop new products based on the requirements of the industry. Our Company proposes to use the latest technology and proposes to import the machinery for the same from overseas suppliers.

Dawied		CWP		SKA	A & Others	5	Total		
Period	Domestic	Export	Total	Domestic	Export	Total	Domestic	Export	Total
April									
2010 to	5	17	22	0	1	1	5	18	23
October	5	1 /	22	0	1	1	5	10	23
2010									
FY									
2009-	5	22	27	3	2	5	8	24	32
2010									
FY									
2008-	2	40	42	1	14	15	3	54	57
2009									
FY									
2007-	1	35	36	0	12	12	1	47	48
2008									
FY									
2006-	4	22	26	3	14	17	7	36	43
2007									
Total	17	136	153	7	43	50	24	179	203

#### Expansion in manufacturing capacities

It has been Our Company's endeavor to continuously increase our capacities. We intend to keep on adding capacities to meet the increasing demand of our products. The proposed project to manufacture Crown Wheels and Pinions with an additional capacity of 40,000 units is in tune with our strategy and policy of creating economical feasible capacity.

#### Improving Operating efficiency

In order to increase our efficiency levels, we are continuously adopting the new technologies in areas like energy saving, reduction in manpower, reduction changeover/setting time, autonomous maintenance of machines. As we

expand our capacities our fixed cost will get further rationalised and it will give us an opportunity to negotiate better raw material prices.

# **Our Manufacturing Facilities**

Our factory is located at Lohar Pipliya, Near Kshipra, A.B.Road, Dewas - 455 001, Madhya Pradesh, India.

The Key Equipments presently used are as under:

- GL104 / 114 Coniflex Generators.
- GL575 / 506 / 119 Lapper.
- GL606 / 607 / 608 / 609 / 610 / 641 machines for Spiral and Hypoid teeth cutting of Crown Wheel / Ring Gears.
- GL116 / 118 for Spiral and Hypoid teeth cutting of Pinions.
- GL537 / 529 Press Quenching machines.



**GL114 Coniflex Generator** 



GL 606 Crown Wheel Generator



GL575 Lapper



**GL 118 Pinion Generator** 

Quality control is ensured for blanks, tooth spacing, contact pattern, noise, backlash and other defects via various tests performed using GL 511 / 17A testers. In addition, structure and hardness tests are also undertaken.



GL 17 A Tester



GL 537 Quench Press

In addition, we have a Continuous Gas Carburizing (CGC) Furnace to heat-treat its products.



C G C Furnace

# **Our Products**

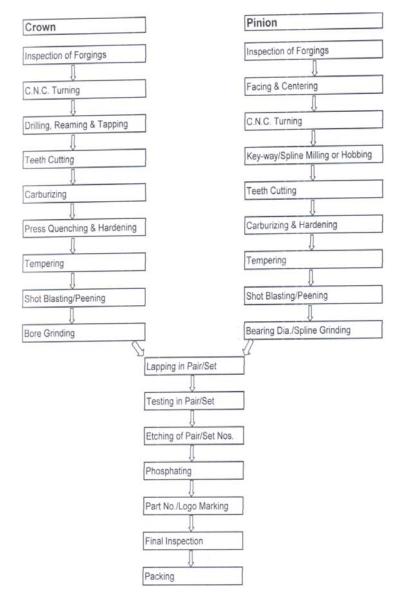
We are producing the following range of Differential Gears in Quality DIN Class 8 - 11:

1.	Crown Wheel / Ring Gears		
	Outside Diameter	150-400 mm	
	Module	1.5 - 12.7	
	No. of Teeth	20 - 75	Witness.
	Face Width	70 Max	
2.	Tail Pinion		
	Outside Diameter	30-160 mm	
	Module	1.5 – 12.7	
	No. of Teeth	5 -150	
	Face Width	70 Max	
3.	Straight Bevel Gears/Pinion		
	Outside Diameter	30 – 400 mm	
	Module	1.5 - 10.5	
	No. of Teeth	9 - 150	
4.	Curvic Couplings and Face Clutches		( and the second

	Outside Diameter	30 – 300 mm	
5.	Spider Kit Assemblies		
	a) Bevel Gear -2 Nos,Bevel Pinion -4 No b) Bevel Gear -2 Nos,Bevel Pinion -2 No		

# **Manufacturing Process**

# Crown Wheel & Pinion



### Utilities

#### **Raw Material**

The key raw materials required for manufacturing of differential gears are Forgings and Steel Bar.

### Power

Our Company/factory sources power from Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited with the contract demand of 500 KVA. We also have two generators of 1000 KVA each for power back- up. The present connected load is sufficient for meeting the additional load requirements post expansion.

# Water

The required water is available from bore well, which is adequate to meet the present requirement as well as requirement post expansion.

#### **Environmental Factors**

Our Company is engaged in manufacturing differential gears which does not generate effluents. However, we are complying with the Pollution Control Guidelines for our plant.

# **Capacity and Capacity Utilisation**

The table below sets out our installed capacity as of September 01, 2010 and the future projected capacities after our expansion are summarised as under:

#### Existing

Financial Year	<b>Current Installed Capacity</b> (in metric tons)	<b>Capacity Utilised</b> (in metric tons)	Percentage (%)
2007-2008	3225	1589	49.27
2008-2009	3225	1580	49.00
2009-2010	3225	1454	45.09

#### Proposed

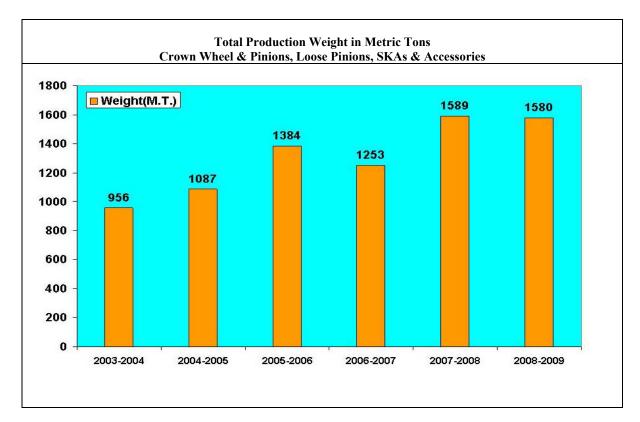
Financial Year	<b>Proposed Installed Capacity</b> (in metric tons)	<b>Capacity Utilisation</b> (in metric tons)	Percentage (%)
2010-2011	3225	1855	57.50
2011-2012	3625	2616	72.17
2012-2013	4025	2918	72.50

The capacity utilisation is for Crown Wheel & Pinion, Spider Kit assemblies, Bevel Gears, Loose pinion and Spiders.

# Sales and Marketing

We are catering mainly to replacement market but have also started catering to Original Equipment Manufacturers (OEMs) and shown impressive presence in the export market. Looking at Our Company's share in different segments, we do not expect any difficulty in marketing our products. It can further be anticipated that we may continue registering a good growth in time to come with the growth in automobile market.

We have an established Sales & Distribution network, which is common with our Group Entity – Gajra Gears Private Limited. Our network has 2,500 dealers, 9 distributors and 19 sales offices. In addition to our pan India presence, we have an international sales network though our associate concern, M/s. Elve Corporation, spanning the United States, South East Asia, the African continent, and a recent tie up in Europe is set to further boost our share of export revenues. About 50% of Our Company's production is earmarked for export, which is in the form of job work, earning about 35% of net revenue.



# **Top Ten Customers**

Particulars	Six month September 30		FY 2010		FY 2009		
	Amount (Rs. in Lacs)	%	Amount (Rs. in Lacs)	%	Amount (Rs. in Lacs)	%	
Sales from top 3 customers	653.27	45.00	1333.07	47.00	1696.05	56.00	
Sales from top 5 customers	864.74	59.00	1732.89	61.00	1978.16	65.00	
Sales from top 10 customers	1086.51	75.00	2176.76	76.00	2314.93	76.00	

Top Ten Customers account for 76% of the total sales revenues of Our Company.

#### Competition

We face competition from various domestic players in gear manufacturing as well as from OEMs, who also sell spare parts as part of after sales service.

We plan to expand our facilities as well as implement the new marketing strategy to meet the challenges in the current business scenario.

The overall goals for marketing plan are to:

- Prepare viable advertisements, sales promotions, sponsorships, database programs and other marketing communication tools;
- Produce products with standard specifications for easy marketability

#### **Export Obligations**

Our Company is presently exporting its products through established exporters. There are direct export possibilities in the future. As on date there, are no export obligations of Our Company.

## **Human Resource**

As on date, Our Company has a total of 392 permanent employees. In addition to salary and allowances, we provide benefits to our employees, such as HRA, medical reimbursement, employee provident fund, Gratuity Fund, etc depending upon the positions of the employee.

Department	Number of Employees
Administration	2
Manufacturing Administration	4
Personnel	40
Secretarial	1
Kit line manufacturing	16
Pinion line manufacturing	48
Crown line manufacturing	33
Grinding section manufacturing	52
Miscellaneous	2
Product planning	12
Heat treatment	51
Metallurgical Laboratory	4
Main store	4
Mechanical maintenance	20
Electrical maintenance	15
Inspection and Quality control	34
Tool crib	11
Design and development	12
Accounts	8
Data processing	1
Marketing/ sales	2
Packing	15
Excise	2
Purchase	3
Total	392

# Payment or Benefit to Officers of Our Company

No amount or benefit has been paid or given to any officer of Our Company within the two preceding years from the date of filing of this DRHP or is intended to be paid, other than in the ordinary course of their employment.

#### **Properties**

# Freehold Property:

Sr. No.	Date of sale deed/ Agreement for sale	Description of the property	Consideration paid (Rs.)	Current Usage
1.	Sale Deed of Agricultural	Agricultural Land situated at Survey		
	Land dated April 25, 1998	Number 428 (old Survey Number 396		For
		and 397 consolidated into new Survey		manufacturin
		Number 428) measuring situated in	8,000,000	g of
		Patwari Halka Number 26 in Village		Differential
		Lohar Piplya, Tehsil Dewas, District		Gears
		Dewas, Madhya Pradesh, India.		

#### Leasehold Properties:

Sr. No.	Particulars	Details of Agreement / Deed	Date of Agreement	Agreement valid until	Rent
1.	Ground Floor, Elve Chambers, Green Street, Fort, Mumbai – 400 023, Maharashtra, India.	Leave and License Agreement entered into between M/s. Elve Corporation and Our Company	September 15, 2010	July 14, 2015	Rs. 4,000 per month
2.	T-101, Friend's Houses Kandia Road Corner, Above State Bank of India, Indore – 452 016, Madhya Pradesh, India.	Premises taken on lease for residence for the Managing Director of Our Company	November 16, 2010	February 28, 2011	Rs. 26, 136 per month
3.	T-201, Friend's Houses Kandia Road Corner, Above State Bank of India, Indore – 452 016, Madhya Pradesh, India.	Lease Agreement enterned into between Ms. Rashmi Gajra and Our Company	September 21, 2010	February 28, 2011	Rs. 1,000 per month

#### **Business Facility Agreement**

Our Company has executed a Business Facility Agreement dated November 26, 2010 with Gajra Gears Private Limited ("GGPL"), one of our Group Entities.

GGPL has an extensive network of business premises and facilities all over India, including office space, infrastructure, equipment, accounting and inventory systems, warehousing, transportation, services of trained staff, vehicles, licenses, etc., including branch offices and warehouse premises all over India, for the purposes of manufacturing and sales of its products.

In light of such extensive administrative & marketing network and facilities of GGPL, Our Company shall have non-exclusive right to use of this network and facilities for a consideration computed quarterly, based on the expenses incurred by GGPL, the sales of Our Company and the sales of GGPL.

This agreement is valid from December 01, 2010 until a notice of termination of agreement is served by either of the parties, with a minimum notice of six months.

#### **Insurance Policies**

We maintain insurance against property damage caused by fire, flood, explosion and other artificial or natural disasters that may result in physical damage to or destruction of our facilities, equipment and inventory. All policies are subject to deductibles and coverage limitations. We also maintain or expect to maintain a range of commercial general liability insurance, including mediclaim insurance for our employees. We also maintain Directors and Officers Liability insurance, which excludes liability of the insurer in the event of a proposed or actual sale of securities, whether debt or equity, by Our Company. Such an exclusive event requires separate coverage, which Our Company has not yet obtained.

Details of insurance policies taken by Our Company from United India Insurance Company Limited are given below:

<b>C</b>			Deve an enter		Sum Insured	Premium
Sr. No.	Policy No	Description	Property Insured	Expiry Date	(Amount in	(Amount in
	101200/11/10/			1 20 2011	Rs.)	Rs.)
1.	191300/11/10/ 11/00000314	Earthquake (Fire & Shocks) Covered	Engineering Workshop	June 30, 2011	33,95,00,000	74,283
2.	191300/42/10/ 03/00000128	Group Personal Accident Policy	90 Un- Named Staff	April19, 2011	1,30,00,000	23,400
3.	191300/42/10/ 03/00000574	Group Personal Accident Policy	48 Named Staff	May 26, 2011	1,06,50,000	18630
4.	191300/11/10/ 13/00000315	Earthquake (Fire & Shocks) Covered	Materials in Godown	June 30, 2011	50,00,000	2505
5.	191300/11/10/ 11/00000223	Earthquake (Fire & Shocks) Covered	Building and Stocks/ Contents	May 25, 2011	58,00,000	2,672
6.	191300/48/10/ 07/00000163	Money Insurance Policy	Cash, Bank Draft, Currency notes, Cheques, Postal Order and Current Postage Stamps	April 19, 2011	1,00,000	2,206
7.	191300/11/09/ 11/00000440	Earthquake (Fire & Shocks) Covered	Electronic Software Development Unit/s	September 26, 2011	6,49,00,000	17,367
8.	191300/11/10/ 11/00000792	Standard Fire and Special Perils Policy	Engineering workshop (others), clock/ watch manufacturin g, motor vehicle garages including including earthquake, fire and shock at on sealed quench furnace with accessories of washing monitor tempering	January 04, 2012	1,00,00,000	16,546

Sr. No.	Policy No	Description	Property Insured	Expiry Date	Sum Insured (Amount in Rs.)	Premium (Amount in Rs.)
			machine, pre- heating machine and control panel, etc.			
9.	191300/31/10/ 01/00012710	Private Car Package Policy	Honda Accord bearing registration number MP 09 CB 0980	November 10, 2011	7,50,000	20,815
10.	191300/31/10/ 01/00004884	Vehicle Insurance	Vehicle Insured MP- 09-HD-7862 Honda City Car	July 02, 2011	3,55,000	7,780
11.	191300/31/10/ 01/00000643	Private Car Package Policy	Tata Indica DLS bearing registration number MP 41 C 0369	April 15, 2011	1,08,000	3,635
12.	191300/21/09/ 02/00000152	Marine Cargo Open Policy	Finished Goods Automotive Differential Gear Parts	February 26, 2011	75,00,000	3,370
13.	191300/21/09/ 02/00000155	Marine Cargo Open Policy	All incoming material like Forgings, Spares, Packing material, Motors Electric/Elect ronic Appliance, All type of Consumables, Oil, Office Furniture etc.	March 14, 2011	2,50,00,000	26,100
14.	191300/21/10/ 02/00000053	Marine Cargo Open Policy	Finished machinery goods and auto parts in commercial packing for transit anywhere in India	June 30, 2011	35,00,00,000 subject to upto Rs, 30,00,000 per transit per location	62,931



Intellectual Property Rights The trademark "intellectual by one of our Group Entities, Gajra Gears Private Limited by an agreement dated November 26, 2010 granting us a non-exclusive right to use the trademark.

### **KEY INDUSTRY REGULATIONS AND POLICIES**

The regulations set out herein below and their description are not exhaustive, and are only intended to provide general information to Bidders and is neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the IT Act, Central Sales Tax Act, 1956 and applicable local sales tax statutes and other miscellaneous regulations apply to us as they do to any other Indian company. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Our Company is engaged in the business of manufacture of differential gears and autocomponents. While there are no legislations, regulations and policies which specifically apply to our industry, Our Company is subject to various legislations and regulations which regulate the activities of manufacturing, sale and transport of goods in India. Further Our Company is subject to and affected by certain foreign laws, particularly laws relating to intellectual property. Applicable laws of jurisdiction outside India have not been set out or detailed herein. No action or omission should be taken or contemplated based on the contents below without independent verification with each prospective investors' legal advisors, and any prospective investor who does so without such independent verification and based on the contents hereinbelow would do so at his/her/its sole risk and without recourse to Our Company or the BRLM or any other person or entity whatsoever.

The following discussion summarises certain significant Indian laws and regulations that govern Our Company's business.

#### Laws applicable to our manufacturing unit

#### The Factories Act, 1948

The Factories Act, 1948 (the "**Factories Act**") seeks to regulate labour employed in factories and makes provisions for the safety, health and welfare of the workers. The Factories Act defines a 'factory' to cover any premises, which employs ten or more workers and in which manufacturing processes are carried on with the aid of power, and to cover any premises, where there are at least 20 workers who may or may not be engaged in an electrically aided manufacturing process. Each State Government has set out rules in respect of the prior submission of plans and its approval for the establishment of factories and registration and licensing of factories. The Factories Act also provides for the mechanisms for safety of certain equipment used in factories, procedures for periodic examination of equipment such as pressure vessels and lifting tackles, regulation of working conditions within the factories and includes specific provisions applicable to women and children employed in factories.

#### The Environment (Protection) Act, 1986 ("Act")

The Act provides for the protection and improvement of environment and for matters connected therewith and is in pursuance of India's participation in the United Nations Conference on the Human Environment held at Stockholm in June, 1972.

In keeping with its mandate, the Act provides for the constitution of Boards to regulate pollution levels and protect the environment, the formulation of rules with regard to environmental standards and imposes certain obligations. It stipulates that no person carrying on any industry, operation or process shall discharge or emit or permit to be discharged or emitted any environmental pollutant in excess of such standards as may be prescribed. Further, no person shall handle or cause to be handled any hazardous substance except in accordance with such procedure and after complying with such safeguards as may be prescribed.

#### The Water (Prevention and Control of Pollution) Act, 1974 ("Act")

The Act provides for the prevention and control of water pollution and the maintaining or restoring of wholesomeness of water, for the establishment, with a view to carrying out the purposes aforesaid, of Boards for the prevention and control of water pollution, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. The Act defines "*pollution*" as such contamination of water or such alteration of the physical, chemical or biological properties of water or such discharge of any sewage or trade effluent or of any other liquid, gaseous or solid substance into water (whether directly or indirectly) as may, or likely to, create a nuisance or render such water harmful or injurious to public health or safety, or to domestic, commercial, industrial, agricultural or other legitimate uses, or to the life and health of animals or plants or of aquatic organisms.

The Act envisages establishing a Central Board as well as State Board for Prevention and Control of Water Pollution.

Accordingly, the previous consent of the Board constituted under the Act must be obtained, for establishing or taking steps to establish operation or process, or any treatment and disposal system or any extension or addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land. Such previous consent is required for bringing into use any new or altered outlet for the discharge of sewage or for the new discharge of sewage. If at any place where any industry, operation or process, or any treatment and disposal system or any extension or addition thereto is being carried on, due to accident or other unforeseen act or event, any poisonous, noxious or pollution matter is being discharged, or is likely to be discharged into a stream or well or sewer or on land and, as a result of such discharge, the water in any stream or well is being polluted, or is likely to be polluted, then the person in charge of such place shall forthwith intimate the occurrence of such accident, act or event to the Board constituted under the Act and such other authorities or agencies as may be prescribed.

### The Air (Prevention and Control of Pollution) Act, 1981 ("Act")

The Act provides for the prevention, control and abatement of air pollution, for the establishment, with a view to carrying out the aforesaid purposes of Boards for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith.

The Act envisages establishing a Central Board as well as State Pollution Control Boards in each State. The Central Board constituted under Water (Prevention and Control of Pollution) Act, 1974, shall, without prejudice to its powers and functions under this Act, shall also exercise the powers and perform the functions of the Central Board under the Prevention and Control of Air Pollution. Similarly if in any State, the State Government has constituted for that State, a State Board for the Prevention and Control of Air Pollution, then such State Board shall be deemed to be the State Board for the Prevention and Control of Air Pollution and exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution and exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution and exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution and exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution and exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution also.

As per the Act, no person operating any industrial plant, in any air pollution control area (so declared under Section 19 of the Act) shall discharge or cause or permit to be discharged the emission of any air pollutant in excess of the standards laid down by the Board constituted under the Act. Further, no person shall, without the previous consent of the Board constituted under the Act, establish or operate any industrial plant in an air pollution control area.

The Act further prescribes certain compliances with regard to the reporting and prevention of accidents. Thus, where in any area the emission of any air pollutant into the atmosphere in excess of the standards laid down by the Board constituted under the Act occurs or is apprehended to occur due to accident or other unforeseen act or event, the person in charge of the premises from where such emission occurs or is apprehended to occur shall forthwith intimate the fact of such occurrence or the apprehension of such occurrence to such Board and to such authorities or agencies as may be prescribed by the Act.

#### The Public Liability Insurance Act, 1991 ("Act")

The Act provides for public liability insurance for the purpose of providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and for matters connected therewith or incidental thereto. Where death or injury to any person (other than a workman) or damage to any property has resulted from an accident (being caused during the handing of any hazardous substance resulting in continuous or intermittent or repeated exposure to death of, or injury to, any person or damage to any property), the person who owns, or has control over handling, such hazardous substance at the time of the Accident shall be liable to give such relief as is specified in the Schedule to the Act for such death, injury or damage. Therefore, such person who will be liable in case of an accident shall, before he starts handling any hazardous substance, obtain one or more insurance policies providing for contracts of insurance whereby he is insured against liability to give relief as described above. Such person is also required to contribute to the environment relief fund a sum equal to the premium paid by him towards the public liability insurance cover obtained.

# Standards of Weights and Measures Act, 1976 and Standards of Weights and Measures (Packaged Commodities) Rules, 1977

The Standards of Weights and Measures Act, 1976 (the "Act") aims at introducing standards in relation to weights and measures used in trade and commerce. The rules made thereunder, particularly the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 lay down the norms to be followed, in the interests of consumer

safety, when commodities are sold or distributed in packaged form in the course of inter-state trade or commerce. The Act and rules formulated thereunder regulate *inter alia* inter-state trade and commerce in weights and measures and commodities sold, distributed or supplied by weights or measures.

# Labour laws applicable to Our Company

#### Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 (the "CLRA Act") regulates the employment of contract labour in certain establishments, provides for its abolition in certain circumstances. It applies:

- to every establishment which does not carry on intermittent/ casual work in which 20 or more workmen are/ were employed on any day of the preceding 12 months as contract labour ("*Establishment*");
- to every contractor who employs, or who employed on any day of the preceding 12 months, 20 or more workmen.

Every Establishment must, within the specified period, apply to the registering officer for registration of the Establishment and obtain a certificate of registration containing such particulars as may be prescribed.

Further, a contractor can only undertake or execute any work through contract labour under and in accordance with a licence issued in that behalf by the licensing officer. The license may contain conditions including, in particular, conditions as to hours or work, fixation of wages and other essential amenities in respect of contract labour. The license will be valid for the period specified therein.

Every contractor is duty-bound to provide and maintain supply of drinking water, canteens, rest-rooms latrines and urinals, washing facilities, first- aid box in the prescribed manner for contract labour employed in connection with the work of an Establishment to which the Act applies. If such amenities are not provided by the contractor within the prescribed time, such amenities shall be provided by the principal employer of the Establishment. Contractor shall be responsible for payment of wages to each worker employed by him as contract labour within the prescribed period and in case he fails to do so, the principal employer of the Establishment will be so responsible. Every principal employer and contractor is required to maintain the prescribed records in respect of the contract labour employed.

#### Contract Labour (Regulation and Abolition) Central Rules, 1971

The Contract Labour (Regulation and Abolition) Central Rules, 1971 (the "CLRA Rules") are formulated to carry out the purposes of the Contract Labour (Regulation and Abolition) Act, 1970 ("Act"). As per the Rules, the application for registration of establishments to which the Act applies shall be made in Form I in triplicate and shall be accompanied by a treasury receipt showing payment of fees. A certificate of registration in Form II containing particulars of the name of the establishment, type of work carried on therein, number of contract labourers employed and other particulars is then issued. Any change in these particulars must be intimated by the principal employer at the establishment within 30 days of such change along with details of such change. Every application for license by the Contractor, made in Form IV, shall be accompanied by a certificate by the principal employer in Form V to the effect that the applicant has been employed by him as a contractor in relation to his establishment. Security as prescribed must also be deposited. Every license granted to the contractor in Form VI is non- transferable and shall contain particulars such as the maximum number of contract labourers employed.

# The Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("Act") and the schemes formulated thereunder ("Schemes")

This Act provides for the institution of provident funds, family pension funds and deposit linked insurance fund for the employees in the factories and other establishments. Accordingly, the following schemes are formulated for the benefit of such employees:

- (i) *The Employees Provident Fund Scheme*: as per this Scheme, a provident fund is constituted and both the employees and employer contribute to the fund at the rate of 12% (or 10% in certain cases) of the basic wages, dearness allowance and retaining allowance, if any, payable to employees per month.
- (ii) The Employees Pension Scheme: Employees' Pension Scheme is Pension Scheme for survivors, old aged and disabled persons. This Scheme derives its financial resource by partial diversion from the Provident Fund contribution, the rate being 8.33%. Thus, a part of contribution representing 8.33 per cent of the employee's pay

shall be remitted by the employer to the Employees' Pension fund within 15 days of the close of every month by a separate bank draft or cheque on account of the Employees' Pension Fund contribution in such manner as may be specified in this behalf by the appropriate authority constituted under the Act. The Central Government shall also contribute at the rate of 1.16 per cent of the pay of the members of the Employees' Pension Scheme and credit the contribution to the Employees' Pension Fund.

(iii) The Employees Deposit Linked Insurance Scheme: As per this Scheme, the contribution by the employer shall be remitted by him together with administrative charges at such rate as the Central Government may fix from time to time under Section 6C(4) of the Act, to the Insurance Fund within 15 days of the close of every month by a separate bank draft or cheque or by remittance in cash in such manner as may be specified in this behalf by the appropriate authority constituted under the Act.

Further, the employer is required to maintain records and submit periodic returns with regard to the implementation of the Act and Schemes.

#### The Industrial Employment (Standing Orders) Act, 1946 ("Act")

The Act requires employers in industrial establishments formally to define with sufficient precision the conditions of employment under them and to make the conditions known to workmen employed by them. The Act extends to the whole of India and applies to every industrial establishment wherein 100 or more workmen are employed, or were employed on any day of the preceding 12 months. Every employer whose industrial establishment falls within the purview of this Act is required to submit draft standing orders to the certifying officer appointed under the Act in the prescribed manner. The certifying officer shall thereupon certify the draft standing orders, after making any modifications therein.

The text of the standing orders as finally certified under this Act shall be prominently posted by the employer in English and in the language understood by the majority of his workmen on special boards to be maintained for the purpose at or near the entrance through which the majority of workmen enter the industrial establishment and in all departments thereof where the workmen are employed.

#### The Workman Compensation Act, 1923

The Workmen's Compensation Act, 1923 (the "WC Act") aims at providing financial protection to employees (for their dependents in the event of fatal accidents) by means of payment of compensation by the employers, if personal injury is caused to them by accidents arising out of and in the course of their employment. The WC Act makes it obligatory for the employers brought within the ambit of the Act to furnish, to the State Governments/Union Territory Administrations, annual returns containing statistics relating to the average number of workers covered under the Act, number of compensated accidents and the amount of compensation paid.

#### The Payment of Wages Act, 1936

The Payment of Wages Act, 1936 (the "Act") is enacted to regulate the period and payment of wages, overtime wages and deductions from wages and also to regulate the working hours, overtime, weekly holidays of certain classes of employed persons. The Act contains provisions as to the minimum wages that are to be fixed by the appropriate governments for the employees, entitlement of bonus of the employees, fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorised deductions.

#### State specific Shops and Commercial Establishments Acts as applicable

Under various state laws dealing with shops and establishments, any shop or commercial establishment has to obtain a certificate of registration from the supervising inspector and has to comply with certain rules laid down therein. These statutes and rules and regulations framed thereunder regulate the opening and closing hours of shops and commercial establishments, daily and weekly work hours, closing dates and holidays, health and safety of persons working in shops and commercial establishments, payment of wages, maintenance of records and registers by the employers, among others.

#### Laws applicable to the creation and protection of intellectual property rights

#### Trade Marks Act, 1999

The Trade Marks Act, 1999 (the "**Trademark Act**") governs the statutory protection of trademarks in India. In India, trademarks enjoy protection under both statutory and common law. Indian trademark law permits the registration of trademarks for goods and services so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth.Certification marks and collective marks are also registrable under the Trademark Act. An application for trademark registration may be made by individual or joint applicants and can be made on the basis of either use or intention to use a trademark in the future. However, the registration of a trademark that is not inherently distinctive on the basis of intent to use may be difficult to obtain.

Applications for a trademark registration may be made for in one or more international classes. The trademark, once applied for, is advertised in the trademarks journal. Oppositions, if any, are invited and, after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The registration is valid for ten years unless cancelled. If not renewed after ten years, the mark lapses and the registration has to be restored.

#### Tax laws applicable to Our Company and our business

#### The Customs Act, 1962

The Customs Act, 1962 (the "**Customs Act**") is to consolidate and amend the laws related to customs. The Custom Act provides that all importers must file a bill of entry or a cargo declaration, containing the prescribed particulars for a customs clearance. Additionally, a series of other documents relating to the cargo are to be filed with the appropriate authority. After registration of the bill of entry, it is forwarded to the concerned appraising group in the custom house. This is followed by an assessment by the assessing officer in order to determine the duty liability which is on the basis of statement made in the entry relating thereto and the documents produced and information furnished by the importer or exporter. Further, all imported goods are examined for verification of correctness of description given in the bill of entry. Post- assessment, the importer may seek delivery of the goods from the custodians.

#### **Central Excise**

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Additionally, the Central Excise Tariff Act, 1985 prescribes the rates of excise duties for various goods.

#### Value Added Tax

Value Added Tax ("VAT") is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is essentially a consumption tax applicable to all commercial activities involving the production and distribution of goods, and each State that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register themselves and obtain a registration number.

#### Sales Tax

The tax on sale of movable goods within India is governed by the provisions of the Central Sales Tax Act, 1956 or relevant state law depending upon the movement of goods pursuant to the relevant sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the Central Sales Tax Act, 1956. On the other hand, when the taxability of an arrangement of sale of movable goods which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/VAT legislations in place within such state.

#### HISTORY AND OTHER CORPORATE MATTERS

Our Company was incorporated as "Gajra Transmission and Differential Gears Private Limited" on March 08, 1991 under the Act with the Registrar of Companies, Maharashtra ('RoC'). Our Company became a deemed public company with effect from July 1, 1994 by operation of section 43A (1-A) of the Companies Act. Thereafter, the name of Our Company was changed to "Gajra Differential Gears Limited" to reflect the business of Our Company more accurately and we received a fresh Certificate of Incorporation Consequent upon Change of Name from the RoC dated April 18, 1999. Thereafter, the name of Our Company changed to 'Gajra Differential Gears Private Limited' pursuant to a special resolution passed by the shareholders at the Extraordinary General Meeting held on June 28, 1999 and a fresh Certificate of Incorporation was issued by RoC upon reconversion into a private limited company pursuant to compliance with the requirements under section 43A (4) of the Companies Act on August 31, 1999. The name of Our Company was changed to "Gajra Differential Gears Limited" on conversion into public limited company and a fresh Certificate of Incorporation was obtained consequent thereto, from the RoC dated September 14, 2010.

The Gajra Group formally split in the year 1990 through a Family Settlement Deed and Gajra Gears Private Limited and M/s. Elve Corporation came under the control of Mr. R. B. Gajra, spouse of Ms. Rita R. Gajra (Our Promoter). Since then, neither Mr. R. B. Gajra nor Ms. Rita R. Gajra have had any association with the entities promoted by other family members of the extended Gajra family. Gajra Gears Private Limited is engaged in the manufacturing of transmission gears mainly used by the automotive industry whereas M/s. Elve Corporation, presently 100% export oriented unit, is engaged in the exports of different variety of gears.

Our Company was incorporated for the manufacturing of differential/ axle gears for cars, trucks, tractors, jeeps, MCVs and LCVs. Initially, we set up our facility at the location of the present manufacturing unit of our Group Entity, Gajra Gears Private Limited, in dewas to manufacture differential gears. Subsequently, in the year 1998, we purchased freehold land at Village Lohar Pipliya-Kshipra, District Dewas, Madhya Pradesh, India from Gajra Gears Private Limited and constructed a manufacturing unit and administrative block during the period 1998-2002. Immediately thereafter, we shifted all our manufacturing operations and activities from Dewas unit and installed the same at this new unit along with additional machineries. We commenced the production of differential gears at our present manufacturing unit with effect from March 23, 2002. Our products cater to replacement of differential/ axle gears and our customers are typically OEMs in the domestic as well as export segments.

Subsequently, Our Company expanded its product profile in the year 2006-07 and commenced the production of a wide range of crown wheel and pinions, bevel gears, bevel pinions, spider kit assemblies and differential cages and housings commenced in the year 2007-08. However, we did not enhance our capacity and part of the capacity was utilised for product development which resulted in wide product range and downward performance during the year 2006-07 and 2007-08.

As on the date of this Draft Red Herring Prospectus, the total number of holders of Equity Shares is 09.

For further details regarding the business of Our Company, see "Summary of Our Business" on page number 30 of this Draft Red Herring Prospectus.

#### **Changes in Registered Office of Our Company:**

Date	From	То	Reason
August 26, 2010	Elve Chambers, Green Street, Fort, Mumbai - 400 023, Maharashtra, India.	Ground Floor, Elve Chambers, Green Street, Fort, Mumbai-400 023, Maharashtra, India.	Administrative convenience

#### Major Events:

Year	Key Events
1991	Incorporation of Our Company
1994	Became a deemed public company in terms of section 43A(4) of the Companies Act, 1956
	Purchase of 16.50 Acres of freehold land at Village Lohar Pipliya-Kshipra, District Dewas, Madhya Pradesh, India
1999	Conversion of Our Company into a private limited company
	Commencement of production at factory located at Village Lohar Pipliya-Kshipra, District Dewas, Madhya Pradesh, India

#### Other disclosures

Mergers and acquisitions in the history of Our Company

There have been no mergers and acquisitions in the history of Our Company.

Raising of capital in the form of equity or debt

Other than as disclosed under chapter titled "*Capital Structure*" and "*Financial Indebtedness*" on pages 46 and 160 respectively of this Draft Red Herring Prospectus, Our Company has not raised any capital either in the form of equity or debt.

#### Revaluation of assets

There has been no revaluation of assets in the history of Our Company.

Changes in the activities of Our Company since incorporation having a material effect

There have been no changes in the activities of Our Company since incorporation, which may have had a material effect on our profits or loss, including discontinuance of our lines of business, loss of agencies or markets and similar factors.

Injunctions or Restraining Orders

Our Company is not operating under any injunction or restraining order.

#### Time and cost overruns

There have been no time and/or cost overruns in the projects undertaken by the Company since incorporation.

#### Defaults and rescheduling of borrowings

Repayment terms of Our Company's borrowings from Madhya Pradesh Financial Corporation and State Bank of India have been rescheduled and/ or rephased by our lenders, pursuant to request for such rescheduling and/ or rephasing being made by Our Company.

Our lender, Madhya Pradesh Financial Corporation, has rescheduled the repayment of loans availed by us, aggregating to Rs. 362.52 Lacs *vide* letter dated September 09, 2009. Further, our lender, State Bank of India, has rephased certain term loans aggregating to a sum of Rs. 707.00 Lacs *vide* letter dated June 26, 2009.

During the relevant period, Our Company's business was adversely affected by global recession and consequently Our Company made applications for the reschedulement/ rephasement of the said loans as Our Company's turnover was insufficient for Our Company to make payments of the instalments to the said lenders. For further details in this regard, please see the chapter titled *"Financial Indebtedness"* on page number 160 of this Draft Red Herring Prospectus.

#### Strikes and lock- outs

Our Company has, since incorporation, not been involved in any labour disturbances including strikes and lockouts. As on the date of this Draft Red Herring Prospectus, our employees are not unionised.

#### Main Objects of Our Company:

The main objects of Our Company as contained in its Memorandum of Association are:

- 1. To carry on business as manufacturer and to design, assemble, repair, buy, sell, exchange, alter, improve, manipulate, prepare and process all kinds of gears, cutting tools, machine tools and parts thereof and equipment accessory thereto and to do job work in relation thereof.
- 2. To carry on business as exporters, importers, dealers, distributors, job-workers and stockist of dealers in gears and parts and parts thereof and equipments accessory thereto.

- 3. To carry on business of designing, manufacturing, developing, hiring, repairing, buying, selling and dealing in gears of all types including in particular spiral bevel, straight bevel, spur and helical and worm gears, gear boxes, winches, speed drivers and power take-offs.
- 4. To carry on business as manufacturers, exporters, repairers and dealers in ring gears and pinion sets, transmission gears and complete differential and components thereof.

# Amendments to our Memorandum of Association

Sr. No.	Changes in Memorandum of Association of Our Company	Date of Amendment
1.	Increase in Authorised Share Capital from Rs. 50,00,000 divided into 5,00,000 Equity Shares of Rs. 10 each to Rs. 1,00,00,000 divided into 10,00,000 Equity Shares of Rs. 10 each	December 31, 1996
2.	Increase in Authorised Share Capital from Rs. 1,00,00,000 divided into 10,00,000 Equity Shares of Rs. 10 each to Rs. 4,00,00,000 divided into 40,00,000 Equity Shares of Rs. 10 each	December 05, 1997
3.	Increase in Authorised Share Capital from Rs. 4,00,00,000 divided into 40,00,000 Equity Shares of Rs. 10 each to Rs. 9,00,000 divided into 40,00,000 Equity Shares of Rs. 10 each and 50,00,000 12% Redeemable Cumulative Preference Shares of Rs. 10 each	December 08, 1998
4.	Rearrangement of Authorised Share Capital of Rs. 9,00,00,000 divided into 40,00,000 Equity Shares of Rs. 10 each and 50,00,000 12% Redeemable Cumulative Preference Shares of Rs. 10 each to Rs. 9,00,00,000 divided into 80,00,000 Equity Shares of Rs. 10 each and 10,00,000 12% Redeemable Cumulative Preference Shares of Rs. 10 each	March 28, 2000
5.	Rearrangement of Authorised Share Capital of Rs. 9,00,00,000 divided into 80,00,000 Equity Shares of Rs. 10 each and 10,00,000 12% Redeemable Cumulative Preference Shares of Rs. 10 each to Rs. 9,00,00,000 divided into 80,00,000 Equity Shares of Rs. 10 each and 10,00,000 0% Redeemable Cumulative Preference Shares of Rs. 10 each	June 26, 2009
6.	Increase in Authorised Share Capital from Rs. 9,00,00,000 divided into 80,00,000 Equity Shares of Rs. 10 each and 10,00,000 0% Redeemable Cumulative Preference Shares of Rs. 10 each to Rs. 15,00,00,000 divided into 1,40,00,000 Equity Shares of Rs. 10 each and 10,00,000 0% Redeemable Cumulative Preference Shares of Rs. 10 each. Further, the Authorised Share Capital of Rs. 15,00,00,000 divided into 1,40,00,000 Equity Shares of Rs. 10 each and 10,00,000 0% Redeemable Cumulative Preference Shares of Rs. 10 each was reclassified to Rs. 15,00,00,000 divided into 1,50,00,000 Equity Shares of Rs. 10 each.	July 15, 2010

#### **Subsidiaries of Our Company**

As on date of filing this DRHP with SEBI, we have no subsidiaries.

#### 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.

#### **Shareholders' Agreement**

There are no shareholders' agreement(s) entered into by Our Company/ relating to Our Company as on date of this DRHP.

#### **Other Agreements**

Except the contracts /agreements entered into in the ordinary course of the business carried on or intended to be carried on by Our Company, Our Company has not entered into any other agreement / contract.

#### Financial / Strategic Partners

Our Company does not have any financial or strategic partners as on the date of this DRHP.

# **OUR MANAGEMENT**

As per the Articles of Association, the number of Directors of Our Company shall not be less than three and not more than twelve, unless otherwise determined in General Meeting by Our Company. Our Company's Board of Directors comprises of four (4) Directors. The Board of Directors who set policy guidelines and the other Key Managerial Personnel are responsible for day-to-day management of Our Company.

The following table sets out the current details regarding our Board as on the date of the filing of this DRHP:

Name, Father'sName, Age,Address,Occupation,	Date of Appointment and Term of Office	Educational Qualification	Other Directorships
Designation, Status and DIN			
Mr. Raj Damodar Kirtani	Date of appointment:	Bachelors of	Erawat Pharma Limited
S/o: Late Mr. Damodar	March 08, 1991	Commerce (Honours)	
Kirtani		from University of	
Age: 58 Years	Term of Office: From	Bombay	
Nationality: Indian	April 01, 2010 till March		
Address: T-101, Friends	31, 2015. Liable to retire	Bachelors in Law from	
Houses, Kanadia-Ring Road	by rotation	University of Bombay	
Corner, Indore- 452 016.			
Occupation : Business		Masters in Law from	
<b>Designation:</b> Managing		University of Bombay	
Director		Estism Manshan of the	
Status: Executive & Non-		Fellow Member of the Institute of Cost and	
Independent DIN: 00467197		Works Accountants of	
DIN: 0040/19/		India	
Ms. Rita Ramesh Gajra	Date of appointment:	Bachelor of Arts from	Bhisham
<b>D/o:</b> Mr. Ratan Chand Chhada	March 08, 1991	University of Bombay	Investments Private
Age: 60 Years	Waten 08, 1991	University of Dombay	Limited
Nationality: Indian	Term of Office: From		<ul> <li>Kennedy</li> </ul>
Address: 13/1, Nandanvan,	November 27, 2006 to		Investments Private
Race Course Road,	November 26, 2011		Limited
Indore- 452 001.	1000011001 20, 2011		Shakun Investments
Occupation : Business			Private Limited
<b>Designation:</b> Whole Time			
Director			
Status: Executive & Non-			
Independent			
<b>DIN:</b> 00826318			
Mr. Mahendra Kumar Shah	Date of appointment:	Bachelors of	Nil
S/o Mr. Balubhai Shah	March 08, 1991	Engineering (Honours)	
Age: 66 Years		from Jabalpur	
Nationality: Indian	Liable to retire by rotation	University	
Address: 'Apoorva' 8/1,			
South Tukoganj,		Masters of Business	
Behind Nath Mandir,		Administration from	
Indore - 452 001.		University of Indore	
Occupation: Business			
<b>Designation:</b> Director			
Status: Non-Executive &			
Independent			
DIN: 00467229	Data of survivities (	Creducto from No.	Cuinent D-1 A
Mr. Chandrakant Khushaldas	Date of appointment:	Graduate from Nagpur	Gujarat Poly-Avx     Electronics Limited
S/o Mr. Khushaldas Kalyandas	August 26, 2010.	University	Electronics Limited
Age: 74 Years	Lighta to rating by notation	Masters of Saist	Baroda Extrusions
Nationality: Indian Address: Uttarayan, AD 315,	Liable to retire by rotation	Masters of .Science (Mathematics) from	Limited
74-C Scheme, Vijay Nagar,		University of	
A. B. Road, Indore - 452 001.		Allahabad	
A. D. Koau, muore - 452 001.		Ananavau	

Name, Father's Name, Age, Address, Occupation, Designation, Status and DIN	Date of Appointment and Term of Office	Educational Qualification	Other Directorships
Occupation: Business			
<b>Designation:</b> Additional		Master in Science In	
Director		The School Of	
Status: Non-Executive &		Humanities and Social	
Independent		Sciences from	
<b>DIN:</b> 00260818		University of Bath,	
		United Kingdom	

**Note:** None of the above mentioned Directors are on the RBI List of wilful defaulters as on the date of the Draft Red Herring Prospectus.

Further, neither Our Company nor our Promoters, persons forming part of our Promoter Group, Directors or persons in control of Our Company are debarred from accessing the capital market by SEBI.

None of the Promoters, Directors or persons in control of Our Company, has been or is involved as a promoter, director or person in control of any other company, which is debarred from accessing the capital market under any order or directions made by the SEBI.

There is no arrangement or understanding with major shareholders, customers, supplier or others, pursuant, to which any of the above mentioned Directors were selected as a director or member of the senior management.

There are no service contracts entered into by the directors with the issuer company providing for benefits or payments of any amount upon termination of employment.

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

**Ms. Rita Ramesh Gajra**, aged 60 years, is the Promoter and Whole Time Director of Our Company. She is the wife of Mr. Ramesh B. Gajra. She is a Graduate in Arts from University of Bombay. She has over 20 years of experience in Automobile Gears sector. She looks after overall business development of Our Company. She is responsible for developing business strategies and instrumental in formulating strategic growth of Our Company. She is also a partner of M/s. Elve Corporation, a group entity, engaged in the exports of gears and automotive components to various developed countries.

**Mr. Raj Damodar Kirtani**, aged 58 years, is the Promoter and Managing Director of Our Company. He has completed his Bachelors Degree in Commerce (Honours) in Accounts & Auditing from University of Bombay and Masters Degree in Law (Commercial Laws) from University of Bombay. He is also a Fellow of the Institute of Cost and Works Accountants of India. He looks after the overall management and day to day activities of Our Company. He has a total of 36 years of experience, with 30 years of association with Our Company and other Promoter Group entities.

**Mr. Mahendra Kumar Shah**, aged 66 years, is an Independent Director of Our Company. He is a Bachelor in Engineering from University of Jabalpur and has obtained a degree in Masters of Business Administration from University of Indore. He has around 40 years of experience in the areas of Electrical Maintenance, Factory Operations and Finance. Mr. Shah retired from Gajra Gears Private Limited as a General Manager-Manufacturing. Sitting fees paid to him for the Fiscal 2010 was Nil.

**Mr. Chandrakant Khushaldas,** aged 74 years, is an Independent Director (Additional) of Our Company. He has obtained his post-graduate degree in Masters of Science (Mathematics) from University of Allahabad and Master in Science in the School of Humanities and Social Science from the University of Bath, United Kingdom. He retired as the Chief Commissioner of Income Tax, New Delhi and thereafter served as a Member of CBDT as well as acted as a Special Director of Several BIFR Companies. He has over 40 years of experience in revenue service. He was associated with Delloite Haskins and Sells, Mumbai as Member of Committee, which recommends Department of International Trade, United Kingdom for funding proposals for project processed by Department of International Trade, United Kingdom. As Mr. Khushaldas has been appointed in Fiscal 2011, no sitting fee was paid to him in the previous Fiscal 2010.

#### Family relationship among our Directors

None of our Directors are related to each other.

#### **Borrowing Powers of the Board**

Pursuant to a resolution passed by our shareholders in the Extra Ordinary General Meeting held on January 04, 1998 in compliance with provisions of the section 293(1)(d) of the Companies Act,1956, our Board has been authorised to borrow from Banks and financial institutions including the Industrial Development Bank of India, etc., from time to time moneys as may be required for the purpose of the business of Our Company notwithstanding that the moneys borrowed (apart from the temporary loans obtained from Our Company's bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of Our Company and its free reserves provided that the total amount that may be borrowed by the Board of Directors shall not exceed the sum of Rs. 100 Crores.

For further details of the provisions of our Articles of Association regarding borrowing powers, please refer to the chapter titled "*Main Provisions of the Articles of Association of Our Company*" beginning on page number 241 of this Draft Red Herring Prospectus.

#### Compensation to the Managing Director/ Whole Time Director:

		(Rs. in Lacs)
Name of the Director	Designation	Compensation paid for the FY 2009-10
Mr. Raj Damodar Kirtani	Managing Director	8.70
Ms. Rita Ramesh Gajra	Whole Time Director	5.92

#### **Remuneration details of Directors:**

#### Remuneration details of our Managing Directors/ Whole Time Directors:

A. Details of Remuneration and other terms and conditions of appointment of Mr. Raj Damodar Kiratni, Managing Director:

The terms and conditions vide resolution passed in the Board Meeting held on March 15, 2010 are as under:

Tenure: Mr. Raj Damodar Kiratni re-appointed as Managing Director w.e.f. April 01, 2010 for a period of 5 years.

Salary: Salary Rs. 43,560 per month with effect from April 01, 2010.

**Bonus/Ex-gratia:** an amount every year as may be decided by Our Company or as may be granted by the board of Directors from time to time.

#### **Perquisites:**

Perquisites shall be allowed in addition to the salary. The following are perquisites:

#### (i) Accommodation:

Unfurnished accommodation with gas, electricity and water shall be provided to Mr. Raj Damodar Kirtani.

Housing I: The expenditure by Our Company on hiring unfurnished accommodation for Mr. Raj Damodar Kirtani will be subject to a ceiling of sixty percent of the salary.

Housing II: In case the accommodation is owned by Our Company, ten percent of the salary of Mr. Raj Damodar Kirtani shall be deducted by Our Company.

Housing III: In case no accommodation is provided by Our Company, Mr. Raj Damodar Kirtani shall be entitled to house rent allowance of Rs. 26,136.

#### (ii) Medical Benefits:

Reimbursement of medical expenses actually incurred for Mr. Raj Damodar Kirtani and his family; the total cost of which to Our Company shall not exceed on month's salary in a year or three months' salary in block of three years.

#### (iii) Leave Travel Concession:

Leave travel concession as per the rules of Our Company for Mr. Raj Damodar Kirtani and his family once in the year to and fro any place in India, subject to the condition that only actual fare and no Hotel expenses will be allowed.

#### (iv) Provident fund:

Our Company's contribution towards provident fund as per the rules of Our Company but not exceeding 12% of the salary as laid down under the Income Tax Rules, 1962.

#### (v) Pension / Superannuation Fund:

Our Company's contribution towards pension/superannuation fund is as per the rules of Our Company.

#### (vi) Gratuity:

Gratuity as per the rules of Our Company but not exceeding half month's salary for each completed year of service.

#### (vii) Personal Accident Insurance:

Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 4,000.

#### (viii) Club Fees:

The payment of club fees subject to a maximum of two clubs provided that no life membership or admission fee is payable.

#### (ix) Leave:

Leave with full salary and allowances as per the rules of Our Company, however, ceiling of maximum accumulation of earned leave upto 180 days shall not be applicable as in the case of other employees.

#### (x) Car With Driver:

Free use of car with driver for office use only.

#### (xi) Telephone:

Free use of telephone facility at residence.

#### (xii) Others:

Any other perquisite which Our Company may introduce for its employees as per rules framed hereunder or as may be granted by the Board of Directors from time to time.

The terms and conditions of the appointment of Mr. Kirtani has been changed *vide* resolution passed by the Board of Directors of Our Company on September 21, 2010. The resolution states that Mr. Kirtani shall be liable to retire by rotation.

# B. Details of Remuneration and other terms and conditions of appointment of Ms. Rita Ramesh Gajra, Whole Time Director:

The terms and conditions vide resolution passed in the Board Meeting held on May 28, 2009 are as under:

**Tenure:** Ms. Rita Ramesh Gajra was re-appointed as Whole Time Director on November 27, 2006 for a period of 5 years.

Salary: Salary revised to Rs. 30,000 per month with effect from April 1, 2009.

**Bonus/Ex-gratia:** an amount every year as may be decided by Our Company or as may be granted by the board of Directors from time to time.

#### **Perquisites:**

The following are perquisites:

#### (i) Accommodation:

Unfurnished accommodation with gas, electricity and water shall be provided to Ms. Rita Ramesh Gajra.

Housing I: The expenditure by Our Company on hiring unfurnished accommodation for Ms. Rita Ramesh Gajra will be subject to a ceiling of sixty percent of the salary, over and above ten percent, payable by Ms. Rita Ramesh Gajra.

Housing II: In case the accommodation is owned by Our Company, ten percent of the salary of Ms. Rita Ramesh Gajra shall be deducted by Our Company.

Housing III: In case no accommodation is provided by Our Company, Ms. Rita Ramesh Gajra shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

#### (ii) Medical Benefits:

Reimbursement of medical expenses actually incurred for Ms. Rita Ramesh Gajra and her family; the total cost of which to Our Company shall not exceed on month's salary in a year or three months' salary in block of three years.

#### (iii) Leave Travel Concession:

Leave travel concession as per the rules of Our Company for Ms. Rita Ramesh Gajra and her family once in the year to and fro any place in India, subject to the condition that only actual fare and no Hotel expenses will be allowed.

#### (iv) Provident fund:

Our Company's contribution towards provident fund, as per the rules of Our Company.

#### (v) Pension / Superannuation Fund:

Our Company's contribution towards pension/superannuation fund, as per the rules of Our Company.

#### (vi) Gratuity:

Gratuity as per the rules of Our Company but not exceeding one half month's salary for each completed year of service.

#### (vii) Personal Accident Insurance:

Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 4,000.

### (viii) Club Fees:

The payment of club fees subject to a maximum of two clubs provided that no life membership or admission fee is payable.

#### (ix) Leave:

Leave with full salary and allowances as per the rules of Our Company, however, ceiling of maximum accumulation of earned leave upto 180 days shall not be applicable as in the case of other employees.

#### (x) Car With Driver:

Free use of car with driver for office use only.

#### (xi) Telephone:

Free use of telephone facility at residence.

#### (xii) Others:

Any other perquisite which Our Company may introduce for its employees as per rules formed hereunder or as may be granted by the Board of Directors from time to time.

#### Remuneration details of our Non-Executive and Independent Directors

We have not entered into any formal arrangements with our Non-Executive and Independent Directors. There are no other payments made to them apart from their sitting fees for attending meetings of the Board or Committee and reimbursement of travelling and other incidental expenses, if any.

As per Article 150 of our Articles of Association, provides for the sitting fees payable to each of our Non-Executive Directors and Independent Directors is as follows:

(i) for meetings of the Board of Directors: Rs. 500 per meeting;

(*ii*) for meetings of our Audit Committee: Rs. 500 per meeting;

(iii) for meetings of our Remuneration Committee: Rs. 500 per meeting; and

(iv) For meetings of our Shareholders/ Investor Grievance Committee: Rs. 500 per meeting.

For details of sitting fees paid to Independent Non-Executive Directors, please refer to the profiles of the Directors in the chapters titled "*Main Provisions of the Articles of Association of Our Company*" and "*Our Promoters and Promoter Group*" beginning on pages 241 and 116 of this Draft Red Herring Prospectus.

#### Policy on Disclosure and Internal Procedure for prevention of Insider Trading

The Provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to Our Company immediately upon the listing of its Equity Shares on the Stock Exchange.

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

#### Shareholding of Directors in Our Company

The Articles of Our Company do not require the Directors to hold any qualification shares. However, some of the Directors are holding shares in Our Company as on the date of the Draft Red Herring Prospectus, whose details are as under:

Name of the Director	No. of Equity Shares eheld	Pre- Issue Percentage (%) of holding in Our Company
Ms. Rita Ramesh Gajra	25,09,800	35.87
Mr. Raj Damodar Kirtani	3,100	0.04
Mr. Mahendra Kumar Shah	Nil	Nil
Mr. Chandrakant Khushaldas	Nil	Nil

#### **Interests of Directors**

Except as stated in Annexure VII titled '*Statement of Related Party Transactions*' beginning on page number 141 of this DRHP, and to the extent of shareholding in Our Company, the directors do not have any other interest in the business. The directors are interested to the extent of remuneration and/or shares allotted to them.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Our Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the DRHP 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 except in case of Whole Time Director.

The Articles of Association provide that the Directors and officers shall be indemnified by Our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

#### Interest as to Property

Our Directors have no interest in any property acquired by Our Company within two years of the date of this Draft Red Herring Prospectus.

#### Changes in the Board of Directors in the last 3 years

The following are the changes in the Board of Directors of Our Company in the last three years preceding the date of filing the DRHP:

S	Sr. No.	Name	<b>Date of Appointment</b>	<b>Date of Cessation</b>	Remarks
	1.	Mr. Chandrakant Khushaldas	August 26, 2010	-	Appointed as an Additional Independent Director

#### **CORPORATE GOVERNANCE**

The provisions of the Listing Agreement to be entered into with BSE with respect to corporate governance and the SEBI ICDR Regulations in respect of corporate governance would become applicable to Our Company at the time of seeking in principle approval for listing of Our Company's Equity Shares with the Stock Exchange. Our Company has complied with Listing Agreement in respect of Corporate Governance specially with respect to broad basing of Board, constituting the Committees such as Shareholders/Investors Grievance Committee, Audit Committee and Remuneration Committee.

Our Company undertakes to take all necessary steps to continue to comply with all the requirements on corporate governance and adopt the Corporate Governance Code as specified under Clause 49 of the Listing Agreement to be entered into with the Stock Exchange.

#### **COMPOSITION OF THE BOARD OF DIRECTORS**

The Board of Directors of Our Company has an optimum combination of executive and non-executive directors as envisaged in Clause 49 of the Listing Agreement. Our Board has four (4) directors of which two (2) are independent directors in accordance with the requirement of Clause 49 of the Listing Agreement of the Stock Exchange.

Sr. No.	Name of the Director	Designation	Category
1.	Ms. Rita Ramesh Gajra	Whole Time Director	Executive & Non-Independent
2.	Mr. Raj Damodar Kirtani	Managing Director	Executive & Non-Independent
3.	Mr. Mahendra Kumar Shah	Director	Non-Executive & Independent
4.	Mr. Chandrakant Khushaldas	Additional Director	Non-Executive & Independent

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

- 1. Audit Committee
- 2. Shareholders/Investors Grievance Committee

Our Company has also constituted a Remuneration Committee.

#### 1. Audit Committee

Our Board constituted an Audit Committee, pursuant to the provisions of Section 292A and other applicable provisions, if any, of the Companies Act and the Listing Agreement. The constitution of the Audit Committee was approved at a meeting of the Board of Directors held on August 26, 2010.

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the Listing Agreement, which will be entered into with the Stock Exchange in due course. The terms of reference of the Audit Committee, as approved by the Board, are as follows:

- i. Hold discussions with the auditor periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ii. 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.
- iii. Recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iv. approve of payment to statutory auditors for any other services rendered by the statutory auditors
- v. review, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. 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
  - g. Qualifications in the draft audit report
- vi. Review 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 utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter
- vii. Review with the management, performance of statutory and internal auditors, adequacy of the internal control systems
- viii. Discussion with internal auditors any significant findings and follow up there on
- ix. Review 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
- x. 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
- xi. to approve 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 and background, etc. of the candidate
- xii. to look into any other matter refer by the Board of Directors or in compliance with the Listing Agreement

The Audit Committee consists of the following Directors:

Sr. No.	Name of the Director	Designation	Category
1.	Mr. Chandrakant Khushaldas	Chairman	Independent
2.	Mr. Mahendra Kumar Shah	Member	Independent
3.	Mr. Raj Damodar Kirtani	Member	Executive & Non-Independent

The Company Secretary, Mr. Deepak Upadhyay, shall act as a Secretary of the Audit Committee.

#### 2. Shareholders / Investors Grievance Committee

The Shareholders' / Investors' Grievance Committee has been formed by the Board of Directors at the meeting held on August 26, 2010 in compliance with Clause 49 of the Listing Agreement. The terms of reference of the Shareholders / Investors Grievance Committee, as approved by the Board, are as follows:

It is authorised and responsible for redresses of shareholders and investors' grievances such as non-receipt of share certificates, annual reports and payment and receipt of dividend. The Committee to also oversees performance of the Registrars and Transfer Agents of Our Company and recommends measures for overall improvement in the quality of investor services. It will also also monitor implementation and compliance of our Code of Conduct for prohibition of insider trading pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time or to look into any other matters refereed by the Board of Directors or in compliance with the Listing Agreement.

The Shareholders' / Investors' Grievance Committee has been constituted with the following Directors:

Sr. No.	Name	Designation	Status
1.	Mr. Mahendra Kumar Shah	Chairman	Independent Director
2.	Ms. Rita Ramesh Gajra	Member	Executive and Non-Independent
3.	Mr. Raj Damodar Kirtani	Member	Executive and Non-Independent

The Company Secretary, Mr. Deepak Upadhyay, shall act as a Secretary of the Shareholders' / Investors' Grievance Committee.

#### 3. Remuneration Committee

The Remuneration Committee has been formed by the Board of Directors at the meeting held on August 26, 2010. The terms of reference of the Remuneration Committee are as follows:

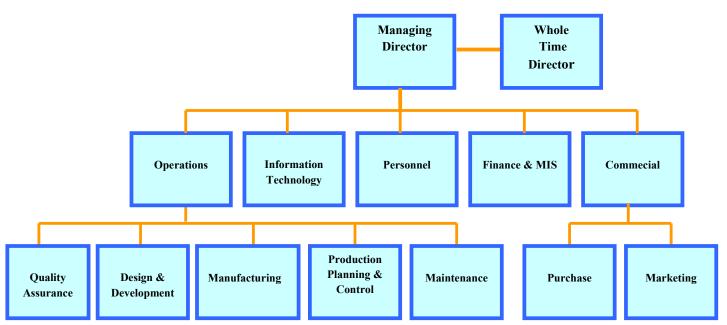
- i. determine Our Company's remuneration policy, having regard to performance standards and existing industry practice and inter alia, determine the remuneration payable to the Directors;
- ii. frame policies and compensation including salaries and salary adjustments, incentives, bonuses, promotion, benefits, stock options and performance targets of the top executives; and
- iii. Formulate strategies for attracting and retaining employees and employee development programmes.

The Remuneration Committee has been constituted with the following Directors:

Sr. No.	Name	Designation	Category
1.	Mr. Chandrakant Khushaldas	Chairman	Independent
2.	Mr. Mahendra Kumar Shah	Member	Independent
3.	Mr. Raj Damodar Kirtani	Member	Executive & Non-Independent

The Company Secretary, Mr. Deepak Upadhyay, shall act as a Secretary of the Remuneration Committee.

#### **ORGANISATION CHART**



#### **KEY MANAGERIAL PERSONNEL**

In addition to our Executive Directors below are details of the key managerial employees of Our Company:

Sr. No	Name, Designation, Age	Qualification	Experience	Date of Joining	Compensation paid during 2009-2010 (Amount Rs.)	Functional Responsibil ity	Previous Employm ent
1.	Mr. Shrikant Gaikwad General Manager- Operations 61Years	Bachelors in Mechanical Engineering	38 years	April 01, 2005	5,17,193	Overall manufacturi ng activities and quality control	Gajra Gears Private Limited
2.	Mr. Ashim Dutta Gupta General Manger- Commercial 58 Years	Post- Graduate Diploma in Business Management	37 Years	December 01, 2005	4,38,468	Marketing and Purchases	ISI Bars Limited
3.	Mr. Abhaypal Singh Chouhan Deputy General Manager- Production 57 Years	Diploma in Mechanical Engineering	37 years	April 01, 2005	3,26,404	Overall manufacturi ng process	Gajra Gears Private Limited
4.	Mr. Rash Bihari Dutta Factory Manager 55 Years	Masters of Arts (Social Work) and Bachelors of Laws	30 Years	May 01, 1999	2,76,995	Human Resources	Shri Ishor Agro Limited
5.	Mr. Om prakash Sharma Manager- Maintenance 50 Years	Diploma in Mechanical Engineering	27 years	January 02, 1998	3,06,518	Mechanical maintenance activities	Gajra Gears Private Limited
6.	Mr. Jayant Kumar Gunthey Manager- Planning 55 Years	Diploma in Mechanical Engineering	30 Years	June 07, 2006	2,21,676	Overall production planning and control	LML Limited
7.	Mr. Kumod Kumar Sinha Manager-Heat Treatment 56 Years	Advance Diploma in Forge Technology	29 Years	September 15, 2008	2,98,655	Overall process of Heat Treatment and Metallurgy	Bhawani Industries
8.	Mr. Narendra Kumar Prajapati Manager-Design & Development 38 Years	Diploma in Mechanical Engineering	19 years	February 01, 2005	2,08,782	Overall Design and Developmen t of Gears	Gajra Bevel Gears Limited
9.	Mr.RishabhKumar JainSenior Manager-Accounts&Finance51 Years	Master in Commerce	30 Years	July 01, 2004	1,95,935	Accounts, Finance and Banking	Explorers Marketing Private Limited
10.	Mr. Vishnu Kant Maheshwari	Diploma in Electrical	25 years	April 09, 2003	2,06,419	Overall electrical	GG Automoti

Sr. No	Name, Designation, Age	Qualification	Experience	Date of Joining	Compensation paid during 2009-2010 (Amount Rs.)	Functional Responsibil ity	Previous Employm ent
	Manager- Electrical Maintenance 49 Years	Engineering				maintenance activities	ve Gears Limited
11.	Mr. Deepak Upadhyay Company Secretary & Compliance Officer 33Years	Company Secretary	5 years	June 10, 2010	-	Secretarial compliances	Ruchi Soya Industries Limited

Notes:

- All the Key Managerial Personnel mentioned above are on the payrolls of Our Company as the permanent employees.
- There is no arrangement or understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned key managerial personnel have been recruited.
- The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.

The details of our Key Managerial Personnel are set out below:

- 1. **Mr. Shrikant Gaikwad** is the General Manager-Operations of Our Company. He has done his Bachelor's in Mechanical Engineering from University of Indore and has around 38 years of experience in the field of Gear Manufacturing. Prior to joining Our Company, he was associated with Gajra Gears Private Limited as General Manager (Research & Development Department). Presently, he is looking after the overall manufacturing activities of Our Company. The remuneration paid to him in Fiscal 2010 was Rs. 517,193 including perquisites and other benefits.
- 2. Mr. Ashim Dutta Gupta is General Manger-Commercial of Our Company. He has obtained a Bachelors degree in Science from University of Calcutta and a Masters Degree in Human Resource Management from Pondicherry University. He has done a Post-Graduate Diploma in Business Management from Institute of Modern Management, Calcutta. He has 37 years of experience in the field of Purchase and other Commercial functions. Prior to joining Our Company, he was associated with ISI Bars Limited as the General Manager (Commercial). Presently he is heading commercial Departments like purchases, stores and marketing of products of Our Company. The remuneration paid to him in Fiscal 2010 was Rs. 438,468 including perquisites and other benefits.
- 3. Mr. Abhaypal Singh Chouhan is the Deputy General Manager-Production of Our Company. He has done a diploma in Mechanical Engineering from Shri Vaishnav Polytechnic, Indore. He has 37 years of experience in the field of Gear Manufacturing. Prior to joining Our Company, he was associated Gajra Gears Private Limited as a Deputy Manager (Research & Development Department). Presently he looks after overall manufacturing process of Our Company. He specially takes care of process of Kit Line, Teeth Cutting and Grinding operations. The remuneration paid to him in Fiscal 2010 was Rs. 326,404 including perquisites and other benefits.
- 4. Mr. Rash Bihari Dutta is the Factory Manager of Our Company. He is a Graduate in Laws from Vikram University, Ujjain. He has also done his Masters in Arts (Social Work) from University of Indore. He has 30 years of experience in the field of administration of human resources and legal compliance of labour and other laws. Prior to joining Our Company, he was associated with Shri Ishor Agro Limited as a Factory cum Personnel Manager. Presently, he heads the human resources department of Our Company and all activities relating to it. He also looks after cases specially related to labours laws. The remuneration paid to him in Fiscal 2010 was Rs. 276,995 including perquisites and other benefits.
- 5. Mr. Om Prakash Sharma is the Manager-Maintenance of Our Company. He has done a diploma in Mechanical Engineering from Government Polytechnic, Ujjain. He has 27 years of experience in the field of maintenance. Prior to joining Our Company, he was associated with Gajra Gears Private Limited as the Assistant Manager –

(Maintenance Department). Presently he is heading the maintenance department of Our Company. The remuneration paid to him in Fiscal 2010 was Rs. 306,518 including perquisites and other benefits.

- 6. Mr. Jayant Kumar Gunthey is the Manager-Planning of Our Company. He has also obtained a Diploma in Mechanical Engineering from Government Polytechnic, Jhansi. He has 30 years of experience in this field of Production, planning and control. Prior to joining Our Company, he was associated with LML Limited as an Assistant Manager. Presently, he is head of Production planning and control department. He also looks after overall production planning of Our Company. The remuneration paid to him in Fiscal 2010 was Rs. 2,21,676 including perquisites and other benefits.
- 7. Mr. Kumod Kumar Sinha is the Manager-Heat Treatment. He is a graduate in Science from Magadh University, Bodh Gaya. He has also obtained Advance Diploma in Forge Technology from National Institute of Foundry and Forge Technology, Ranchi. He has 29 years of experience in this field of Heat Treatment and metallurgy. Prior to joining Our Company, he was associated with Bhawani Industries, Rajkot as a Chief Executive Officer. Presently, Mr. Sinha heads the heat treatment and metallurgy department. The remuneration paid to him in Fiscal 2010 was Rs. 298,655 including perquisites and other benefits.
- 8. Mr. Narendra Kumar Prajapati is the Manager-Design & Development. He holds a Diploma in Mechanical Engineering from Vashnav Polytechnic College, Indore. He also holds a Diploma in Total Quality Management from All India Institute of Management Studies, Chennai. He has around 19 years of experience in the field of Design & Development. Prior to joining Our Company, he was associated with Gajra Bevel Gears Limited as a Deputy Manager. Presently, Mr. N K Prajapati heads the department of design and development under whom, the design and development of gears is carried out. The remuneration paid to him in Fiscal 2010 was Rs. 208,782 including perquisites and other benefits.
- 9. Mr. Rishabh Kumar Jain is the Senior Manager-Accounts & Finance. He has obtained a Bachelor Degree in Commerce from Vikram University, Ujjain and Masters Degree in Commerce from University of Indore. He has 30 years of experience in this field of Accounting & Finance. Prior to joining Our Company, he was associated with Explorers Marketing Private Limited where he headed the accounts department. Presently, Mr. R.K. Jain heads the accounts and finance department in Our Company. He looks after all activities related accounts, finance and baking of Our Company. The remuneration paid to him in Fiscal 2010 was Rs. 195,935 including of perquisites and other benefits.
- 10. Mr. Vishnu Kant Maheshwari is the Manager-Electrical Maintenance. He holds a Diploma in Electrical Engineering from Government Polytechnic, Ujjain. He has 25 years of experience in the field of Electrical Maintenance. Prior to joining Our Company, he was associated with GG Automotive Gears Limited as the Manager Maintenance. Presently, he is looking after the overall electrical maintenance activities of Our Company. The remuneration paid to him in Fiscal 2010 was Rs. 206,419 including perquisites and other benefits.
- 11. Mr. Deepak Upadhyay is the Company Secretary & Compliance Officer of Our Company. He has obtained a Bachelor Degree in Commerce from Devi Ahilya University, Indore and a Masters Degree in Commerce from Devi Ahilya University, Indore. He is also an Associate of The Institute of Company Secretaries of India. He has 5 years of experience in company-secretarial activities. Prior to joining Our Company, he was associated with Ruchi Soya Industries Limited. Presently, he looks after all the secretarial and legal activities of Our Company. As Mr. Upadhyay has been appointed in Fiscal 2011, no remuneration was paid to him in the previous Fiscal 2010.

#### **Shareholding of Key Managerial Personnel**

None of the Key Managerial Personnel of Our Company hold any Equity Shares of Our Company as on the date of filing this DRHP.

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

None of our Key Managerial Personnel are "related" to the Promoters or Directors of Our Company or to each other within the meaning of Section 6 of the Companies Act, 1956.

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

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

#### Changes in the Key Managerial Personnel in the last three years

The changes in the key management personnel in the last 3 years are as follows:

	Sr. No.	Name	Designation	Date of Appointment	Date of Cessation	Remarks
1	1.	Mr. Deepak Upadhyay	Company Secretary	June 10, 2010	-	Fresh Appointment
2	2.	Mr. Kumod Kumar Sinha	Manager (Heat Treatment)	September 15, 2008	-	Fresh Appointment

#### Interest of Key Managerial Personnel

Our Key Managerial Personnel do not hold any Equity Shares. The Key Managerial Personnel of Our Company do not have any interest in Our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and incentive payable as per policies None of our Key Managerial Personnel have been paid any consideration of any nature from Our Company, other than their remuneration.

#### Employees

Our Company has 392 employees and contract labourers as on January 17, 2011, the details of which are enumerated below:

Particulars	Permanent	Contract	Total
Non- Management	308	57	365
Management	26	01	27
Total	334	58	392

#### **ESOP/ESPS** scheme to employees

Presently, we do not have ESOP/ESPS scheme for employees.

#### OUR PROMOTERS AND PROMOTER GROUP

#### Our Promoters are:

- 1. Ms. Rita R. Gajra
- 2. Mr. Raj D. Kirtani
- 3. R. B. Gajra HUF

#### 1. Ms. Rita R. Gajra

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Voter ID Number	MP/37/271/297156		
Driving License Number	MP09R-2007-0215270		
Ms. Rita R. Gajra, aged 59 years, is the Whole	e Time Director and Promoter of Our		
Company. She is the wife of Mr. R. B. Gaj	ra. She is a Graduate in Arts from		
University of Bombay. She has over 20 years of experience in Automobile Gears			
sector. She looks after overall business development of Our Company. She is			
responsible for developing business strategie	es and instrumental in formulating		
strategic growth of Our Company. She is also	a partner in M/s. Elve Corporation, a		
group concern, engaged in the exports of gears	and automotive components.		

#### 2. Mr. Raj D. Kirtani



Voter ID Number	MP/37/274/327133
Driving License Number	F503783636
Mr. Raj D. Kirtani, aged 58 years, is the P	romoter and Managing Director of Our

*Mr. Raj D. Kirtani*, aged 58 years, is the Promoter and Managing Director of Our Company. He has done his Bachelors degree in Commerce (with honours) in Advanced Accounts & Auditing from University of Bombay, Masters degree in law with specialisation in Commercial Laws from University of Bombay. He is also a fellow member of the Institute of Cost and Works Accountants of India. He has a total of 36 years of experience, out of which 30 years of experience with Gajra Gears Group. Prior to joining our Group in 1979, he worked for six years with Mahindra & Mahindra Limited, Mumbai. He looks after the overall management and day to day activities of Our Company.

#### 3. R. B. Gajra HUF



Voter ID Number	-
Driving License Number	MP09R-2010-0339116

**R. B. Gajra HUF** is a hindu undivided family having **Mr. R. B. Gajra** as its *Karta*. Mr. Ramesh B Gajra alias R. B. Gajra is 60 years old and completed Higher Secondary Education in the year 1968 from Don Bosco High School, Mumbai. Thereafter, he did Industrial Training from G. S. Naidu Group of Industries, Coimbatore. Presently, he is the Chairman and Managing Director of Gajra Gears Private Limited, our group company. He has more than 40 years of experience in manufacturing of Gears. He guides the Company in development of New Products and manufacturing process of Differential Gears.

The details of the members are given hereunder:

- a) Mr. R. B. Gajra- Karta
- b) Mr. Gautam Gajra- Member
- c) s. Rita R. Gajra- Member
- d) Ms. Karishma Gajra- Member
- e) Ms. Vijayeta Gajra- Member
- f) Mr. Vihaan Gajra- Member

We confirm that the Permanent Account Number, Passport Number and Bank Account details of our Promoters have been submitted to the Stock Exchange, on which Our Company proposes to list its Equity Shares, at the time of filing the DRHP with the Stock with the Stock Exchanges.

Our Promoters, Promoter Group and Group Entities have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. None of our Promoters was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the SEBI.

Further, our Promoters have not been identified as a willful defaulter by RBI or any other Government authority and there are no violations of securities laws committed by the Promoters in the past or any such proceedings are pending against the Promoters.

#### Change in our Promoters

There have been no changes in our Promoters in 3 years immediately preceding the date of this Draft Red Herring Prospectus.

#### **Relationship amongst Promoters**

Ms. Rita R. Gajra is a member of R. B. Gajra HUF. Mr. Raj D. Kirtani is not related to Ms. Rita R. Gajra or to the R. B. Gajra HUF.

#### Payment or Benefit to Promoters

Other than the salary and remuneration of the Promoter Directors, referred to in the chapter titled 'Our Management' on page number 102 of this DRHP, dividends paid to the Promoters for their shareholding in Our Company, interest earned on the loan advanced to Our Company, there are no payment or benefit to promoters of Our Company.

#### **Common Pursuits**

There are no common pursuits between Our Company and our Group Entities/ promoter companies except as mentioned below:

Gajra Gears Private Limited and Our Company are in different segments of the industry. Gajra Gears Private Limited manufactures Transmission Gears used in the gear box of automobiles. These are Gears used in a combination for transmitting power in parallel axis. On the other hand, Gajra Differential Gears Limited manufactures Differential Gears used in Rear Axle Differential Gear Box. These are Gears, used in a set, to transmit power at right angles to the rear wheels of automobiles. The technologies and machineries involved in manufacture of these Gears, i.e. Transmission Gears and Differential Gears are entirely different. The only commonality is that both these companies are in precision engineering products.

#### **Interest of Promoters**

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

Our Promoters may be deemed to be interested to the extent of the Equity Shares held by them, their friends and relatives, and benefits arising from their holding directorship / employment in Our Company. They may also be deemed to be interested in the transactions entered into by Our Company with the ventures where they are interested as Promoter, Director or otherwise.

Except as stated hereinabove and as stated in Annexure VII titled 'Statement of Related Party Transactions' beginning on page number 141 under Chapter titled "Auditors' Report And Financial Information of Our Company" beginning on page number 128 of the Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Our Promoter-Directors have given unsecured loans to Our Company periodically. Details of amounts outstanding as on October 30, 2010 are as disclosed hereunder.

	(Amount in Le	
Sr. No.	Sr. No. Name of Lender Amount outstanding as on December 31, 20	
1.	Ms. Rita R. Gajra	29.50

#### Payment or Benefit to our Promoters

No payment has been made or benefit given to our Promoters in the two years preceding the date of this Draft Red Herring Prospectus save and except as mentioned/referred to in this chapter and in the chapter titled "Our Management" and in the section titled "Financial Statements" beginning on pages 102 and 241 respectively, of this Draft Red Herring Prospectus.

There is no bonus or profit sharing plan for our Promoters except as disclosed in the portion titled "*Remuneration details of our Managing Directors/ Whole Time Directors*" of the chapter titled "*Our Management*" beginning on page number 102 of this Draft Red Herring Prospectus.

#### **Other Ventures of our Promoters**

Save and except as disclosed in the chapter titled "Financial Information of Our Group Entities" beginning on page number 119 of this Draft Red Herring Prospectus, there are no other ventures of our Promoters in which they have business interests/other interests.

#### Interest in the Property of Our Company

The Promoters do not have any interest in any property acquired by Our Company within two years preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by Our Company, save and except as stated in paragraph titled "*Properties*" under the chapter titled "*Business Overview*" beginning on page number 82 of this Draft Red Herring Prospectus.

#### **Related Party Transactions**

For details on our related party transactions please refer to the paragraph titled "*Properties*" in the chapter titled "*Business Overview*" beginning on page 82, paragraph titled "*Interest of Directors*" under the chapter titled "*Our Management*" and paragraph titled "*Interest of Promoters in Our Company*" under the chapter titled "*Our Promoters and Promoter Group*" beginning on pages 102 and 116 respectively and in the Annexure VII under the chapter titled "*Auditors' Report and Financial Information of Our Company*" beginning on page number 128 of this Draft Red Herring Prospectus.

#### **Promoter Group**

In terms of SEBI (ICDR) Regulations, 2009, the following immediate relatives form part of our Promoter Group due to their relationship with our promoters, are part of our Promoter Group in terms of Regulation 2(1) (zb) of SEBI (ICDR) Regulations, 2009:

Promoter	Name of Relative	Relationship
	Mr. Ramesh B. Gajra	Husband
	Mr. Gautam R. Gajra	Son
	Ms. Rashmi Gajra	Daughter
Ms. Rita R. Gajra	Ms. Karishma Gajra	Daughter
Wis. Kita K. Gajia	Mr. Jagdish Chhada	Brother
	Mr. Ramesh Chhada	Brother
	Mr. Lalit Chhada	Brother
	Ms. Kamal Romi Sabhrawal	Sister of Spouse
	Mrs. Sulabha R. Kirtani	Wife
	Mr. Mayur R. Kirtani	Son
	Mrs. Meghna Savin	Daughter
	Mr. Guruprasad D. Kirtani	Brother
Mr. Raj D. Kirtani	Mr. Prashant D. Kirtani	Brother
	Mrs. Shobhana G. Kanitkar	Mother of Spouse
	Mr. Anil G. Kanitkar	Brother of Spouse
	Mrs. Shubhra A. Bhaat	Sister of Spouse
	Dr. Vibhavari V. Deshpande	Sister of Spouse
	Ms. Rita R. Gajra	Wife
Mr. D. D. Coirro (Vorto of Mr.	Mr. Gautam Gajra	Son
Mr. R. B. Gajra (Karta of - Mr. R. B. Gajra HUF)	Ms. Rashmi Gajra	Daughter
K. D. Oajia HUF)	Ms. Karishma Gajra	Daughter
	Ms. Kamal Romi Sabhrawal	Sister

#### FINANCIAL INFORMATION OF OUR GROUP ENTITIES

The following Companies/ Firms are referred to in this Draft Red Herring Prospectus as the "Group Entities".

Sr. No.	Name of the Entity
1	M/s. Elve Corporation
2	Gajra Gears Private Limited
3	Shakun Investments Private Limited
4	Bhisham Investments Private Limited
5	Kennedy Investments Private Limited
6	Gajra Gears Negeri Sembilan Sendirian Berhad

#### **Private Limited Companies:**

#### 1. Gajra Gears Private Limited ("GGPL")

Date of Incorporation	GGPL was originally incorporated as Gajra Gears Private Limited <i>vide</i> certificate dated February 15, 1974 issued by the Assistant Registrar of Companies, Maharashtra, Mumbai. GGPL was converted into a deemed public company <i>vide</i> certificate dated November 16, 1988 by virtue of section 43A(1A) of the Companies Act, 1956. Thereafter, it adopted the status of a regular public company pursuant to Section 44 and Section 31 of the Companies Act on March 15, 1993. It was again converted into a private company <i>vide</i> Certificate of Conversion dated January 14, 2002 issued by Deputy Registrar of Companies, Maharashtra, Mumbai.	
CIN	U29130MH1974PTC017201	
Registered Office	Elve Chambers, Green Street, Fort, Mumbai – 400 023, Maharashtra, India.	
Main Objects	<i>Inter alia,</i> to purchase, takeover or otherwise acquire as running business with effect from the commencement of its current accounting year the business of M/s. Gajra Gears; To continue to carry on the business carried on by the aforesaid firm of M/s. Gajra Gears.	
Nature of Business	At present GGPL is engaged in manufacturing and dealing in Transmission Gears for diesel oil engines, automobiles, tractors, machineries and parts thereof.	

#### Shareholding Pattern as on date of the filing of this Draft Red Herring Prospectus

The authorised share capital of GGPL is Rs.15,00,00,000.00 divided into 1,00,00,000 Equity Shares of face value of Rs. 10 each of which there are 15,00,000 14% Redeemable Preference Shares of face value Rs. 10 each and 3,50,000 10% Redeemable Preference Share of face value Rs. 100 each.

Sr. No.	Name of the Shareholders	No. of Shares	% of Holding
1	M/s Bhisham Investments Private Limited	11,60,400	24.25
2	Mr. Gautam R Gajra	60,000	1.26
3	M/s Kamal Romi Sabharwal	28,800	0.60
4	Ms. Karishma R Gajra	60,000	1.26
5	M/s Kennedy Investment Private Limited	11,60,400	24.25
6	Mr. Ramesh B Gajra	1,80,000	3.77
7	Mr. Ramesh B Gajra (As Karta of R. B. Gajra HUF)	69.600	1.45
8	Ms. Rashmi R Gajra	60,000	1.26
9	Mr. Romi H Sabharwal	28,800	0.60
10	Mr. Romi H Sabharwal (As Karta of M/s Romi H Sabharwal HUF)	28,800	0.60
11	M/s Shakun Investments Private Limited	11,60,400	24.25
12	Mr. Ramesh B Gajra (On behalf of all partners of M/s Elve Corporation)	7,86,600	16.44
13	Mr. Ramesh B Gajra (Jt Mr. B D Tejani)	100	Negligible
14	Mr. Ramesh B Gajra (Jt Mr. C D Desai)	100	Negligible

Sr. No.	Name of the Shareholders	No. of Shares	% of Holding
15	Mr. Ramesh B Gajra (Jt Mr. Vijay Chainani)	100	Negligible
16	Mr. Ramesh B Gajra (Jt Mr. M A Gunari)	100	Negligible
17	Mr. Ramesh B Gajra (Jt Mr. T V Jagtiani)	100	Negligible
18	Mr. Ramesh B Gajra (Jt Ms. Jenny Almeida)	100	Negligible
	TOTAL	47,84,400	100.00

#### **Financial Information:**

			(Rs in Lacs)
Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Equity Share Capital	478.44	478.44	478.44
Reserves & Surplus	907.15	907.15	907.15
Sales	10390.39	11978.02	11877.11
Profit/(Loss) after Tax	(145.56)	(256.27)	(1068.53)
Earnings Per Share	(3.04)	(5.36)	(22.33)

#### **Other Details:**

- (a) GGPL has not made any public issue or rights issue in the preceding three years to the date of filing of this Draft Red Herring Prospectus.
- (b) GGPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. GGPL is not under the Board for Industrial and Financial Reconstruction.
- (c) The accumulated losses of GGPL at the end of Fiscal 2010 is more than fifty percent of its net worth. GGPL has not incurred cash loss in the current year or in the immediate preceding year.
- (d) GGPL has not been identified as a willful defaulter by the Reserve Bank of India.
- (e) No proceedings have been initiated for economic offences against GGPL.

#### 2. Shakun Investments Private Limited ("SIPL")

Date of Incorporation	SIPL was incorporated as "Shakun Investments Private Limited" vide certificate of incorporation dated April 17, 1979 issued by the Registrar of Companies, Maharashtra. SIPL became a deemed public company dated July 1, 1994 by virtue of Section 43A (1) of the Companies Act, 1956. SIPL was re-converted into a private limited company and the name was accordingly changed to "Shakun Investments Private Limited" vide Fresh Certificate Of Incorporation Consequent Upon Change Of Name dated January 13, 1997.	
CIN	U65990MH1979PTC021211	
Registered Office	Elve Chambers, Green Street, Fort, Mumbai – 400023, Maharashtra, India.	
Main Objects	<i>Inter alia</i> to carry on the business as an Investment Company and to acquire, hold and deal in shares, stocks, debentures, debenture-stock, bonds, notes, obligations and securities issued or guaranteed by any company and debentures, debenture- stock, bonds, notes, obligations and securities issued or guaranteed by any Government, sovereign ruler, commissioner, public body or authority, supreme, dependent, municipal or local.	
Nature of Business	SIPL is engaged in investment and other financial activity.	

#### Shareholding Pattern as on date of the filing of this Draft Red Herring Prospectus

The authorised share capital of SIPL is Rs. 25,00,000.00 divided into 25,000 equity shares of face value Rs. 100.00 each.

Sr. No.	Name of the Shareholders	No. of Shares	% of Holding
1	Mr. Gautam Gajra	168	13.89
2	Ms. Karishma Gajra	120	9.93
3	Mr. R B Gajra	618	51.12

Sr. No.	Name of the Shareholders	No. of Shares	% of Holding
4	Ms. Rashmi Gajra	120	9.93
5	Ms. Rita R. Gajra	170	14.06
6	Mr. R B Gajra (Jt Ms. S B Gajra)	1	0.08
7	Ms R R Gajra (Jt Ms. S B Gajra)	10	0.83
8	Mr. R B Gajra (Jt Mr. J.S. Bhagwat)	1	0.08
9	Mr. R B Gajra (Jt Mr. T.V. Jagtani)	1	0.08
	TOTAL	1209	100.00

#### **Financial Performance:**

			(Rs in Lacs)
Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Equity Share Capital	1.21	1.21	1.21
Reserves & Surplus	0.45	0.45	0.45
Income	NIL	NIL	NIL
Profit/(Loss) after Tax	(0.14)	(0.15)	(0.11)
Earnings Per Share	(12.46)	(9.07)	(12.20)

#### **Other Details:**

- (a) SIPL has not made any public issue or rights issue in the preceding three years to the date of filing of this Draft Red Herring Prospectus. SIPL is not under the Board for Industrial and Financial Reconstruction.
- (b) SIPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up.
- (c) SIPL has not had negative net worth in the past three financial years.
- (d) SIPL has not been identified as a wilful defaulter by the Reserve Bank of India.
- (e) No proceedings have been initiated for economic offences against SIPL.

#### 3. Bhisham Investments Private Limited ("BIPL")

Date of Incorporation	BIPL was incorporated as " <i>Bhisham Investments Private Limited</i> " vide Certificate Of Incorporation dated February 28, 1979 issued by the Registrar of Companies, Maharashtra. BIPL became a deemed public company on July 01, 1994 by virtue of section 43A(1) of the Companies Act, 1956 and was reconverted into a private limited company, pursuant to Fresh Certificate Of Incorporation Consequent Upon Change Of Name dated January 13, 1997 issued by the Additional Registrar of Companies Maharashtra, Mumbai.
CIN	U65990MH1979PTC021074
<b>Registered Office</b>	Elve Chambers, Green Street, Fort, Mumbai – 400023, Maharashtra, India.
Main Objects	<i>Inter alia</i> to carry on the business as an Investment Company and to acquire, hold and deal in shares, stocks, debentures, debenture-stock, bonds, noted, obligations and securities issued or guaranteed by any company and debentures, debenture- stock, bonds, notes, obligations and securities issued or guaranteed by any Government, sovereign ruler, commissioner, public body or authority, supreme, dependent, municipal or local.
Nature of Business	BIPL is engaged in investment and other financial activity.

#### Shareholding Pattern as on date of the filing of this Draft Red Herring Prospectus

The authorised share capital of BIPL is Rs. 25,00,000.00 divided into 25,000 equity shares of face value Rs. 100.00 each.

Sr.No.	Name of the Shareholders	No. of Shares	% of Holding
1	Mr. R B Gajra	695	57.73
2	Ms. Shilwanti Gajra	1	0.08
3	Ms. Rashmi Gajra	103	8.56
4	Ms. Karishma Gajra	103	8.56

Sr.No.	Name of the Shareholders	No. of Shares	% of Holding
5	Ms. Rita R. Gajra	155	12.87
6	Mr. Gautam Gajra	145	12.04
7	Mr. R B Gajra (Jt Mr. C D Desai)	1	0.08
8	Mr. R B Gajra (Jt Mr. B D Tejani)	1	0.08
	TOTAL	1209	100.00

#### **Financial Performance:**

			(Rs in Lacs)
Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Equity Share Capital	1.20	1.20	1.20
Reserves & Surplus	0.45	0.45	0.45
Income	NIL	NIL	NIL
Profit/(Loss) after Tax	(0.15)	(0.16)	(0.12)
Earnings Per Share	(12.09)	(13.34)	(10.36)

#### **Other Details:**

- (a) BIPL has not made any public issue or rights issue in the preceding three years to the date of filing of this Draft Red Herring Prospectus.
- (b) BIPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. BIPL is not under the Board for Industrial and Financial Reconstruction.
- (c) BIPL has not had any negative networth in the past three financial years.
- (d) BIPL is not identified as a willful defaulter by the Reserve Bank of India.
- (e) No proceedings have been initiated for economic offences against BIPL.

#### 4. Kennedy Investments Private Limited ("KIPL")

Date of Incorporation	KIPL was incorporated as " <i>Kennedy Investments Private Limited</i> " vide Certificate Of Incorporation dated February 28, 1979 issued by the Registrar of Companies, Maharashtra. KIPL became a deemed public company on July 01, 1994 by virtue of section 43A(1) of the Companies Act, 1956 and was reconverted into a private limited company, pursuant to Fresh Certificate Of Incorporation Consequent Upon Change Of Name dated January 13, 1997 issued by the Additional Registrar of Companies Maharashtra, Mumbai.		
CIN	U65990MH1979PTC021075		
<b>Registered Office</b>	Elve Chambers, Green Street, Fort, Mumbai – 400023, Maharashtra, India.		
Main Objects	<i>Inter alia</i> to carry on the business as an Investment Company and to acquire, hold and deal in shares, stocks, debentures, debenture-stock, bonds, notes, obligations and securities issued or guaranteed by any company and debentures, debenture- stock, bonds, notes, obligations and securities issued or guaranteed by any Government, sovereign ruler, commissioner, public body or authority, supreme, dependent, municipal or local.		
Nature of Business	KIPL is engaged in investment and other financial activity		

#### Shareholding Pattern as on the date of the filing of this Draft Red Herring Prospectus

The authorised share capital of KIPL is Rs. 25,00,000.00 divided into 25,000 equity shares of face value Rs. 100.00 each.

Sr. No.	Name of the Shareholders	No. of Shares	% of Holding
1	Mr. R B Gajra	615	51.08
2	Ms. Karishma Gajra	120	9.97
3	Mr. Gautam Gajra	167	13.87
4	Ms. Rita R. Gajra	170	14.12

Sr. No.	Name of the Shareholders	No. of Shares	% of Holding
5	Ms. Rashmi Gajra	120	9.97
6	Mr. R B Gajra (Jt Ms. S B Gajra)	1	0.08
7	Ms R R Gajra (Jt Ms. S B Gajra)	9	0.75
8	Mr. R B Gajra (Jt Mr. T.V. Jagtani)	1	0.08
9	Mr. R B Gajra (Jt Mr. G.S. Bhagwat)	1	0.08
	TOTAL	1,204	100.00

#### Financial Performance:

			(Rs in Lacs)
Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Equity Share Capital	1.20	1.20	1.20
Reserves & Surplus	0.45	0.45	0.45
Income	NIL	NIL	NIL
Profit/(Loss) after Tax	(0.14)	(0.16)	(0.12)
Earnings Per Share	(11.68)	(12.92)	(10.36)

#### **Other Details:**

- (a) KIPL has not made any public issue or rights issue in the preceding three years to the date of filing of this Draft Red Herring Prospectus.
- (b) KIPL is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up. KIPL is not under the Board for Industrial and Financial Reconstruction.
- (c) KIPL has not had negative net worth in the past three financial years.
- (d) KIPL has not been identified as a wilful defaulter by the Reserve Bank of India.
- (e) No proceedings have been initiated for economic offences against KIPL.

#### **Bodies Corporate:**

#### 5. Gajra Gears Negeri Sembilan Sendirian Berhad ("GGNS")

GGNS, is a body corporate incorporated as a private limited company under the laws of Malaysia on August 25, 1975 and a subsidiary of Gajra Gears Private Limited, India ("GGPL") under a joint venture partnership with Negeri Sembilan Development Corporation, Seremban, Malaysia ("NSDC"). GGNS went into receivership on November 05, 1984. The receivers and managers thereby appointed have realised all the assets charged under the debenture documents and have paid the proceeds to the preferential creditors and the debenture holders in part settlement of their outstanding loans since all the assets of GGNS were not sufficient to cover all its liabilities. The secured creditors remained undischarged and since no assets of GGNS were available for realisation and distribution to its unsecured creditors and shareholders.

GGPL has informed Our Company that the finalisation of accounts, audit, filing of various returns and forms with different authorities (including annual returns and annual accounts), convening/holding of board meetings, general meetings and various other statutory compliances for several years have not been made by GGNS since financial year 1984.

GGPL has initiated arbitral proceedings against NSDC for recovery of amounts due from them. For details thereof, please refer to the chapter titled "Outstanding Litigations and Material Developments" on page number 165 of this Draft Red Herring Prospectus. GGNS has not been liquidated as the aforementioned arbitration proceedings are ongoing and consequently GGNS continues to be registered with the Registrar of Companies, Malaysia. Meanwhile, an application was made to the RBI by GGPL to write-off investments made in by GGPL in GGNS. An approval to that effect has been received by RBI dated July 08, 1997 to write-off investments to the tune of Rs. 120.00 Lacs.

#### Partnership Firm:

#### 1. M/s. Elve Corporation ("EC")

Date of Formation	EC was originally formed as " <i>M/s. Elve Business Contacts Corporation</i> " dated December 15, 1950. A Partnership Deed dated March 30, 1953 was executed and duly registered on July 21, 1954. The name was then changed to " <i>M/s. Elve Corporation</i> " with effect from November 16, 1973.		
Firm Registration No	53676; firm registered on July 21, 1954		
Registered Office	Elve Chambers, Green Street, Fort, Mumbai – 400023, Maharashtra, India.		
Nature of Business         At present EC is engaged <i>inter alia</i> in dealing in oil engines, electric machinery spare parts and automotive gears and parts thereof.			

#### **Details of Partners**

Sr. No.	Name of the Partner	Share in Revenue Profit (%)	Share in Revenue Loss (%)	Share in Capital Gain / Loss (%)	Share in Goodwill (%)
1	Mr. Ramesh B Gajra	29.00	37.00	29.00	29.00
2	Ms. Rita R. Gajra	14.50	15.00	14.50	14.50
3	M/s Ramesh B Gajra (HUF) (Represented by Mr. Gautam R Gajra)	56.50	48.00	56.50	56.50

#### **Financial Information:**

			(Rs in Lacs)
Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Partners' Capital Account	1507.59	1603.89	1586.89
Export Sales / Income	4285.21	8313.78	7787.09
Other Income	3.23	41.26	0.60
Profit / (Loss) After Tax	8.64	53.10	(37.73)

#### **Other Details:**

(a) There are no defaults made by EC in meeting any Statutory/Bank/Institutional dues.

(b) No proceedings have been initiated for economic offences against EC.

(c) EC has not been named as a wilful defaulter in the list published by the Reserve Bank of India.

(d) EC has not had negative networth in the past three financial years.

#### Listed companies in the Promoter Group

As on the date of this DRHP, there are no listed companies in our Promoter Group.

#### Sale and purchase between Group Entities/ associate companies

The details of sale and purchase between Our Company and our Group Entities are disclosed under Annexure VII titled '*Statement of Related Party Transactions*' under chapter titled "*Auditors' Report and Financial Information of Our Company*" beginning on page number 128 in this Draft Red Herring Prospectus.

#### Business interest of the Group Entities/ associate companies in Our Company

M/s. Elve Corporation is interested in the business of Our Company as well as Gajra Gears Private Limited, to the extent of related party transactions entered into by and between Our Company and Gajra Gears Private Limited. All our Group Entities are interested in the business of Our Company to the extent of the equity shares of Our Company held by such Group Entities, if any.

#### Previous public or rights issues by the Group Entities

None of our Group Entities are presently listed on any stock exchange, nor have our Group Entities made any public or rights issues in the preceding three years. Further, no action has been taken against any Group Entities by any stock exchange or by SEBI.

#### **Defunct Promoter Group Entities**

Rexel Pharma (India) Private Limited our Group Entity, was struck off the records of the relevant Registrar of Companies with effect from December 11, 2010 pursuant to application being made under the Easy Exit Scheme, 2010 dated August 19, 2010.

#### Companies with which our Promoters have disassociated in the last three years

Our Promoters have not disassociated themselves from any companies or firms during the three years preceding the date of the filing of this DRHP.

#### **Related Party Transactions**

The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under Annexure VII titled 'Statement of Related Party Transactions' under chapter titled "Auditors' Report and Financial Information of Our Company" beginning on page number 128 in this Draft Red Herring Prospectus.

For details of the related party transactions, please refer to page number 141 of this DRHP.

#### **CURRENCY OF PRESENTATION**

In this DRHP, all references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India and all references to "\$", "US\$", "US.\$", "USD", "U.S. Dollar(s)" or "US Dollar(s)", if any, are to United States Dollars, the official currency of the United States of America.

In this DRHP, unless the context otherwise requires, all references to the word "Lacs" or "Lacs", means "One Hundred Thousand" and the word "million" means "Ten Lacs" and the word "Crore" means "Ten Million" and the word "billion" means "One thousand million and the word "trillion" means "One thousand billion".

For the convenience of the Shareholders, throughout this DRHP, the reporting unit has been maintained as Rupees in Lacs (Rupees in Hundred Thousands), except when stated otherwise.

#### **DIVIDEND POLICY**

The declaration and payment of dividend will be recommended by our Board 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, overall financial condition, applicable Indian legal restrictions and other factors considered relevant by the Board. All dividend payments are made in cash to the shareholders of the Company.

We have not declared any dividend on the equity shares in the past three financial years.

Our dividend policy in the past is not necessarily indicative of our dividend policy or dividend amounts in the future.

#### SECTION VII - FINANCIAL STATEMENTS

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

To The Board of Directors Gajra Differential Gears Limited Elve Chambers, Green Street, Fort, Mumbai-400 023

- We have examined the attached financial information of GAJRA DIFFERENTIAL GEARS LIMITED (the Company), registered office at Ground Floor, Elve Chambers, Green Street, Fort, Mumbai-400023, which have been prepared by the management and approved by the Board of Directors of the Company in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations 2009 for the proposed issue of equity shares of the Company.
- 2) These information have been extracted by the Management from the financial statements for the six month ended 30<sup>th</sup> September, 2010 and financial years ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2007 and 31<sup>st</sup> March, 2006 audited by us. The restated financial information has been made after incorporating adjustments for the material amounts in the respective years.
- 3) We have also examined the financial information of the company for the period 1<sup>st</sup> April, 2010 to 30<sup>th</sup> September, 2010 prepared and approved by the Board of the Directors for the purpose of disclosure in the offer document of the company mentioned in paragraph (1) above.

The financial information for the above period was examined to the extent practicable, for the purpose of audit of financial information in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information is free of material misstatement.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the financial information appropriately.

- 4) In accordance with the requirements of Paragraph B of Part-II of Schedule-II of the Act, the SEBI Regulations and terms of our engagement agreed with you, we further report that:
  - a) The Restated Summary of Assets and Liabilities of the Company as at 30<sup>th</sup> September, 2010, 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2007 and 31<sup>st</sup> March, 2006, as set out in Annexure I to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Notes and Significant Accounting Policies. (Annexure IV and V)
  - b) The Restated Summary of Profit and Loss Account of Company for the six month ended 30<sup>th</sup> September, 2010 and year ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2007 and 31<sup>st</sup> March, 2006, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Notes and Significant Accounting Policies. (Annexure IV and V)
  - c) The Restated Cash Flow Statements of the Company for the six month ended 30<sup>th</sup> September, 2010 and year ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2007 and 31<sup>st</sup> March, 2006, as set out in **Annexure III** to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Notes and Significant Accounting Policies (**Annexure IV and V**)
  - d) Based on the above, we are of the opinion that the restated financial information have been made in accordance with SEBI Regulations after incorporating adjustment for material amounts in the respective financial years to which they relate.
  - e) Based on our examination, we are of the opinion that there has been a change in accounting policy relating to gratuity in the year ending on 31<sup>st</sup> March, 2010 and Transitional Provision of Rs. 23.25 Lacs made in that year has not been adjusted in respective years for want actuarial valuation.

- f) There are no extra-ordinary items to be disclosed separately and no adjustment has been made for qualification relating to Leave Encashment Liability as the quantum is unascertained.
- 5) We have also examined the following other financial information set out in ANNEXURES prepared by the management and approved by the Board of Directors for the six month ended 30<sup>th</sup> September, 2010 and year ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2007 and 31<sup>st</sup> March, 2006:
  - (i) <u>Dividend paid / proposed:</u>

We confirm that the Company has not declared / paid any dividend on its equity / preference shares for the six month ended 30<sup>th</sup> September, 2010 and year ended 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2006 audited by us.

(ii) Investments:

We confirm that the Company does not hold any investment as at 30<sup>th</sup> September, 2010, 31<sup>st</sup> March, 2010, 31<sup>st</sup> March, 2009, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2007 and 31<sup>st</sup> March, 2006 audited by us.

- (iii) Statement of Adjustments made in Restated Financial Information (Annexure VI)
- (iv) Statement of Related Party Transactions (Annexure VII)
- (v) Statement of Contingent Liability (Annexure VIII)
- (vi) Statement of Secured Loans (Annexure IX)
- (vii) Statement of Unsecured Loans (Annexure X)
- (viii) Statement of Sundry Debtors (Annexure XI)
- (ix) Statement of Loan and Advances (Annexure XII)
- (x) Statement of Other Income (Annexure XIII)
- (xi) Statement of Capitalization as at September 30, 2010 (Annexure XIV)
- (xii) Statement of Significant Accounting Ratios (Annexure XV)
- (xiii) Statement of Current Liabilities and Provisions (Annexure XVI)
- (xiv) Statement of Tax Shelter (Annexure XVII)
- 6) In our opinion the financial information contained in Annexure I to Annexure XVII of this report read along with the Significant Accounting Policies, and Notes to Accounts prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Paragraph B (1) of Part II of Schedule II of the Act and the SEBI Regulations.
- 7) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report and should not be used, referred to or distributed for any other purpose except with our prior written consent.

For P N Nagar & Co Chartered Accountants

P. N. Nagar Proprietor Membership No.006497 FRN.000883C Peer Certificate No.003931

Place: Indore Dated: January 20, 2011

#### Annexure I

#### Restated Summary statement of Assets & Liabilities:

	As at		A	s at March (	31,	
Particulars	September, 30	0010	••••	••••		
	2010	2010	2009	2008	2007	2006
FIXED ASSETS						
Gross Block						
a) Tangible	3943.53	3898.20	3857.03	3805.50	3343.83	3088.57
b) Intangible	181.45	164.93	137.43	91.88	52.45	-
Total	4124.98	4063.13	3994.46	3897.38	3396.28	3088.57
Less: Depreciation	1791.77	1682.54	1500.86	1299.78	1123.52	946.75
NET BLOCK	2333.21	2380.59	2493.60	2597.60	2272.76	2141.82
Capital work in progress	145.35	101.63	98.07	91.24	147.12	52.57
NET FIXED ASSETS (A)	2478.56	2482.22	2591.67	2688.84	2419.88	2194.39
INVESTMENT (B)	-	-	-	-	-	-
DEFFERED TAX ASSETS (C)						
Current Assets, Loans & Advances						
Inventories	1931.95	1763.33	1710.69	1655.89	1730.01	1592.68
Sundry debtors	348.23	365.79	362.52	311.25	302.69	307.23
Cash & Bank Balances	19.20	21.02	92.69	76.81	75.18	113.78
Loans And Advances	207.05	176.33	199.85	171.10	278.92	176.87
Other Current Assets						
TOTAL (D)	2506.43	2326.47	2365.75	2215.05	2386.80	2190.56
Liabilities and Provisions						
Secured Loans	1763.11	1762.42	1739.62	1514.13	1468.85	1429.07
Unsecured Loans	572.05	572.05	804.55	804.55	729.55	623.55
Deferred Tax Liabilities						19.40
Current Liabilities and Provisions	1720.10	1603.76	1937.02	2189.69	1928.75	1261.80
TOTAL (E)	4055.26	3938.23	4481.19	4508.37	4127.15	3333.82
NET WORTH (A+B+C+D-E)	929.73	870.46	476.23	395.52	679.53	1051.13
Represented by:						
Equity Share Capital	699.62	699.62	629.62	629.62	629.62	629.62
Preference Share Capital	-	-	100.00	100.00	-	-
Share Application Money	-	-	-	-	-	-
Reserves and Surplus	245.46	178.34	(253.39)	(334.10)	49.91	421.51
Less: Miscellaneous Expenditure	(15.35)	(7.50)	-	-	-	-
NET WORTH	929.73	870.46	476.23	395.52	679.53	1051.13

Note:

The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses, Significant Accounting Policies and Adjustment made in the Restated Financial Statement as appearing in Annexure(s) IV, V and VI.

#### Annexure II

#### **Restated Summary Statement of Profits & Losses**

Particulars	As at September, 30		As	at March	31,	(Rs in Lac
	2010	2010	2009	2008	2007	2006
INCOME						
Turnover ( including Job Work )	1497.00	2978.83	3167.08	2913.51	2317.43	2584.70
Less: Excise Duty on Sales	98.10	184.30	296.66	397.90	174.81	346.64
Net Sales	1398.90	2794.53	2870.42	2515.61	2142.62	2238.06
Other income	42.18	69.68	159.89	33.10	26.57	2.78
Increase/(Decrease) in Inventories	180.01	42.53	64.08	(79.33)	64.45	516.99
TOTAL INCOME	1621.09	2906.74	3094.39	2469.38	2233.64	2757.83
EXPENSES						
Raw Material Consumed	582.60	932.04	1201.96	1057.08	1185.20	1423.01
Manufacturing Expenses	394.00	684.05	732.54	795.64	596.25	588.72
Personnel Expenses	229.46	459.94	421.78	342.53	320.38	263.79
Administrative / Other Expenses	32.74	74.66	76.11	65.28	74.96	68.40
Selling and Distribution Expenses	48.35	99.34	82.05	89.80	44.30	40.55
Foreign Exchange Loss / (Gain)	-	-	3.67	29.83	(16.97)	8.30
Interest Expenses	142.31	261.55	293.72	269.97	232.08	131.99
Earlier Year Expenses / (Income)	(0.03)	2.43	1.73	1.03	(1.16)	0.75
Depreciation	109.24	226.93	239.10	200.58	187.85	131.37
TOTAL EXPENSES	1538.67	2740.94	3052.66	2851.74	2622.89	2656.88
Profit Before Tax	82.42	165.80	41.73	(382.36)	(389.25)	100.95
Less: Provision for Taxation						
Current Tax	15.30	14.70	0.00	-	-	8.50
Fringe Benefit Tax	-	0.05	1.77	1.75	1.75	2.70
Deferred Tax Liability	-	-	-	-	(19.40)	19.40
Tax for earlier years	-	(0.69)	(40.75)	(0.11)	-	47.34
Profit After Tax	67.12	151.74	80.71	(384.00)	(371.60)	23.01
Less: Proposed Dividend	-	-	-	-	-	-
Less: Tax on Proposed Dividend	-	-	-	-	-	-
Less: 10% Transfer to General Reserve	-	-	-	-	-	-
Profit available after transfer to Reserve	67.12	151.74	80.71	(384.00)	(371.60)	23.01

Note:

The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses, Significant Accounting Policies and Adjustment made in the Restated Financial Statement as appearing in Annexure IV, V and VI.

#### Annexure III

#### **Restated Summary of Cash Flow:**

						(Rs in Lacs)
Particulars	As at September, 30		For the y	year ended	March 31,	
	2010	2010	2009	2008	2007	2006
Cash Flow from Operating						
Activities						
Net Profit/(Loss) before Taxation &	82.42	165.80	41.73	(382.36)	(389.25)	100.95
extraordinary items	02.42	105.00	41.75	(382.30)	(30).23)	100.75
Adjustments for :						
Depreciation	109.24	226.93	239.10	200.58	187.85	131.37
Provision for Doubtful Debts	-	6.25	8.19	-	-	-
Bad Debts written off	1.47	2.37	2.48	0.04	0.03	0.26
Foreign Exchange Loss(Gain)	-	-	3.67	29.83	(16.97)	8.30
Interest charged to P&L A/c	142.31	261.55	293.72	269.97	232.08	131.99
Dividend	-	-	-	-	-	-
Interest / Other Income	(1.18)	(7.60)	(7.21)	(25.75)	(15.57)	(2.18)
Interest on I T Refund	(2.07)	(0.61)	(14.93)	-	(0.48)	(0.10)
Net Loss/Profit on sale of Investment	-	-	-	-	-	-
Net Loss/Profit on sale of asset	-	(0.18)	(20.25)	(6.11)	(7.91)	(0.05)
Preliminary expenses written off	-	-	-	-	-	-
Operating Profit before Working	222.10	(54.51	546.50	0(00	(10.00)	270 54
Capital Changes	332.19	654.51	546.50	86.20	(10.22)	370.54
Adjustment for:						
Trade & other receivable	16.09	(11.89)	(61.74)	(8.59)	4.50	(23.72)
Loans & Advances	(57.49)	23.21	(13.10)	120.97	(98.06)	0.81
Inventories	(168.63)	(52.64)	(54.80)	74.12	(137.33)	(594.33)
Trade payables	116.34	(333.26)	(252.67)	260.94	666.96	453.28
Misc. Exp. not W/off	(7.85)	(7.50)	-	-	-	-
Cash generated from operations	230.65	272.43	164.19	533.64	425.84	206.58
Direct taxes	11.48	(13.76)	23.13	(14.80)	(5.75)	(0.93)
Net Cash from Operating Activities		· · · · ·		(		
(A)	242.13	258.67	187.32	518.84	420.09	205.65
Cash Flow from Investing						
Activities						
Purchase of Fixed Assets	(105.58)	(119.86)	(143.93)	(473.32)	(415.72)	(688.86)
Sale of fixed assets	-	2.56	22.25	9.89	10.31	0.84
Increase/decrease in Capital Work in						
Progress	-	-	-	-	-	-
Purchase of Investment	_	-	-	-	-	-
Interest Received	3.25	8.21	22.14	25.75	16.05	2.28
Sale of Investment						0
Net Cash used in Investing						
Activities (B)	(102.33)	(109.09)	(99.54)	(437.68)	(389.36)	(685.74)
Cash Flow from Financing				1		
Activities.						
Proceeds from Unsecured Loans						
(Net)	-	-	-	-	12.00	-
Proceeds from Bank borrowings						10000
(Net)	36.06	86.69	349.62	211.09	160.29	1020.32

(Rs in Lacs)

Repayment of Bank Borrowings	(35.37)	(63.89)	(124.13)	(165.82)	(120.51)	(324.11)
Money received towards Preference shares	-	-	-	100.00	-	-
Proceed from Equity Shares & Premium thereon*	-	250.00	-	-	-	-
Money received towards Security Deposit from customers	-	(232.50)	-	75.00	94.00	-
Interest Paid	(142.31)	(261.55)	(293.72)	(269.97)	(232.08)	(131.99)
Foreign Exchange Loss / (Gain)	-	-	(3.67)	(29.83)	16.97	(8.30)
Net Cash Receipt/ Used in Financing Activities (C)	(141.62)	(221.25)	(71.90)	(79.53)	(69.33)	555.92
Net Increase/ Decrease in Cash & Cash Equivalents (A + B + C)	(1.82)	(71.67)	15.88	1.63	(38.60)	75.83
Cash & Cash Equivalents As on beginning of year	21.02	92.69	76.81	75.18	113.78	37.95
Cash & Cash Equivalents As on end of year	19.20	21.02	92.69	76.81	75.18	113.78

\* Net of conversion of Preference Shares

## NOTES TO THE RESTATED STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES:

#### 1. Share Capital:

During the year ended 31st March, 2010, 10,00,000 Preference Shares of Rs.10/- each were redeemed by conversion into 2,00,000 Equity Shares of Rs.10/- each at a premium of Rs.40/- per share and further 5,00,000 Equity Shares of Rs.10/- each were allotted at a premium of Rs.40/- per share.

#### 2. Secured Loans: Refer Annexure IX

#### 3. Fixed Assets:

Particulars	As at September, 30	As at Mach 31					
	2010	2010 2009 2008 2007 2006					
Plant & Machinery includes tooling, Jigs & Fixtures	4465525	42836300	38864200	31714931	19089155	6897379	

Depreciation includes amortisation and diminution in value of Assets.

#### 4. Installed Capacity and Production of goods Manufactured:

#### Automobiles Gears

						(In MT)
Particulars	As at September, 30	As at Mach 31				
	2010	2010 2009 2008 2007				2006
Licensed Capacity*	4750	4750	4750	4750	4750	4750
Installed Capacity	3225	3225	3225	3225	3225	3225
Production**	693	1454	1580	1589	1253	1384

\* Capacity as shown above is as per information submitted to appropriate authorities.

\*\* Including Job work.

#### 5. Turnover:

S. Turnover.						(Rs. In Lacs)
Particulars	As at September, 30	As at Mach 31				
	2010	2010 2009 2008 2007 20				2006
Own Manufactured	1071.67	2088.83	2293.95	2450.13	2237.22	2575.44
Job Work	412.37	864.01	844.71	463.38	80.21	9.26
Trading Items	-	-	-	-	-	-

#### 6. Raw Materials Consumed\*:

Particulars	As at September, 30	As at Mach 31					
	2010	2010	2009	2008	2007	2006	
Forgings	573.73	922.92	1214.11	1064.67	1191.36	1417.65	

(Rs in Lacs)

Steel Bar	10.63	10.80	7.57	8.94	2.33	5.36
Total	584.36	933.72	1221.68	1073.61	1193.69	1423.01

\* Including Capitalised.

#### Particulars of Imported and Indigenous Raw Materials, Components and Tools consumed

Particulars	As at September, 30	As at Mach 31 2010 2009 2008 2007 2006				
	2010					
Raw Materials Imported	0	0	0	0	1.46	3.85
Indigenous	584.36	933.72	1221.68	1073.61	1192.23	1419.16
Components & Tools imported	12.98	7.06	14.32	20.20	1.15	9.81
Indigenous	56.54	149.85	128.22	159.34	105.51	93.85
Total	653.88	1090.63	1364.22	1253.15	1300.70	1526.67

#### 7. Foreign Exchange:

Particulars	As at September, 30	As at Mach 31				
	2010	2010	2009	2008	2007	2006
C.I.F. Value of Imports						
(a) Raw Materials	Nil	Nil	Nil	Nil	1.13	2.93
(b) Stores and Spares	Nil	Nil	Nil	Nil	Nil	Nil
(c) Machinery and Tools	5.65	12.67	13.39	78.17	132.97	412.82
Expenditure in Foreign Currency:						
(a) Travelling Expenses	Nil	0.47	0.40	0.20	1.60	Nil
(b) Conference Fee	Nil	Nil	Nil	0.81	Nil	Nil
Earning in Foreign Exchange	Nil	Nil	Nil	Nil	Nil	Nil

#### 8. Employees Benefits:

#### Gratuity:

No valuation has been done as on 30.09.2010, hence an estimated liability of Rs.7.00 Lacs has been provided for the period 1st April, 2010 to 30<sup>th</sup> September, 2010

Disclosures as per actuarial report:

Change in present value of obligation:

Description	30.09.2010	31.03.2010
Present value of obligation as at the beginning of the year	Nil	5863977
Interest cost	Nil	469118
Current service cost	Nil	571886
Benefits paid	Nil	(196662)
Actuarial (gain)/loss on obligations	Nil	1064793
Present value of obligation as at the end of the year	Nil	7773112

#### Change in Plan Assets:

Description	30.09.2010	31.03.2010
Plan assets at fair value at the beginning of the year	Nil	3032178
Expected return on plan assets	Nil	289000
Contributions	Nil	559649
Benefits paid	Nil	(196662)
Actuarial gain/(loss) on plan assets	Nil	NIL
Plan assets at fair value as at end of the year		3684165
Funded Status		(4088947)

#### Amount of the obligation recognized in the Balance Sheet:

Description	30.09.2010	31.03.2010
Present value of the defined benefit obligation at the end of the year	Nil	7773112
Fair value of plan assets at the end of the year	Nil	3684165
Net Liability unrecognized in the Balance sheet	Nil	NIL
Net Liability recognized in the Balance sheet		4088947

#### Amount of Gratuity expenses recognized in the Profit and Loss Account:

Description	30.09.2010	31.03.2010
Current Service Cost	Nil	571886
Interest Cost	Nil	469118
Expected return on plan assets	Nil	(289000)
Net Actuarial (gain)/loss recognized in the year	Nil	1064793
Transitional Liability	Nil	2325493
Expenses recognized in the statement of Profit & Loss Account	Nil	4142290
Expenses recognized in the statement of Profit & Loss Account	Nil	

Note:

Obligation and contributions as at 31st March, 2010 include Rs.59649/- for employees enrolled on transfer from associate concern.

#### Investment details of plan assets:

The Plan assets are maintained with Life Insurance Corporation Gratuity Scheme. The details of investment maintained by Life Insurance Corporation are not available with the Company and have not been disclosed.

#### Principal actuarial assumptions at the balance sheet date:

Description	30.09.2010	31.03.2010
Discounting Rate	Nil	8%
Expected Rate of return on plan assets	Nil	9.15%

#### 9. Segment Information :

- (a) Business Segment: Automobiles Gears.
- (b) Geographical Segment: The Company operates only in India.

#### 10. Related Party Disclosure: Refer Annexure VII

#### 11. Earning per Share:

		As at			As at Ma	rch 31,	-
Partic	culars	September, 30 2010	2010	2009	2008	2007	2006
at E	rofit/(Loss) ttributable to quity hareholders	6711545	15173545	8070388	(38399884)	(39101167)	4241292
์ กเ	Veighted Average umber of Equity hares	6996200	6328803	6296200	6296200	6296200	6296200
nı sł cc di	Veighted average umber of equity hares after onsidering ilutive potential quity Shares	6996200	6328803	6296200	6296200	6296200	6296200
	Iominal value of hares (Rs.)	10	10	10	10	10	10
	arnings per share asic (Rs.)	0.96	2.40	1.28	(6.10)	(5.90)	0.37
Di	iluted (Rs.)	0.96	2.40	1.28	(6.10)	(5.90)	0.37

The following table sets out the computation of basic and diluted earnings:

The Aforesaid computation is based on Restated Financial Information.

#### 12. Contingent Liabilities: Refer Annexure VIII

#### 13. Deferred Tax:

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

	As at		As	s at March 31,	1	
Particulars	September , 30 2010	2010	2009	2008	2007	2006
<b>Deferred Tax Liability:</b> On Account of Difference between book depreciation and depreciation under the Income Tax Act, 1961	1,95,13,297	1,98,52,486	2,16,32,100	1,72,24,023	1,24,34,323	19,40,158
Deferred Tax Assets:						
On Provision for Doubtful Debts	Nil	1,92,985	2,78,524	Nil	Nil	Nil
On Disallowances of 43(B) items	Nil	11,20,616	3,84,051	Nil	3,40,250	Nil
On unabsorbed depreciation as per Income Tax Act, 1961*	1,95,13,297	1,85,38,885	2,09,69.525	1,72,24,023	1,20,94,073	NIL
Net Deferred Tax Assets / (Liability)	NIL	NIL	NIL	NIL	NIL	19,40,158

• Deferred tax asset which is on account of unabsorbed depreciation has been recognized only to the extend of the deferred tax liabilities.

• The aforesaid computation is based on Restated financial Information.

#### 14. Managerial Remuneration:

Particulars	As at September, 30		For the y	ear ended Ma	ar ended Mach 31,			
	2010	2010	2009	2008	2007	2006		
Salaries/Bonus/Exgratia	484,560	792,000	664,500	527,100	542,625	465,000		
Perquisites	354,802	670,265	527,695	516,543	393,439	320,171		
Total	839,362	1,462,265	1,192,195	1,043,643	936,064	785,171		

#### 15. Payment to Auditors:

Particulars	As at September, 30		For the year	r ended Ma	ach 31,	
T at ticulars	2010	2010	2009	2008	2007	2006
Statutory Audit Fees	75,000	100,000	75,000	75,000	50,000	50,000
Tax Audit Fees	Nil	25,000	25,000	25,000	15,000	15,000
Total	75,000	125,000	100,000	100,000	65,000	65,000

#### 16. Micro, Small and Medium Enterprises:

 According to information available with the Management, on the basis of intimation received from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the Company has amounts due to Micro and Small Enterprises under the said Act, is as under:

Particulars	As at September, 30	]	For the year	ended Ma	ch 31,	
i ai ticulars	2010	2010	2009	2008	2007	2006
Amount due to MSME	59.17	110.49	108.67	100.72	79.19	60.94

ii) There was no Principal / Interest remaining unpaid to any supplier beyond scheduled date and / or any such amount paid beyond the appointed date. Interest accrued and due as on 30th September, 2010 was NIL

#### 17. Regrouping:

- i) In the restated statement of Profit & Losses, Sundry Balances written off and Provision for Doubtful Debts have been regrouped under Administrative / Other Expenses
- Excise Duty on branch stock which was deducted from Turnover in the year 2008 has been regrouped under Excise Duty on closing stock and Excise Duty on closing stock has been regrouped under Manufacturing Expenses in the restated Statement of Profit and Losses.
- iii) In the year ended 31<sup>st</sup> March, 2007 and 2008, Intangible assets namely Product Development Cost was shown in Plant & Machinery under the head fixed assets. This has been regrouped in restated financial Information under the head Fixed Assets as Intangible Assets.

#### 18. Other Notes:

- i) The Balances of certain Sundry Creditors, Sundry Debtors, and Loans and Advances are under reconciliation / confirmation.
- ii) In the opinion of management Current Assets are of the value stated, it realized in the ordinary course of business and provision has been made for all known liabilities.
- iii) Previous year figures have been regrouped wherever necessary to make them comparable with the current year.

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY IN THE PREPARATION OF FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTH ENDED SEPTEMBER 30, 2010

The financial statements have been prepared in accordance with applicable accounting standards and are based on historical cost convention. The significant accounting policies are as under:

#### 1. Fixed Assets:

- i) Fixed assets are stated at cost of construction/ acquisition less accumulated depreciation. Cost comprises interest on borrowings, attributable to construction or acquisition of fixed assets for the period up to the completion of construction or acquisition and all revenue expenses in so far as such expenses relate to the period prior to the commencement of commercial production.
- ii) The product development cost incurred on new product and transmissions are recognized as intangible assets and included in the fixed assets.

#### 2. Capital Work In Progress:

It includes both advances given for acquisition/construction of fixed assets and expenditure incurred in relation to assets where construction has not been completed or commercial production has not started.

#### 3. Depreciation:

Depreciation on fixed assets is provided on Straight Line Method on double shift basis on plant & Machinery and on Written down Value Method on other assets other than Intangible Assets as per rates prescribed in Schedule XIV to the Companies Act, 1956. Intangible Assets are amortized over a period of ten years.

#### 4. Inventories: Inventories are valued as under:

Stores, Spares & Tools: At cost Tools (in Tool Crib): At depreciated value based on life. Raw Material: At cost Work In progress: At cost Finished Goods: At lower of cost or net realizable value

#### 5. Revenue Recognition:

- The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis.
- Sale of goods is accounted for at the point of dispatch of goods to customers and is inclusive of excise duty, wherever applicable, and exclusive of vat tax.
- Loose tools are charged to consumption in the year of issue to the job irrespective to their life.

#### 6. Foreign Exchange:

Monetary items are reported using the closing rate and resultant exchange difference is taken to Profit & Loss Account. Non-monetary items are reported using exchange rate at the date of transaction.

#### 7. Taxation:

- i) Current tax expense is determined in accordance with the provisions of the Income Tax Act,1961. Deferred tax assets and liabilities are measured using the tax rates, which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit recognized on timing differences being the differences between taxable incomes and accounting incomes that originate in one period and are capable of reversing in one or more subsequent periods.
- ii) In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only to the extent of deferred tax liabilities. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

#### 8. Employees Benefits:

#### (i) Provident fund:

The eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary). The Contributions as specified under the law are paid to respective Regional Provident Fund Commissioner. The Company is liable for annual contributions and recognizes such contributions as an expense in the year incurred.

(ii) Compensated absences:-

Employees are entitled to accumulate leave subject to certain limits, for future encashment. This is being accounted for on actual payment basis. The accrued liability as per actuarial valuation has not been ascertained.

#### (iii) Gratuity:

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The company makes annual contributions to gratuity fund managed by Life Insurance Corporation of India. Up to 31st March, 2009 Gratuity was accounted for on the basis of contribution estimated and payable to LIC towards group gratuity fund and insurance and there after it is accounted for on accrual basis as per actuarial valuation in accordance with AS-15.

#### 9. Provisions, Contingent Liabilities and contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statement.

#### **10. Earning Per Share:**

Basic earning per Equity Share is computed by dividing the net profit or loss after tax by the weighted average number of Equity Shares outstanding during the year.

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#### Annexure VI

#### Statement of Adjustments made in Restated Financial statements

						(Rs in Lacs)
Particulars	As at September, 30		A	As at Marcl	h 31,	
	2010	2010	2009	2008	2007	2006
Net Profit After Tax and before adjustments as per Audited Financial Statements	82.90	140.44	76.23	(336.10)	(458.31)	146.71
Restatements / Adjustments on account of :						
-Income Tax (MAT) (Note 1 below)	(15.78)	11.30	4.48			
-Deferred Tax ( Note 2 below )				(47.90)	86.71	(123.70)
-Gratuity (Note 3 below)						
- Provision for Leave Encashment (refer Note 4 below )						
- Prior Period items						
Net Profit After Tax as per Restated Statement of Profit & Loss	67.12	151.74	80.71	(384.00)	(371.60)	23.01

#### NOTES ON ADJUSTMENTS MADE IN THE RESTATED FINANCIAL STEMENTS:

- 1. In the restated financial statement error in provision for Minimum Alternate Tax (MAT) corrected and accounted for in respective years.
- 2. Deferred Tax has been recomputed and consequently adjustments have been made in the year ending on 31st March, 2008, 31st March, 2007, 31st March, 2006 and the brought forward balance in Profit & Loss Account as on 1st April,2005.
- 3. Profit & Loss Account as on 1st April, 2005 (Restated):

**Statement of Related Party Transactions:** 

	(Rs.in Lacs)
Profit & Loss Account as on 1st April,2005 (Audited)	305.73
Add: Deferred Tax Credit	84.90
Restated Profit & Loss Account as on 1st April,2005	390.63

- 4. Consequent to adoption of AS-15, relating to Gratuity in the year ending on 31st March 2010, there has been a change in Accounting Policy, relating to Gratuity. Due to non availability of acturial valuations for earlier years, the Transitional Provision of Rs. 23.25 Lacs for earlier years made in the year ending on 31st March 2010 has not been adjusted retrospectively in respective years.
- 5. No adjustment has been done for qualification relating to Leave Encashment Liability as the quantum is unascertained.

#### Annexure VII

	List of Related Parties: nes of related parties :		
a)	Holding Companies:	:	NIL
b)	Subsidiaries	:	NIL
c)	Associates	:	M/s Elve Corporation, Mumbai
			Gajra Gears Pvt. Ltd, Dewas
		:	Gajra Gears N.S. Sdn, Bhd, Malasiya*
		:	Rexel Pharma Pvt. Ltd**
d)	Companies in which Directors are		

(Rs in Lacs)

	Substantially interested	: Gajra Gears Pvt. Ltd, Dewas Bhisham Investments Pvt. Ltd. Kennedy Investments Pvt. Ltd. Shakun Investments Pvt. Ltd.		
e)	Key Management Personnel	:	Mr. Raj D. Kirtani, Managing Director Ms. Rita. R.Gajra, Director	
f)	Relatives	:	Ms. Rashmi Kumar Ms. Sulbha Kirtani Mr. Ramesh B. Gajra Mr. Gautam R. Gajra Ms. Vijiyeta G. Gajra Ms. Karishma R. Gajra Master Vihan G. Gajra	

\* The Company is under Receivership.

\*\* The Company has applied for striking off its name from the record of ROC.

	······································								(Rs in Lacs)	
Sr. No.	Name of Related Party	Particulars		As at September, 30	For the year ended March 31,					
	··			2010	2010	2009	2008	2007	2006	
Associate				1						
1	M/s Gajra Gears Pvt. Ltd.	•		12.49	50.38	0.61	0.00	0.00	0.53	
		Purchases		72.37	84.99	127.21	179.20	154.42	57.35	
		Rent Paid		0.16	0.33	0.33	0.33	0.33	0.36	
		Factory Shed Rent						0.24		
		Receiving of Services		13.93	48.21	53.08	74.16	42.30	133.41	
		Rendering of Services		21.73	8.25	22.54	27.50	68.49	9.26	
		Reimbursement of Expenses		6.01	13.52	21.98	16.51	6.82	7.33	
		Guarantees and Letter of surety								
		in Bond for Customs given								
		to President of India		450.00	450.00	450.00	450.00	450.00	450.00	
		Balance	Debit	138.83	6.84					
			Credit			112.92	152.74	135.88	78.23	
2	2 Elve Corporation Sales		5.77	30.36	530.66	810.93	973.69	1387.83		
		Purchases Rendering of Services Rent Paid Loan Taken Loan Repaid		0.00	0.00	192.00	0.00	0.00	0.00	
				390.64	855.76	822.18	420.82	0.00	0.00	
				0.10	0.00	0.00	0.00	0.00	0.00	
							75.00	94.00		
					250.00					

### 2. Transactions with the related parties are set out in the table below:

Sr. No.	Name of Related Party	Particul	ars	As at September, 30	For the year ended March 31,			.	
	Tarty			2010	2010	2009	2008	2007	2006
		Balance	Credit	856.04	839.16	1273.82	1276.46	1097.32	706.36
Key Mar	agement Pers	onnel		•					
1	Mr. Raj Kirtani	Remuneration		5.39	8.70	8.73	6.87	6.20	5.14
		Balance	Credit	0.18	0.19	0.36	0.21	0.41	0.05
2	Mrs. Rita Gajra	Remuneration		2.99	5.92	3.11	3.57	3.16	2.71
		Loan Taken		-	17.50	-	-	12.00	0.00
		Loan Repaid		-	0.00	0.00	0.00	0.00	0.00
		Loan Balance	Credit	29.50	29.50	12.00	12.00	12.00	0.00
		Balance	Credit	0.15	0.42	1.06	0.63	0.32	0.38
Relatives	5								
1	Mrs. Rashmi Kumar	Rent Paid		0.06	0.08	-	-	-	-
		Balance	Credit	0.14	0.08	-	-	-	-
2	Mrs. Sulbha Kirtani	Rent Paid		1.83	2.59	2.91	2.08	2.18	1.71
		Balance		-	-	-	-	-	-

\* Exclude Rent Paid to Ms. Sulbha Kirtani relative of Key Managerial Personnel

# Statement of Contingent Liability

# Annexure VIII

Statement of Contingent Elability						Rs in Lacs)	
Particulars	As at September 30,	As at March 31,					
	2010	2010	2009	2008	2007	2006	
Sales Tax Appeals Pending with Dy. Commissioner of Commercial Tax, Appeals, Cuttack	0.00	0.03	0.03	0.03	0.03	0.03	
Entry Tax Appeals Pending with Dy. Commissioner of Commercial Tax, Appeals, Indore					0.81	0.81	
Claim case by a supplier pending with High Courte	3.80	3.80	3.80	3.80	3.80	3.80	
As Surety for Bond executed by Gajra Gears Pvt. Ltd. In favour of President of India for availing exemption under EPGC Scheme	450.00	450.00	450.00	450.00	450.00	450.00	
Estimated amount of contracts remaining to be executed on Capital Account	23.06	5.15	3.30	6.89	164.62	116.16	

#### Annexure IX

#### **Statement of Secured Loans**

						(Rs in Lacs)	
Particulars	As at September 30,		As at March 31,				
	2010	2010	2009	2008	2007	2006	
Working Capital Loans							
State Bank of India (Commercial	988.48	957.67	902.39	608.15	622.69	549.46	
Branch, Indore) The Jammu & Kashmir Bank, Indore -						(1.00	
Temporary Overdraft						61.02	
Total (A)	988.48	957.67	902.39	608.15	622.69	610.48	
Term Loan:							
State Bank of India , Indore:							
Corporate Loan					45.00	141.60	
Term Loan – I	332.34	337.50	354.16	404.70	439.40	399.55	
Term Loan – II	165.84	168.87	180.34	212.58	108.24		
ICICI Bank Ltd, Indore - Car Loan:					0.62	3.08	
Madhya Pradesh Financial							
Corporation, Indore :							
Term Loan – I	145.03	154.97	173.33	208.70	252.90	274.36	
Term Loan – II	131.41	143.41	129.40	80.00			
Total (B)	774.62	804.75	837.23	905.98	846.16	818.59	
TOTAL (A+B)	1763.10	1762.42	1739.62	1514.13	1468.85	1429.07	
Tormer	•	•					

I. Terms:

Main Terms:

State Bank of India:

- (i) Dividend cannot be paid, without the lenders' approval.
- (ii) The Company will not undertake capital expenditure or raise term loans without Bank's written consent
- (iii) Unsecured loans will not be withdrawn till the currency of loan.
- (iv) Unsecured Loans should be subordinated to our debt and would be interest free.
- (v) Undertaking from Elve Corporation on quarterly basis that the stocks received from the Company for export are not financed from any other source should be submitted.
- (vi) The Company shall furnish an undertaking that they will not transfer CENVAT to Elve Corporation for the job work done by the company for them for the year 2009-10 and 2010-11.
- (vii)The Company shall furnish an undertaking that old dues amounting to Rs.5.85 crores from Dhar Automotive Pvt. Ltd., Elve Corporation, Bhajan Engineering Works, Mansarovar Engineering Works and JKEW Forgings Ltd and Gajra Gears Pvt. Ltd will be paid without any interest only after obtaining the approval from the Bank and after raising equivalent amount to interest free unsecured loans.
- (viii) Penal/enhanced interest amy be charged at such rates as may be specified by the Bank and/or RBI from time to time in this regard. In addition to above penal interest will be charged in relation to conduct of account as under:
  - a) Irregularity in cash credit: 1% on the entire outstanding if the account is continuously irregular for a period beyond 60 days. In other cases 1% on irregular portion only.
  - b) Non submission of stock statement: 1% for the month the stock statement is not submitted (Delay beyond 10 days of the succeeding month will be considered as non-submission).
  - c) Non submission of renewal data: 1% for the delay beyond 3 months from the date renewal was due.
  - d) Non compliance with covenants: 1% on the entire outstanding.

# II. Security:

- 1. Term Loans :
  - (i) State Bank of India:
    - (a) First charge over the Company's entire Fixed Assets.
    - (b) Second charge over the company's entire Current Assets and Equitable Mortgage of leasehold plot of Land of Ms. Rita R. Gajra (Director).
    - (c) Personal Guarantee of Mr. Ramesh Gajra, Ms. Rita R. Gajra (Director) and R B Gajra HUF.
    - (d) Pledge of 21,48,100 Equity Shares of the Company registered in the name of Ms. Rita R. Gajra

- (e) Guarantee of M/s Elve Corporation (a firm in which Mr. Ramesh Gajra , Ms. Rita R. Gajra and R B Gajra HUF are Partners)
- (ii) M P Financial Corporation:

Hypothecation of Continuous Carburising Furnace and Personal Guarantee of Mr. Ramesh Gajra and Ms. Rita R. Gajra (Director)

- 2. Working Capital Loans:
  - (i) State Bank of India:
    - (a) Hypothecation of entire stock comprising raw materials, stock-in-process, finished goods, consumable stores and spares and receivables including goods-in-transit / shipment.
    - (b) Second charge over the Company's entire Fixed Assets and Equitable Mortgage of leasehold plot of Land of Ms. Rita R. Gajra (Director).
    - (c) Personal Guarantee of Mr. Ramesh Gajra, Ms. Rita R. Gajra (Director) and R B Gajra HUF.
    - (d) Pledge of 21,48,100 Equity Shares of the Company registered in the name of Ms. Rita R. Gajra
    - (e) Guarantee of M/s Elve Corporation (a firm in which Mr. Ramesh Gajra , Ms. Rita R. Gajra and R B Gajra HUF are Partners)

#### III. Other Loans:

Statement of Unsecured Loan

Car Loan from ICICI Bank Ltd, which has been repaid, was secured by hypothecation of Car.

#### Annexure X

Particulars	As at September 30,	0, As at March 31,			31,	`
	2010	2010	2009	2008	2007	2006
From Directors & Share holders	29.50	29.50	12.00	12.00	12.00	
From Related Party						
Elve Corporation	519.00	519.00	769.00	769.00	694.00	600.00
From Others						
Customer	23.55	23.55	23.55	23.55	23.55	23.55
Total	572.05	572.05	804.55	804.55	729.55	623.55

Unsecured Loan from Related Party and Customer represents Security Deposit towards Job work and Supplies.

#### **Terms and Conditions:**

- 1. Rate of Interest: NIL
- 2. Tenure: Repayable on Demand

#### **Statement of Sundry Debtors**

#### Annexure XI

 $(R_{s} in Lacs)$ 

	Particulars	As at September 30,	As at March 31,				
		2010	2010	2009	2008	2007	2006
	Considered good						
	Receivable from Promoter/						
	Promoter Group Co.						
More	Receivable from Others	95.16	59.34	79.98	92.66	69.03	89.37
than six	TOTAL (A)	95.16	59.34	79.98	92.66	69.03	89.37
months	Considered Doubtful						
	Receivable from Others	14.44	14.44	8.19			
	Less: Provision	14.44	14.44	8.19			
	TOTAL (B)	0	0	0	0	0	0

	Considered good						
Less	Receivable from Promoter/	198.82	181.98	192.39	116.87	66.88	53.63
than six	Promoter Group Co*	190.02	101.90	172.57	110.07	00.00	55.05
months	Receivable from Others	54.25	124.47	90.15	101.72	166.78	164.23
montus	TOTAL (C)	253.07	306.45	282.54	218.59	233.66	217.86
	TOTAL (A+B+C)	348.23	365.79	362.52	311.25	302.69	307.23

\*Promoter/ Promoter Group Parties as identified by the Management.

#### Annexure XII

# Statement of Loans & Advances

						(Rs in Lacs	
Particulars	As at September 30,	As at March 31,				,	
	2010	2010	2009	2008	2007	2006	
Advance recoverable in cash or in kind for							
value to be received							
Advances for raw material							
Advances for Capital goods	15.84	5.15	3.30	2.38	80.15	54.43	
Advances for Supplies & Services	55.02	11.88	10.64	11.42	18.14	7.98	
Staff Advances	9.34	2.93	2.90	2.95	2.89	2.22	
Balance with Income Tax (Net of Provisions)	17.07	43.85	44.16	28.51	15.44	11.66	
Balance with Excise, Sales Tax Authorities etc*	96.41	86.14	112.13	98.84	133.99	80.13	
Security Deposit	12.62	24.57	25.25	25.25	25.15	17.08	
Prepaid Expenses	0.75	1.81	1.47	1.75	3.16	3.27	
Interest Accrued but not due					0.00	0.10	
Total	207.05	176.33	199.85	171.10	278.92	176.87	
Include Advances recoverable from State Electricity Board which is under appeal*	33.06	33.06	33.06	21.09	-	-	

Note:

1. Parties as identified by the management.

2. Advances to Suppliers include Rs. 45.60 Lacs due from a Promoter Group Party.

# **Statement of Other Income**

# Annexure XIII

						(Rs in Lacs)		
Particulars	As at September 30,	For the year ended March 31,						
	2010	2010	2009	2008	2007	2006		
RECURRING								
Job Hire Charges	-	-	-	-	-	-		
Commission Received	-	-	-	-	-	-		
Discount Received	-	-	-	-	-	-		
Lease Rent	-	-	-	-	-	-		
Rent	-	-	-	-	-	-		
Dividend	-	-	-	-	-	-		
Interest Income	1.18	7.60	7.21	25.75	15.57	2.18		
Interest Received (Power)	-	-	-	-	-	-		
NON RECURRING	-	-	-	-	-	-		
Agricultural Income	-	-	-	-	-	-		
Interest on Income Tax Refund	2.07	0.61	14.93	-	0.48	0.10		
Miscellaneous	38.93	61.29	117.50	1.24	2.31	0.42		

Miscellaneous Income on Lease Tax	-	-	-	-	-	-
Late delivery Settlement	-	-	-	-	-	-
Insurance Claim	-	-	-	-	-	-
Profit on Sale of Fixed Assets	-	0.18	20.25	6.11	7.91	0.05
Profit on Sale of Shares	-	-	-	-	-	-
Interest Received on Bill Purchase	-	-	-	-	-	-
Sundry Written back	-	-	-	-	0.30	0.03
TOTAL	42.18	69.68	159.89	33.10	26.57	2.78

Note:

The classification of other income by the management into recurring and non-recurring is based on the current 1. operations and business activities of the company. The aforesaid other income relates to business activity.

2.

# **Statement of Capitalization**

(Rs in Lacs)

Annexure XIV

Particulars	Pre issue as at September 30, 2010	Post Issue*
Borrowings:		
Secured:		
Short term Debts	988.48	
Long term Debts	774.62	
Unsecured:		
Short term Debts	572.05	
Total Debts	2335.15	
Shareholders Funds:		
Share Capital	699.62	[•]
Security Premium Account	280.00	[•]
General Reserve	7.87	[•]
Less:		
Debit Balance in Profit & Loss Account	42.41	[•]
Misc. Expenses not written off	15.35	[•]
Total Shareholders' Funds	929.73	[•]
Long term Debt/ Equity ratio	0.83:1	[•]
Total Debt/Equity ratio	2.51:1	[•]

\* Post Issue Shareholders' Funds can be calculated only on the conclusion of book building process.

# Annexure XV

# **Statement of Significant Accounting Ratios**

Particulars	As at September 30,	For the year ended March 31,						
	2010	2010	2009	2008	2007	2006		
Earnings Per Share (EPS):								
Net Profit After Tax	67.12	151.74	80.71	(384.00)	(371.60)	23.01		
No. of Equity Shares (Weighted)	69.96	63.29	62.96	62.96	62.96	62.96		
Earnings Per Share (EPS) (Rs)	0.96	2.40	1.28	(6.10)	(5.90)	0.37		
Net Assets Value (NAV):								
Net Assets	929.73	870.46	476.23	395.52	679.53	1051.13		
No. of Equity Share Outstanding	69.96	69.96	62.96	62.96	62.96	62.96		
NAV per Share (Rs)	13.29	12.44	7.56	6.28	10.79	16.70		

# (Rs in Lacs)

Return on Net Worth:						
Net Worth	929.73	870.46	476.23	395.52	679.53	1051.13
Return On Net Worth (%)	7.22	17.43	16.95	(97.09)	(54.68)	2.19

Note:

The aforesaid statement of Significant Accounting ratios is based on Restated Statement of Assets & Liabilities and Profits & Losses Account.

# Annexure XVI

(Rs. in Lacs)

# **Statement of Current Liabilities and Provisions**

	As at		As	at March	n 31,		
Particulars	September 30, 2010	2010	2009	2008	2007	2006	
CURRENT LIABILITIES							
Advances received from Customers	37.93	15.22	24.99	33.37	42.41	25.73	
Sundry Creditors	1104.54	952.71	1296.41	1425.58	1329.39	1008.25	
Statutory Dues	80.83	83.07	54.72	60.46	32.57	25.44	
Due to Directors	1.00	1.27	1.74	1.07	1.00	0.75	
Advances from an Associates Concern	442.64	502.14	512.14	624.33	470.20	160.00	
Other Liabilities	30.32	26.60	24.72	22.58	20.44	13.02	
Interest Accrued but not due on Loans	3.27	3.18	2.73	2.73	13.17	9.02	
Provisions - others	19.57	19.57	19.57	19.57	19.57	19.59	
ADJUSTED CURRENT LIABILITIES & PROVISIONS	1720.10	1603.76	1937.02	2189.69	1928.75	1261.80	

Note:

The aforesaid statement of Current Liabilities and Provisions is based on Restated Statement of Assets & Liabilities.

# Annexure XVII

# Statement of Tax Shelter

	As at		For the ve	ar ended M	arah 21	(Rs. in Lacs)
Particulars	As at September 30, 2010	2010	2009	2008	2007	2006
Profit/(Loss) before taxes as per books	82.42	165.80	41.73	(382.35)	(389.26)	100.95
Income Tax Rates						
Normal Tax Rates	0.31	0.31	0.31	0.31	0.34	0.34
Minimum Alternate Tax Rates (MAT Rates)	0.19	0.17	0.10	0.10	0.11	0.08
Adjustments:						
Permanent Differences						
Others (Net)	0.00	12.37	(10.33)	(4.51)	(7.36)	0.00
Total Permanent Differences	0.00	12.37	(10.33)	(4.51)	(7.36)	0.00
Timing Differences						
Difference between book depreciation and tax depreciation	10.98	(8.63)	(129.68)	(76.42)	(359.82)	(309.61)
Net disallowances under section 43B	0.00	36.24	(8.39)	9.38	9.88	(6.21)
Others						
Total Timing Differences	10.98	27.61	(138.07)	(67.04)	(349.94)	(315.82)
Net Adjustments	10.98	39.98	(148.40)	(71.55)	(357.30)	(315.82)

Profit/(Loss) before brought forward losses	93.40	205.78	(106.67)	(453.90)	(746.56)	(214.87)
Brought Forward Loss / unabsorbed Depreciation	(1316.22)	(1522.00)	(1415.33)	(961.43)	(214.87)	0.00
Total Profit (Loss)	(1222.82)	(1316.22)	(1522.00)	(1415.33)	(961.43)	(214.87)
Deduction						
Total Taxable Profit(Loss)	(1222.82)	(1316.22)	(1522.00)	(1415.33)	(961.43)	(214.87)
Tax as per normal provisions	Nil	Nil	Nil	Nil	Nil	Nil
Books Profit as per MAT Provisions	82.42	86.46	Nil	Nil	Nil	100.95
Tax as per MAT Provisions	15.30	14.70	Nil	Nil	Nil	8.49

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our financial statements included in this DRHP. You should also read the section entitled "Risk Factors" beginning on page number 11 of this DRHP, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. 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 Companies Act and the SEBI (ICDR) Regulations. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Note: Statement in the Management Discussion and Analysis describing our objectives, outlook, estimates, expectations or prediction may be 'Forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to our operations include, among others, economic conditions affecting demand/supply and price conditions in domestic and overseas market in which we operate, changes in Government Regulations, Tax Laws and other Statutes and incidental factors.

# **Business Overview**

Our Company was incorporated in 1991 for the manufacturing of differential/axle gears for cars, trucks, tractors, jeeps, MCVs and LCVs. Initially, we set up our facility to manufacture differential gears at the existing location of our Group Entity, Gajra Gears Private Limited, Dewas to manufacture differential gears. Subsequently, in the year 1998, we purchased a freehold land at Village Lohar Pipliya-Kshipra, District Dewas, Madhya Pradesh from Gajra Gears Private Limited and constructed a factory Building and administrative block during the period 1998-2002. Immediately thereafter, we shifted all the existing machineries from the old unit and installed the same at this new unit along with additional machineries. We commenced the production of differential gears at new site w.e.f. March 23, 2002. Our products are catering to replacement, Original Equipment Manufacturer ("**OEM**") as well as export segment.

In a short span of time, the enthusiasm to exceed customer expectations of high quality, competitive pricing and value for customers has made us one of the growing players in the Indian replacement market. In addition, fast development of superior quality products with good customer service has enabled us to develop more than 300 Crown Wheel Pinion Ratios and 60 Differential Spider Kit Assemblies.

We have a self-contained setup with modern equipment, a competent R&D team, trained manpower, and in-house manufacturing unit for cutting tools, jigs and fixtures. This has enabled us to cut down the new product development time to just a few months. We use high quality machines in our manufacturing programs. We strive to provide the highest quality differential parts with the best possible prices using the latest manufacturing and metallurgical processes available.

# Significant developments after six months period ended on September 30, 2010 that affect our future results of operations

The Directors confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the DRHP which materially or adversely affect or is likely to affect the manufacturing or profitability of our company, or the value of our assets, or our ability to pay liabilities within next twelve months.

# Factors affecting our Result of Operation

Our results of operations have been, and will continue to be, affected by a number of events and actions, some of which are beyond our control including the performance of the Indian economy and the domestic auto and steel

industries and the price of raw materials. Except as otherwise stated in this DRHP, the Risk Factors given in this DRHP and the following important factors could cause actual results to differ materially from the expectations include, among others:

# General economic and business conditions

Since we are operating in India, we are affected by the general economic conditions prevailing in the country and in particular the factors affecting the automobile and steel industries.

# Changes in laws and regulations relating to the industry in which we operate

Any change in the laws, regulations, policies, etc. which may affect the activities of the industry in which we operate may also affect our results of operation.

# Changes in the foreign exchange control regulations, interest rates and tax laws in India

Any change in the foreign exchange control regulation, mainly interest rates and tax laws pertaining to India affects the liquidity of cash in the market which in turn affects the purchasing power of the economy. Any changes in aforesaid regulations may adversely affect our operations.

# Changes in fiscal, economic or political conditions in India

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain our ability to do business, increase the costs and negatively affect our financial performance.

# The performance of the financial markets in India and globally

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material and adverse effect on Our Company's business, operations, financial condition and profitability.

# Social or civil unrest or hostilities with neighboring countries or acts of international terrorism

Factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain our ability to do business, increase the costs and negatively affect our performance. These geopolitical, social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could constrain our ability to do business.

# Our ability to successfully implement its strategy and its growth and expansion plans

Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in implementation of our strategy and growth and expansion plans could impact Our Company's roll out schedules and cause cost and time over runs.

# Increasing competition in the industry

We operate in a competitive market environment. Our Company faces competition in the domestic market from both the organised and unorganised sectors. While the removal of quantitative restrictions has increased the market share of developing countries, such as India, Bangladesh, China and Indonesia, it has also resulted in significant price

competition among suppliers from these countries. Our Company's ability to anticipate and respond to pricing and other competitive pressures in the industry will be critical to our results of operations in the coming years.

# Any adverse outcome in the legal proceedings in which we are involved

We are involved in certain legal proceedings. In the event that all of the cases are decided against us, they could have a material adverse effect on our results of operations.

# **Our Results of Operation**

# **Profit & Loss Account**

The table below sets forth the summary of our Company's Profit & Loss Account, as restated for the Six Months period ended September 30, 2010, financial year(s) ended March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007:

									(Rs. in	Lacs)
	For Six I ended S			For the year ended March 31,						
Particulars	2010	% of Total Income	2010	% of Total Incom e	2009	% of Total Income	2008	% of Total Income	2007	% of Total Income
INCOME										
Turnover (including Job Work)	1,497.00	92.35	2,978.83	102.48	3,167.08	102.35	2,913.51	117.99	2,317.43	103.75
Less: Excise Duty on Sales	98.10	6.05	184.30	6.34	296.66	9.59	397.90	16.11	174.81	7.83
Net Sales	1,398.90	86.29	2,794.53	96.14	2,870.42	92.76	2,515.61	101.87	2,142.62	95.93
Other income	42.18	2.60	69.68	2.40	159.89	5.17	33.10	1.34	26.57	1.19
Increase/(De crease) in Inventories	180.01	11.10	42.53	1.46	64.08	2.07	-79.33	-3.21	64.45	2.89
Total Income	1,621.09	100.00	2,906.74	100.00	3,094.39	100.00	2,469.38	100.00	2,233.64	100.00
EXPENSES										
Raw Material Consumed	582.60	35.94	932.04	32.06	1,201.96	38.84	1,057.08	42.81	1,185.20	53.06
Manufacturi ng Expenses	394.00	24.30	684.05	23.53	732.54	23.67	795.64	32.22	596.25	26.69
Employees Remuneratio n	229.46	14.15	459.94	15.82	421.78	13.63	342.53	13.87	320.38	14.34
Administrati ve / Other Expenses	32.71	2.02	74.66	2.57	76.11	2.46	65.28	2.64	74.96	3.36
Selling and Distribution Expenses	48.35	2.98	99.34	3.42	82.05	2.65	89.80	3.64	44.30	1.98
Foreign Exchange Loss/(Gain)	-	0.00	-	0.00	3.67	0.12	29.83	1.21	(16.97)	-0.76
Interest Expenses	142.31	8.78	261.55	9.00	293.72	9.49	269.97	10.93	232.08	10.39
Earlier year Expenses/(In come)	(0.03)	0.00	2.43	0.08	1.73	0.06	1.03	0.04	(1.16)	-0.05
Depreciation	109.24	6.74	226.93	7.81	239.10	7.73	200.58	8.12	187.85	8.41

Total Expenses	1,538.67	94.92	2,740.94	94.30	3,052.66	98.65	2,851.74	115.48	2,622.89	117.43
Profit Before Tax	82.42	5.08	165.80	5.70	41.73	1.35	(382.36)	-15.48	(389.25)	-17.43
<i>Less</i> : Provision for Taxation										
Current Tax	15.30	0.94	14.70	0.51	-	0.00	-	0.00	0.00	0.00
Fringe Benefit Tax	-	0.00	0.05	0.00	1.77	0.06	1.75	0.07	1.75	0.08
Deferred Tax Liability	-	0.00	-	0.00	-	0.00	-	0.00	-19.40	-0.87
Add: Excess Provision of IT in previous year	-	0.00	-0.69	-0.02	-40.75	-1.32	-0.11	0.00	0.00	0.00
Profit After Tax	67.12	4.14	151.74	5.22	80.71	2.61	-384.00	-15.55	-371.60	-16.64

# DISCUSSION ON RESULTS OF OPERATIONS

### Six Months ended Sept 30, 2010

# Total Income

Our total income for the half year ended September 30, 2010 was Rs 1621.09 Lacs. Our total income primarily consisted of revenue from the operating activities viz. sale of products and other income.

# Other Income

Our other income for the half year ended September 30, 2010 was Rs 42.18 Lacs. Our other income primarily consisted of miscellaneous income of Rs 38.93 Lacs and interest income received of Rs 3.25 Lacs.

# Total Expenses

Our total expenses for the half year ended September 30, 2010 was Rs. 1538.67 Lacs. Our total expenses primarily consist of raw materials and manufacturing expenses.

#### Raw Material Consumed

Our cost of materials and supply consumed for the half year ended September 30, 2010 was Rs 582.60 Lacs. Our cost of materials and supply consumed primarily consisted components, PCBs, cables, cable assemblies, antennas, moulds, connectors and electronic manufacturing services cost.

#### Manufacturing Expenses

Our Company has incurred manufacturing expenses of Rs 394.00 Lacs for the half year ended September 30, 2010.

# Selling and Distribution Expenses

Our Company has incurred a Selling and Distribution Expenses of Rs 48.35 Lacs for the half year ended September 30, 2010.

#### Administrative /Other expenses

Our administrative/other expenses for the half year ended September 30, 2010 was Rs 32.74 Lacs. Our administrative/other expenses primarily consist of Legal and Professional Charges of Rs 6.98 Lacs, Vehicle running and maintenance of Rs 13.53 Lacs

# Interest Expenses

The Interest Expenses incurred for the half year ended September 30, 2010 was Rs 142.31 Lacs, constituting approximately Rs 8.78% of our total income. Our interest expenses primarily on account of interest on term loans and cash credit facilities.

# Depreciation

The depreciation for the half year ended September 30, 2010 was Rs 109.24 Lacs, constituting approximately 6.74% of our total income.

#### Provision for Tax

Our provision for tax for the half year ended September 30, 2010 was Rs 15.30 Lacs.

# Profit after Tax

For the period of six months ended September 30, 2010, our net profit after tax, as restated, was Rs 67.12 Lacs, constituting approximately 4.14% of our total income.

# <u>Results for the Financial Year ended March 31, 2010 as compared to the results for the year ended March 31, 2009</u>

Net Sales

Our Net Sales marginally decreased by 2.64% from Rs. 2870.42 Lacs for the FY 2009 to Rs. 2794.53 Lacs for the FY 2010 due to product mix.

#### Other Income

Our Other Income has decreased by 56.42% from Rs. 159.89 Lacs for the FY 2009 to Rs. 69.68 Lacs for the FY 2010 on account of reduction of excise duty MODVAT credit taken on raw material supplied by our customer for carrying out job work activity.

# Raw Material Consumed

Raw Material Consumption has decreased by 22.46% from Rs. 1201.96 Lacs for the FY 2009 to Rs. 932.04 Lacs for the FY 2010. This was primarily because of the better product mix and reduced fluctuation in steel price.

# Manufacturing Expenses

Manufacturing Expenses has decreased by 6.75% from Rs. 732.54 Lacs for the FY 2009 to Rs. 684.05 Lacs for the FY 2010 due to adopting improved system and effective control.

### Administrative /Other Expenses

Administrative / Other Expenses have increased marginally by 0.93% from Rs. 76.11 Lacs for the FY 2009 to Rs. 74.66 Lacs for the FY 2010 on account of normal increase in certain expenditure which has been compensated by decrease in other expenditure.

# Selling and Distribution Expenses

Selling and Distribution Expenses has increased by 21.07% from Rs. 82.05 Lacs for the FY 2009 to Rs. 99.34 Lacs for the FY 2010 on account of increase in freight, sales promotion and rebate and discount.

#### Interest Expenses

Interest and finance charges have gone down by 10.95% from Rs. 293.72 Lacs for the FY 2009 to Rs. 261.55 Lacs for the FY 2010 due to better fund management.

#### Depreciation

Deprecation has decreased by 5.09% from Rs. 239.10 Lacs for the FY 2009 to Rs. 226.93 Lacs for the FY 2010 mainly on account of reduction in block of assets.

#### Profit after Tax

Profit after Tax has increased from Rs. 80.71 Lacs for the FY 2009 to Rs. 151.74 Lacs for the FY 2010 due to optimum utilisation of the capacity, lower raw material cost, better cost control measures and absorption of fixed overheads.

# <u>Results for the Financial Year ended 31st March 2009 as compared to the results for the year ended 31st</u> <u>March 2008</u>

#### Net Sales

Our Net Sales has increased by 14.10% from Rs. 2515.61 Lacs for the FY 2008 to Rs. 2870.42 Lacs for the FY 2009 due to receipt of orders from OE manufacturers.

#### Other Income

Our Other Income has increased by 383.05% from Rs. 33.10 Lacs for the FY 2008 to Rs. 159.89 Lacs for the FY 2009 on account of increased excise duty MODVAT credit taken on raw material supplied by our customer for carrying out job work activity.

#### Raw Material Consumed

Raw Material Consumption has increased by 13.71% from Rs. 1057.08 Lacs for the FY 2008 to Rs. 1201.96 Lacs for the FY 2009. The same was due to increase in sales.

#### Manufacturing Expenses

Manufacturing Expenses has decreased by from Rs. 795.64 Lacs for the FY 2008 to Rs. 732.54 Lacs for the FY 2009 due to effective cost management.

#### **Employees Remuneration**

Employees Remuneration has increased from Rs. 342.53Lacs for the FY 2008 to Rs. 421.78 Lacs for the FY 2009 due to increase in dearness allowance and yearly increament.

### Administrative / Other Expenses

Administrative / Other Expenses have increased marginally from Rs. 65.28 Lacs for the FY 2008 to Rs. 76.11 Lacs for the FY 2009 on account of normal increase in certain expenditure.

# Selling and Distribution Expenses

Selling and Distribution Expenses has decreased by 8.63% from Rs. 89.80 Lacs for the FY 2008 to Rs. 82.05 Lacs for the FY 2009 on account of better cost management.

#### Interest Expenses

Interest and finance charges has gone up by 8.80% from Rs. 269.97 Lacs for the FY 2008 to Rs. 293.72 Lacs for the FY 2009 due to increase in bank/institutional borrowings.

#### Depreciation

Deprecation has increased by 19.20% from Rs. 200.58 Lacs for the FY 2008 to Rs. 239.10 Lacs for the FY 2009 mainly on account of increase in block of assets.

# Profit after Tax

Our Company incurred a loss of Rs. 384.00 Lacs for the FY 2008 whereas the same was turned to a profit of Rs. 80.71 Lacs for the FY 2009 due to increase in sales.

# <u>Results for the Financial Year ended 31st March 2008 as compared to the results for the year ended 31st March 2007</u>

#### Net Sales

Our Net Sales has increased by 17.41% from Rs. 2142.62 Lacs for the FY 2007 to Rs. 2515.61 Lacs for the FY 2008 due to increase in job works done by Our Company.

#### Other Income

Our Other Income has decreased from Rs. 26.57 Lacs for the FY 2007 to Rs. 33.10 Lacs for the FY 2008 mainly due to zero level of foreign exchange fluctuation income as against substantial income on this account in the previous year.

#### Raw Material consumed

Raw material consumption has decreased by 10.81% from Rs. 1185.20 Lacs for the FY 2007 to Rs. 1057.08 Lacs for the FY 2008. The decrease in raw material consumption was due to reduction in steel price.

#### Manufacturing Expenses

Manufacturing Expenses has increased from Rs. 596.25 Lacs for the FY 2007 to Rs. 785.64 Lacs for the FY 2008 due to spares & tools consumption.

### Employees Remuneration

Employees Remuneration and benefits has increased from Rs. 320.38 Lacs for the FY 2007 to Rs. 342.53 Lacs for the FY 2008 due to increase in yearly increment.

# Administrative / Other Expenses

Administrative / Other Expenses has decreased from Rs. 74.96 Lacs for the FY 2007 to Rs. 65.28 Lacs for the FY 2008 on account of decrease in some of the expenditure.

#### Selling and Distribution Expenses

Selling and Distribution Expenses has increased by 102.71% from Rs. 44.30 Lacs for the FY 2007 to Rs. 89.80 Lacs for the FY 2008 on account of discount & rebate on sales to customers.

#### Interest Expenses

Interest and finance charges have gone up by 16.33% from Rs. 232.08 Lacs for the FY 2007 to Rs. 269.97 Lacs for the FY 2008 due to borrowings.

#### Depreciation

Deprecation has increased by 6.78% from Rs. 187.85 Lacs for the FY 2007 to Rs. 200.58 Lacs for the FY 2008 mainly on account of addition of fixed assets during the year.

### Profit after Tax

The loss of Our Company for the FY 2007 was of Rs. 371.60 Lacs which was increased to a loss of Rs. 384.00 Lacs for the FY 2008 due to increase in expenditure.

# **Cash Flows**

The table below summarises our Company's Cash Flows, as restated for the financial year(s) ended March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007:

			(Rs. in Lacs)
Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Net cash from (used in) operating activities (A)	258.67	187.32	518.84
Net cash from (used in) investing activities (B)	(109.09)	(99.54)	(437.68)
Net cash from (used in) financing activities (C)	(221.25)	(71.90)	(79.53)
Net Increase/(Decrease) in Cash & Cash Equivalents (A)+(B)+( C)	(71.67)	15.88	1.63

# **Operating Activities**

Net cash generated from Our Company's operating activities for the FY 2010 was Rs. 258.67 Lacs due to increase in profits during the year.

Net cash generated from Our Company's operating activities for the FY 2009 was Rs. 187.32 Lacs due to decrease in trade payables during the year.

Net cash generated from Our Company's operating activities for the FY 2008 was Rs. 518.84 due to increase in trade payables during the year.

#### **Investing Activities**

Net cash used in Company's investing activities for the FY 2010 was Rs. 109.09 Lacs, This was primarily on account of investment in the block of fixed assets.

Net cash used in Company's investing activities for the FY 2009 was Rs. 99.54 Lacs, This was primarily on account of investment in the block of fixed assets.

Net cash used in Company's investing activities for the FY 2008 was Rs. 437.68 Lacs. This was primarily on account of investment in the block of fixed assets.

#### **Financing Activities**

Net cash used in Our Company's financing activities for the FY 2010 was Rs. 221.25 Lacs, due to interest payout during this period.

Net cash used in Our Company's financing activities for the FY 2009 was Rs. 71.90 Lacs, due to interest payout during this period.

Net cash used in Our Company's financing activities for the FY 2008 was Rs. 79.53 Lacs due to interest payout during this period.

# Information required as per Schedule VIII Part A Clause (IX) Sub-clause (E) (5) of SEBI (ICDR) Regulations, 2009

#### (a) Unusual or infrequent events or transactions

There have been no unusual or infrequent events or transaction that would have any material impact on the operations or the performance of Our Company.

# (b) Significant economic changes that materially affected or are likely to affect income from continuing operations.

There have been no significant economic or regulatory changes which would have any material impact on our operations. For details of Regulations & Policies please refer to the section titled "Key Industry Regulations and Policies" beginning on page no 94 of this Draft Red Herring Prospectus.

# (c) Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations.

To our knowledge there are no known trends or uncertainties that have had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

# (d) Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.

Except as otherwise stated in this Draft Red Herring Prospectus, in our opinion there are no such known factors which will materially impact the future changes in relationship between costs and revenues.

# (e) Extent to which material increases in net sales or revenue is due to increased sales volume, introduction of new products or services or increased sales prices.

The increase or decrease in revenue is by and large linked to increases in sales prices or volume of business.

# (f) Total turnover of each major Industry segment in which our Company operated.

Considering the nature of company's business and operation, there is / are no reportable segment.

# (g) Status of any publicly announced new products or business segment.

Our company has not publicly announced and do not expect to announce in the near future any new products or business segments, except in the ordinary course of our business.

# (h) The extent to which the business is seasonal.

Our business is not seasonal

# (i) Any significant dependence on a single or few suppliers or customers.

We source our raw materials from a number of suppliers and do not have excessive dependence on any single supplier. We derive a significant proportion of our revenues from our top 10 clients. In financial year 2010, top 10 clients accounted for 76.00% of total net sales.

# (j) Competitive Conditions

We expect competition from other larger and established players in our industry to intensify.

# FINANCIAL INDEBTEDNESS

The following is a summary of Our Company's indebtedness as on December 31, 2010:

# A) Details of Secured Borrowings:

Our Company's secured borrowings as on December 31, 2010 amount to Rs. 17,40,80,000. The details of the individual borrowings are set out below:

Lender	Amount Sanctioned	Date(s) of financing documents	Description of security	Amount outstanding as on December 31, 2010	Date(s) of repayment
State Bank of India ("SBI")	Loan for Rs. 1535 Lacs Sublimits: <i>Term Loan</i> Rs. 525 Lacs <i>Woking</i> <i>Capital</i> <i>Limit</i> Rs. 950 Lacs <i>Letter of</i> <i>Credit</i> Rs. 50 Lacs <i>Bank</i> <i>Guarantee</i> Rs. 10 Lacs	Facility of Term Loan and Working Capital Loan originally sanctioned on January 27, 1999. This facility has since been modified on several occasions, with the latest modification being on date January 22, 2010.	<ul> <li>Sole charge on Immovable Property, any Interest on Immovable Property, Book Debts, Movable Property (not being pledge) and floating charge including</li> <li>First Charge over Our Company's entire fixed assets including constructions, plant and machinery located at Loharpipliys, Tehsil-Kshipra, Dewas, Madhya Pradesh India, securing limits for the Term Loan; and</li> <li>Hypothecation charge on Our Company's entire stocks i.e. raw material, stocks in progress, finished goods, consumables, stores and spares and receivables at Company's premises located at Kshipra, A. B. Road, Dewas, Madhya Pradesh India, including goods in transit/ shipment, securing Working Capital Limits.</li> <li>Collateral Security:</li> <li>First charge over Our Company's entire fixed assets excluding the</li> </ul>	14,55,00,000	The amount will be repaid across 24 quarters from April 2009 up to March 2015*. Repayable with interest at 2.5% above SBAR i.e. 14.25% per annum subject to changes as prescribed by SBI/ RBI from time to time.

Term Loan cum Working Capital Loan

Lender	Amount Sanctioned	Date(s) of financing documents	Description of security	Amount outstanding as on December 31, 2010	Date(s) of repayment
			Continuous Gas Carburising Furnace and other P&M which is already charged exclusively to Madhya Pradesh Financial Corporation, securing Working Capital Limits Equitable Mortgage of leasehold plot in the name of Ms R. R. Gajra at Plot EF-27 located at IDA, Scheme number 54, Vijay Nagar, Indore, Madhya Pradesh, India, securing both Term Loan and Working Capital Limits. Pledge of 30% paid- up shares of Our Company held by Ms. Rita R. Gajra and R. B. Gajra HUF (21,48,100 shares aggregating to Rs. 2,14,81,000) Guarantees: Personal guarantees of Ms R R Gajra, Mr R B Gajra and R B Gajra HUF Corporate Guarantee of M/s. Elve Corporation.		
Madhya Pradesh Financial Corporation	Rs. 275 Lacs	Facility sanctioned on September 26, 2005	Hypothecation of Continuous Gas Carburising Furnace installed at Village Lohar Pipliya, Taluka Kshipra, A. B. Road, Dewas, Madhya Pradesh, India. Guarantees: Personal guarantees of Ms Rita R. Gajra and Mr Ramesh Gajra	1,49,80,000	The amount will be repaid across 21 quarters from October 01, 2009 up to October 01, 2014#. Rate of interest: 13% per annum

Lender	Amount Sanctioned	Date(s) of financing documents	Description of security	Amount outstanding as on December 31, 2010	Date(s) of repayment
			Corporate Guarantee of Gajra Gears Private Limited		
Madhya Pradesh Financial Corporation	Rs. 200 Lacs	Facility sanctioned on March 05, 2008	Hypothecation of all machinery and equipment including Continuous Gas Carburising Furnace, Quenching Press, CNC lathe machine, brackets, all the singular engines, boiler, machinery plant, electric and other installation implements equipment tools, utensils, appliances and accessories affixed, to be affixed and installed at Lohar Pipliya, Near Kshipra, Dewas, Madhya Pradesh, India. Charge on assets and property of Gajra Gears Private Limited affixed and installed at Station Road, Dewas, Madhya Pradesh, India.	1,36,00,000	The amount will be repaid across 22 quarters from October 01, 2009 up to January 01, 2015#. Interest rate at 13.75% per annum or at the prevailing rate at the time of disbursement whichever is higher.

\* this repayment was rescheduled vide letter dated June 26, 2009 from State Bank of India. # this repayment was rescheduled vide letter dated September 02, 2009 from Madhya Pradesh Financial Corporation.

# Working Capital Demand Loans

Our Company has not taken any other working capital demand loans.

# B) Details of unsecured borrowings

# Unsecured term loans

Our Company has not taken any unsecured term loans.

# Unsecured short term loans

Our Company's unsecured short term loans as on December 31, 2010 amount to Rs. 5,72,10,000. The details of the individual borrowings are set out below:

Lender	Amount outstanding as on December 31, 2010 (Rs.)	Repayment Schedule and Interest
Ma Dita D. Calina	20.50.000	Original loan amount being Rs. 29,50,000
Ms. Rita R. Gajra	29,50,000	Interest: Nil Repayment schedule: payable on demand
M/s. Elve Corporation	5,19,00,000	Original loan amount being Rs. 5,19,00,000 Interest: Nil Repayment schedule: payable on demand
Customers (in form of advances)	23,60,000	Interest: Nil Repayment schedule: payable on demand

#### Other short term loans

Our Company has not taken any other short term loans.

Our agreements with banks in relation to financial facilities sanctioned by them have certain restrictive covenants. A summary of certain significant restrictive covenants is as follows:

- 1. The facilities sanctioned should be utilised for genuine working capital requirements only.
- 2. That the loan shall be utilised for the specific purposes for which the same has been sanctioned.
- 3. Our Company shall not let out or give on lease and licenses, whole or any portion of land or building or plant and machinery to anyone, without prior written permission of the lender during the currency of the loan.
- 4. Our Company shall not lend funds to any one or invest the same in purchase of shares of any other company during the currency of the loan without the prior written permission of the lender.
- 5. Our Company shall not effect any change/ modification in the scheme in the constitution or transfer of management without prior permission of the lender.
- 6. No drawings shall be permitted in the cash credit limit against stocks received from outside parties for job work.
- 7. The State Bank of India will have the right to convert the debt into equity at a time felt appropriate by them, at a mutually acceptable formula.
- 8. Monies brought in by the Promoters/ Directors/ Principal Shareholders and their relatives and friends by way of deposits/ loans/ advances will not be allowed to be repaid by Our Company without the State Bank of India's prior permission in writing. Further, the rate of interest, if any, payable on such deposits should be lower than the rate of interest charged by the banker on the term loan.
- 9. Prior approval of the banks in writing is required in case Our Company intends to undertake any of the following actions:
  - formulate any scheme of amalgamation or reconstruction.
  - undertake any new project / schemes or implement any schemes of expansion or acquire fixed assets unless such expenditure is covered by Our Company's net cash accruals after providing for dividends, investments, etc.,.
  - invest by way share capital in or lend advance funds to or place deposits with any other concern.
  - enter in to borrowing arrangements either secured or unsecured with any other bank, financial institution, company or any other capital facility by other consortium member banks under consortium arrangement.
  - undertake guarantee obligations on behalf of itself.

- create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.
- sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the banks.
- enter in to any contractual obligation which is long term in nature or which will affect Our Company to a significant extent.
- change its practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees amongst other things.
- undertake any trading activity other than the sale of products arising out of its own manufacturing operations.
- permit any transfer of the controlling interest or make any drastic change in the management setup.
- declare dividends for any year out of the profits of that year or the previous years. It is necessary for Our Company to ensure first that provisions are made and that no repayment obligations remain unmet at the time of making the request for banks' approval for the declaration of dividend.
- effect any change in Our Company's capital structure
- affect any material change, in the ownership/ constitution management of the business.
- enter into arrangement/ agreement for sale, merger, consolidation, transfer of all or substantial portions of Our Company's assets.

# As regards the Issue, we have received for the following No Objection Certificates (NOCs) from the following lenders:

Name of the Bank/Financial Institution	Date of the NOC
State Bank of India	September 07, 2010
Madhya Pradesh Financial Corporation	September 30, 2010

# SECTION VIII - LEGAL AND OTHER INFORMATION

# OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as disclosed below:

- there are no defaults, non-payments or overdue amounts with respect to statutory dues, institutional or bank dues or amounts due to holders of debentures, bonds and fixed deposits and arrears of preference shares;
- no disciplinary action has been taken by SEBI or any stock exchanges against our Company or its Directors or its Promoter Group Entities;
- there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liability against our Company, its Directors, Promoters and Promoter Group, that would have an adverse effect on our business as of the date of the Draft Red Herring Prospectus.

None of the companies or persons referred in the paragraph above is on the list of the wilful defaulters of RBI.

# 1. OUTSTANDING LITIGATIONS INVOLVING OUR COMPANY

# 1.1 Litigations against our Company

# Civil Cases

1. Mr. Arif Shaikh ("**Plaintiff**") has filed a case bearing number Case No. 142/MPIR/2004 ("**Case**") against our Company ("**Respondent**") before the Presiding officer, Labour Court, Dewas. The Plaintiff had filed the case against the order for dismissal of his services.

The Case has been filed praying for, *inter alia* that:

- a. re-instatement of his services.
- b. Claiming for back-wages for the period.

The Case has been prayed on the following grounds, *inter alia* that:

- i. The Plaintiff was a permanent employee of the Respondent.
- ii. The Plaintiff's dismissal was illegal and arbitrary.
- iii. The Plainitff's dismissal was not in accordance with the Industrial Disputes Act.

The above Case was decided in favour of the Plaintiff by the Labour Court against which the Respondent appealed to the Industrial Court, who also decided in favour of the Plaintiff. The Respondent then appealed to the High Court by way of a Writ Petition and by an order dated May 05, 2010, the case was remanded back to the Labour Court and the Respondent was allowed to present further documents and or pleadings before the Labour Court.

The Case is currently pending before the Labour Court Dewas

# 1.2 Litigations initiated by our Company

### Civil Litigation

1. Our Company has made a representation application ("Application") against Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited ("MPPKVV") before the Chairman, Madhya Pradesh Electricity Regulatory Commission, Bhopal. The Application has been made due to non-implementation of the Electricity Ombudsman's award by MPPKVV.

The Application has been filed on the following grounds, inter alia:

- i. that an order dated August 19, 2008 has been passed by the Electricity Ombudsman in Case Number L0006508, against MPPKVV which has not been implemented by MPPKVV;
- ii. that the MPPKVV has been completely silent on implementation of the said order inspite of several attempts by our Company.

Our Company has sought the following reliefs vide the Application:

- i. MPPKVV be directed to comply with the order of the electricity ombudsman.
- ii. Declaration that the contract demand/ cancel the enhancement of contract demand stands reduced with effect from the date of the Application.
- iii. Refund of the addition amounts already paid with effect from January 01, 2007 along with interest at the rate of 18% per annum.
- iv. Adjustment of load factor concession for all the power bills from January 2007 to September 2008 where the load factor was maintained higher than the minimum prescribed load factor.
- v. Imposition of penalty on MPPKVV.
- vi. Introduce suitable amendment in the Electricity Supply code to provide for an efficacious procedure and machinery for enforcement of orders passed by the electricity ombudsman.

The Application is currently pending before the Chairman, Madhya Pradesh Electricity Regulatory Commission, Bhopal.

2. Our Company, our Promoter and Managing Director, Mr. Raj D. Kirtani ("Appellants") have filed an appeal bearing first appeal number 160 of 2004 ("Appeal") before the High Court of Madhya Pradesh, bench at Indore against Kalyanmal, proprietor of M/s. Abhishek Plastic Industries and four others including our Directors Mr. Mahendra Shah and our Promoter Director Ms. Rita R. Gajra (the "Respondents") under section 96 of the Civil Procedure Code, 1908.

The Appeal has been filed challenging the judgement and decree dated November 01, 2003 passed by the II<sup>nd</sup> Additional District Judge, Dewas. The appeal has been filed for an amount of Rs. 1,98,359.

The Appeal has been filed praying for, *inter alia* that the Appeal be allowed and the judgement and decree passed by the Additional District Judge, be set aside.

The Appeal has been filed on the following grounds, inter alia:

- 1. that the Additional District Judge erred in decreeing without any evidence;
- 2. that the Additional District Judge grossly erred in not considering that the transaction was an open contract;
- 3. that the payment of Rs. 1,29,701 towards full and final payment was received by the Respondents without any objections;
- 4. that the judgement and decree by the Additional District Judge is contrary to well settled principles of law.
- 5. that the Additional District Judge has not property evaluated and considered the evidence and has illegally and erroneously decreed without proper evidence;
- 6. that the Additional District judge did not have jurisdiction to try this matter.

The Appeal is currently pending for final hearing before the High Court of Madhya Pradesh, bench at Indore.

# 2. CASES INVOLVING THE DIRECTORS OF OUR COMPANY

#### **Cases filed against our Directors**

Our Director Mr. Mahendra Shah is a Respondent in an appeal being first appeal number 160 of 2004. For the details of this case please refer to the heading "*Litigations initiated by our Company*".

#### **Cases filed by our Directors**

Our Managing Director and our Promoter, Mr. R.D. Kirtani is an appellant in an appeal being first appeal number 160 of 2004. For the details of this case please refer to the heading "*Litigations initiated by our Company*".

# 3. CASES INVOLVING OUR PROMOTERS

### **Cases filed against our Promoters**

#### Criminal Litigation

 Mr N. S. Rathore ("Applicant"), Manager of M/s. Garaha Tours and Travels has filed a criminal complaint against Mr R. B. Gajra, the Karta of our Promoter being R B Gajra HUF ("Respondent") in case number 180/N of 1994 before the Court of the Metropolitan Magistrate, 33<sup>rd</sup> Court Ballard Pier, Bombay under the Code of Criminal Procedure, 1973.

The same has been filed praying for, inter alia:

- i. that the court may pass order under Section 145 (1) and 147 of the Code of Criminal Procedure, 1973;
- ii. that the court may direct that the Applicant is entitled to retain possession of the branch premises situated at basement of Elve Chambers, Green Street, Fort, Mumbai ("**Branch Premises**");
- iii. that the court may pass an order the police to keep pahara to prevent any breach of peace and for that the Applicant is prepared to bear all expenses.

The same has been prayed on the following grounds, inter alia:

- i. that Respondent is interested in causing breach of peace for the purpose of taking forcible possession of the Branch Premises;
- ii. that threats have been given by the Respondent and his heirlings that if the Applicant fails to surrender the possession of the Branch Premises, on or before April 18, 1994, Applicant will be subjected to such physical force as necessary in order to take the vacant possession of the Branch Premises;
- iii. that the Applicant were continuously and uninterruptedly using the Branch Premises since the inception of M/s. Garaha Tours and Travels;
- iv. that the Respondent is not in a mood to adopt peaceful and legal ways; that the Respondent is likely to take forcible possession of the Branch Premises and use all force for the purpose of restraining the Applicant from using the passages to the Branch Premises.

The case is currently pending before the Court of the Metropolitan Magistrate, 33<sup>rd</sup> Court Ballard Pier, Bombay.

2. Mr S. S. Mehta ("Applicant"), Branch Manager of Gajra Bevel Gears Limited has filed a criminal complaint against Mr R. B. Gajra, the Karta of our Promoter being R B Gajra HUF ("Respondent") in case number 179/N of 1994 in the Court of the Metropolitan Magistrate, 33<sup>rd</sup> Court Ballard Pier, Bombay under the Code of Criminal Procedure, 1973.

The same has been filed praying for, inter alia:

- i. that the court may pass order under Section 145 (1) and 147 of the Code of Criminal Procedure, 1973;
- ii. that the court may direct that the Applicant is entitled to retain possession of the branch premises situated at basement of Elve Chambers, Green Street, Fort, Mumbai ("**Branch Premises**");
- that the court may pass an order the police to keep pahara to prevent any breach of peace since there is a dispute over the possession of the Branch Premises which is likely to cause breach of peace at any time;
- iv. that the act of the Respondent in imparting threats is absolutely illegal;
- v. that the Respondent should either amicably solve their problem by negotiating with Mr Indur Shantiswaroop Gajra or adopt a process of law to get the possession of the Branch Premises.

The same has been prayed for on the following grounds, inter alia:

- i. that Respondent is interested in causing breach of peace for the purpose of taking forcible possession of the Branch Premises;
- ii. that threats have been given by the Respondent and his heirlings that if the Applicant fails to surrender the possession of the Branch Premises, on or before April 20, 1994, Applicant will be subjected to such physical force as necessary in order to take the vacant possession of the Branch Premises;
- iii. that the Applicant were continuously and uninterruptedly using the Branch Premises for several years;
- iv. that the Respondent is not in a mood to adopt peaceful and legal ways;
- v. that the Respondent is likely to take forcible possession of the Branch Premises and use all force for the purpose of restraining the Applicant from using the passages to the Branch Premises.

The case is currently pending before the Court of the Metropolitan Magistrate, 33<sup>rd</sup> Court Ballard Pier, Bombay.

# Civil Litigation

1. Our Promoter Director, Ms. Rita Gajra is a Respondent in a first appeal bearing number 160 of 2004. For details of this case please refer to the heading "*Litigations initiated by our Company*".

#### Cases filed by our Promoters.

1. Mr Ramesh B. Gajra and Others ("Plaintiff") have filed civil suit number 3896 of 2000 against Gajra Investments Private Limited ("Defendant") before the High Court of Judicature at Bombay.

The suit claim has been filed by the Plaintiff arising out of certain share transfers pursuant to the family settlement "Deed of Recording the Settlement" dated September 11, 1990 wherein 717,850 shares held by the Plaintiffs in the entities of the Defendant were to be transferred, which the Plaintiff has alleged that the same has not been complied with.

The Suit is currently pending before the High Court of Judicature at Bombay.

# 4. CASES INVOLVING THE GROUP ENTITIES

#### Cases filed against the Group Entities

#### Civil Litigation

1. The following table details thirty-three (33) title suits that are pending against Gajra Gears Private Limited ("**Respondent**") before the District Court, Dewas.

Sr. No.	Civil Property Case Number	Petitioner
1.	7a/09	Shivaji Bhole
2.	8a/09	Bhagwan Singh
3.	9a/09	Hiralal
4.	10a/09	Smt. Radha
5.	11a/09	Mushtaq Pathan
6.	12a/09	Nirmal Upadhyay
7.	13a/09	Bhaskar Patil
8.	14a/09	Anjani K. Gupta
9.	15a/09	Ramadhar Sharma
10.	16a/09	Ram deo Prasad
11.	17a/09	Ram Bahadur Sharma
12.	18a/09	V. P Bhaskar
13.	19a/09	Khushiram Ashapure
14.	20a/09	Jaipal Singh
15.	21a/09	Mukund Singh
16.	32a/09	Harcharan Singh
17.	37a/09	Raj mani Sharma

Sr. No.	Civil Property Case Number	Petitioner
18.	38a/09	Ramesh Verma
19.	39a/09	Hiralal
20.	40a/09	Virendra Choushary
21.	41a/09	Shankar Singh Thakurv
22.	42a/09	Chandra Maniv
23.	43a/09	Ashok Sharma
24.	44a/09	Swatantra Kumar Jain
25.	45a/09	Raghubans Singh
26.	46a/09	Madan Gir Goswami
27.	47a/09	Kalyan Singh
28.	48a/09	Jagdish Nigam
29.	49a/09	Madan Lal
30.	50a/09	Kailash Soni
31.	09a/09	Rajmal Rathor
32.	16a/09	Arun Chincholikar
33.	23a/09	Bachchu Sahim

In each of these cases, the petitioner has filed the suit, praying for, inter alia, the following:

- 1. to hold the registered sale deed executed between Respondent and Madhya Pradesh Housing Board ("**MPHB**"), null and void and with no effect;
- 2. to hold the licence agreement between Gajra Gears Private Limited and the Petitioner(s), null and void;
- 3. permanent injunction restraining Respondent from obstructing or interfering with the use and enjoyment of the quarter(s) by the Petitioner(s);
- 4. declare the Petitioner(s) to be the rightful and lawful owner of the respective quarter(s) with a clear title.

The same has been prayed on the following grounds, inter alia:

- 1. that MPHB had allotted the quarter(s) directly to the Petitioner(s) and not Respondent and the Respondent was only a negotiating on part of the Petitioner(s) in representation to MPHB.
- 2. that the amount of 10% of the wages that were periodically paid by them were instalments towards the property and not a license fee, and to be deposited with MPHB.
- 3. that Petitioner is not entitled to the allotment of the quarter(s) from MPHB

Petitioner has prayed the following, inter alia:

1. that the Petitioner has paid full consideration in favour of the sale deed so executed wherein the workers/ Petitioner(s) were not a party to the deed and as such, each of the workers paid varied licence fees for quarter(s) of the same size, which was in proportion to their wages.

Each of these thirty-three (33) cases are pending for evidence from the Petitioner(s), before the District Court, Dewas.

2. Kalicharan ("Petitioner") has filed an petition bearing number 06/09 against Gajra Gears Private Limited ("Respondent") before the Labour Court, Dewas under the Madhya Pradesh Industrial Relations Act.

The petition has been filed praying for, *inter alia*, claiming payment of subsistence allowance equivalent to the minimum wages.

The same has been prayed on the ground that the Petitioner cannot make ends meet with kind of wages, last drawn.

The matter is pending for evidence.

3. Shri Ram Chouhan ("Petitioner") has filed a Writ Petition bearing number 115/08 ("Petition") against Gajra Gears Private Limited ("Respondent") before the High Court of Madhya Pradesh, Indore Bench under Article 226 of the Constitution of India. The Petition has been filed challenging the order dated July 30, 2007

passed by the Industrial Court and the order dated July 26, 2006 ("Impugned Orders") passed by the Labour Court.

The Petition has been filed praying for, inter alia:

- i. to set aside the Impugned Orders ;
- ii. to direct the Respondent to reinstate the Petitioner and with all consequential benefits including monetary benefits;

The Petition has been filed on the ground, inter alia:

- i. that the Industrial Court as well as the Labour Court have erred in dismissing the application and appeal of the Petitioner without appreciating the fact that the Petitioner has been promoted by the Respondent and transferred to another unit of the same management;
- ii. that despite of the fact that the Petitioner had signed the attendance register regularly, the same was not produced by the Respondent;
- that though the Respondent has all the relevant records, the same has not been produced to the Industrial Court and the Labour Courts and the two courts have also failed to draw negative resumption in pursuant of this omission, against the Respondent;
- iv. that the two courts have also failed to consider the evidence of pay-slip(s) issued by the Respondent;
- v. that the courts have also failed to consider the ESI number;
- vi. that despite the fact that the Labour Court had recorded that Petitioner's services were terminated without any legal domestic enquiry, the two courts failed to consider the same.

The Petition is currently pending before the High Court of Madhya Pradesh, bench at Indore.

4. Engineering Mazdoor Parisad, Dewas and Lather & Lather Products Mazdoor Union Sangh, Dewas ("Petitioners") have filed a Writ Petition number 335 of 2006 against Union of India, The State of Madhya Pradesh, Tata International Limited and Gajra Gears Private Limited (collectively referred to as "Respondents") before the High Court of Madhya Pradesh, Jabalpur ("High Court") under Article 226/ 227 of the Constitution of India.

The petition has been filed praying for, inter alia:

- i. To issue a writ in the nature of certiorari quashing Section 12 of the Payment of Bonus Act, 1965 (as inserted *vide* the Payment of Bonus (Second Amendment Act), 1985 as ultra virus to the Constitution; alternatively ("Act"");
- ii. to issue a writ in the nature of mandamus directing the Union of India to substitute the words "is less than" instead of the word "exceeds" in the Section 12 of the Act.
- iii. to issues a command for production of entire record pertaining to the Payment of Bonus (Second Amendment) Act, 1985 and also the Payment of Bonus (Amendment) Act, 1985 for kind perusal of the High Court.

The petition has been filed on the ground, *inter alia*:

- i. that the insertion of Section 12 of the Act is not only defective but also defeats the intention of the Parliament to provide mandatory benefit to the low paid employees by fixing the minimum amount of bonus for the employees received a certain prescribed salary;
- ii. that the object of the Parliament is clear to the extent that the purpose behind payment of bonus shall be satisfied only when the employees receiving the wages below the minimum prescribed wages are also extended the benefit of calculation of bonus on the minimum prescribed wages;
- that the establishments including Tata International Limited and Gajra Gears Private Limited have many other similarly placed employees and have perpetuated their act of exploitation of their labour taking shelter of Section 12 of the Act;
- iv. that the error in Section 12 of the Act has created havoc and disaster for the employees and the illegality is being misused by the employers;
- v. that even if Section 12 is read with other provisions of Section 10 and Section 11 of the Act, it is contradictory with the foregoing sections of the Act and defeats the benefits proposed to be extended under Section 10 of the Act.

The petition is currently pending before the High Court of Madhya Pradesh, Jabalpur.

5. R. P. Singh ("Applicant") has filed a B. S. E. Case number 09/2008 ("Application") against Gajra Gears Private Limited ("Respondent") before the Labour Court, Patna under Section 26(2) of the Bihar Shops & Establishment Act. The Application has been filed for quashing the order dated July 22, 2008 passed by the factory manager whereby the services of the Applicant have been terminated.

The Application has been filed praying for, inter alia:

- i. to set aside the order dated July 22, 2008 directing termination of services of the Applicant;
- ii. to pass an order for re-instatement of services of the Applicant at Patna, with full back wages and all consequential benefits.

The same has been prayed on the ground, inter alia:

- i. that there was no reasonable cause in terminating the services of the Applicant;
- ii. that no notice was given to the Applicant prior to terminating his services;
- iii. that his termination was bad in law as well as bad in fact since, the Applicant was never issued any show cause prior to termination of services;
- iv. that the order of termination is also in violation of the principles of natural justice and that the same was arbitrary and in colourable exercise of power;
- v. that no charge-sheet was prepared prior to termination of services and such an action was fraudulent on part of the Respondent;
- vi. that there was no complain of the nature of his services during his tenure;

The Application is currently pending for evidence.

6. Mr Sanjay Pathak ("Petitioner") has filed a petition bearing number 274/02 against Gajra Gears Private Limited ("Respondent") before the Labour Court, Dewas under the Madhya Pradesh Industrial Relation Act.

The same has been filed praying for, inter alia:

- i. reinstatement with back wages;
- ii. alleging false allegations by the Respondent for grounds of dismissal.

The same has been filed on the grounds, inter alia:

- i. the dismissal was illegal and the same was on false allegations;
- ii. that the charges on the Petitioner for, defying instruction of the management and that of threatening to commit suicide, were not proved in the domestic enquiry and services were terminated.

The petition is currently pending before the Labour Court, Dewas.

7. Lakhan Lal Verma ("**Petitioner**") has filed a petition bearing number 57/02 against Gajra Gears Private Limited ("**Respondent**") before Labour Court, Dewas under the Madhya Pradesh Industrial Relations Act.

The petition has been filed praying for, *inter alia*:

i. recovery of back wages.

The same has been prayed on the ground, inter alia:

- i. That the industrial court in appeal number 1078/MRIR/1998 dated January 09, 2004 has awarded recovery of back wages.
- ii. The petition is currently pending before the Labour Court, Dewas.
- **8.** Rajkapoor Angal ("**Petitioner**") has filed a petition bearing number 43/02 against Gajra Gears Private Limited ("**Respondent**") before the Labour Court, Dewas under the Madhya Pradesh Industrial Relations Act.

The same been filed praying for, inter alia:

i. Recovery of back wages.

The same has been prayed on the ground, inter alia:

i. That the back wages have already been awarded by the high court, to which an appeal has been filed by the Respondent in the Supreme Court of India.

The petition is currently pending before the Labour Court, Dewas.

**9.** Mr Prahlad Prajapati ("**Petitioner**") has filed a petition bearing number 144/04 against Gajra Gears Private Limited ("**Respondent**") before the Labour Court, Dewas under the Madhya Pradesh Industrial Relations Act.

The same has been filed praying for, inter alia:

- i. reinstatement of services;
- ii. Claiming for back wages.

The same has been prayed on the following grounds, inter alia:

- i. that the dismissal from services was illegal;
- ii. that the dismissal and thereafter termination of services was on false allegations;
- iii. that the charges on the Petitioner of heavy absenteeism were not proved in the domestic enquiry and services were terminated.

The case is pending for final hearing before the Labour Court, Dewas.

**10.** Mr Dule Singh ("**Petitioner**") has filed a petition bearing number 74/05 against Gajra Gears Private Limited ("**Respondent**") before the Labour Court, Dewas under the Madhya Pradesh Industrial Relations Act.

The same has been filed praying for, inter alia:

- i. reinstatement of services;
- ii. Claiming for back wages.

The same has been prayed on the following grounds, inter alia:

- i. that the dismissal from services was illegal;
- ii. that the dismissal and thereafter termination of services was on false allegations;
- iii. That the charges on the Petitioner of heavy absenteeism were not proved in the domestic enquiry and services were terminated.

The petition is currently pending for evidence.

11. Mr. Rahim Khan ("Applicant") has filed a conciliation application bearing number 29/10 against Gajra Gears Private Limited ("Respondent") before the Government Labour Officer and Conciliator, Dewas under the provisions of the Industrial Disputes Act.

The same has been filed praying for, inter alia:

- i. reinstatement of services;
- ii. claiming for back wages.

The same has been prayed on the following grounds, inter alia:

- i. that the dismissal from services was illegal;
- ii. that the dismissal and thereafter termination of services was on false allegations;
- iii. that the charges on the Petitioner of heavy absenteeism were not proved in the domestic enquiry and services were terminated.

The application is currently pending for evidence.

**12.** Mr. Murari Choubey ("**Petitioner**") has filed a petition bearing number 07/10 against Gajra Gears Private Limited ("Respondent") before the Labour Court, Indore under the Madhya Pradesh Industrial Relations Act.

The same has been filed praying for, inter alia:

i. Recalculation of compensation as paid by the Respondent as per the order of the high court awarding compensation to the Petitioner for dismissal.

The same has been prayed on the following grounds, inter alia:

- i. that the high court has awarded compensation to the Petitioner;
- ii. that the Respondent has not calculated the amount of compensation so awarded, correctly.

The petition is currently pending for evidence.

**13.** Negeri Sembilan Development Corporation, Seremban, Malaysia ("**Claimant**"), a company incorporated under the laws of Malaysia, has filed a counter-claim against Gajra Gears Private Limited ("**Respondent**") in an arbitral proceeding initiated by the Respondent against the Claimant before a jointly appointed arbitrator on November 20, 1989. The counter-claim has been made as part of the written statement filed by the Claimant in the said arbitral proceeding.

The same has been claimed praying for, inter alia:

i. recovery of amounts including advances to the joint venture entity, Gajra Gears Negeri Sembilan Sendirian Berhad ("GGNS"), loan to GGNS, payments to equity, trust receipt with Bank Bumiputra Malaysia Berhad and other miscellaneous claims aggregating to MR \$ 83,15,464 equivalent to Rs. 124,731,960 (conversion rate assumed at MYR 1 = Rs. 15):

The same has been prayed on the following grounds, inter alia:

- i. that at all material times, GGNS was managed by agents and/or servants of the Respondent;
- ii. that the negligence and misrepresentation of the Respondent, has caused the Claimant to enter into the joint venture agreement, thus causing loss and damage to the Claimant;
- iii. that the Respondent's servant and/or agents did not impart the required knowledge and skill to the local employees so as to enable them to handle operational matters thus acting in breach of the joint venture agreement;
- iv. that the Respondent failed to manage the funds of GGNS;
- v. that the Respondent failed to produce the products up to the required marketable standards;
- vi. that the Respondent failed to secure orders within the market where the products were marketable;
- vii. that the Respondent failed to advice the Claimant, their servants and/or agents, the risk element of the business;
- viii. that the Respondent failed to use the right technical expertise in the manufacture of products.

The arbitral proceedings remain pending since October 04, 1991 and no further hearing has taken place.

Tax Litigation

1. Central Excise & Customs Department has filed an appeal bearing number E/1865/2009 against the Gajra Gears Private Limited ("GGPL") under the Service Tax Act for financial years 2002, 2003, 2004 and 2005, before The Customs, Excise and Service Tax Appellate Tribunal, New Delhi.

The same has been filed praying for, inter alia:

- i. setting aside the order of the Commissioner (Appeals), Indore directing a no-tax liability on GGPL;
- ii. directing GGPL to pay service tax on 'lease rent' recovered by our Company on leasing out machinery to our Company.

The same has been prayed on the ground, inter alia:

i. GGPL has executed an agreement for 'lease' of machinery to our Company for a period of five years constituting a lease and thus a lease agreement and thereby attracting service tax on lease of such machinery.

The matter is pending for final hearing.

# **Cases filed by the Group Entities**

Civil Litigation

 Gajra Gears Private Limited ("Plaintiff") has initiated an arbitral proceedings against Negeri Sembilan Development Corporation, Seremban, Malaysia ("Respondent"), a company incorporated under the laws of Malaysia before a jointly appointed arbitrator on November 20, 1989.

The same has been filed praying for, inter alia:

i. claiming recovery of amounts including investments in Gajra Gears Negeri Sembilan Sendirian Berhad ("GGNS"), materials, royalty, interest, damages and cost, due from the Respondent of MYR (Malaysian Ringgit) 48,97,576 equivalent to Rs. 73,463,640 (conversion rate assumed at MYR 1 = Rs. 15) and interest thereon.

The same has been prayed on the following grounds, inter alia:

- i. that GGNS went into receivership on November 05, 1984;
- ii. that all the assets were realised and proceeds have been paid off as part settlement to the secured creditors and debenture holders of GGNS, since all the assets of GGNS were not sufficient to cover all its liabilities and hence remained undischarged;
- iii. that the Respondent failed to assist in raising equity of GGNS resulting in delays which increased cost of project and withdrawal of financial assistance from various financial information;
- iv. that the Respondent failed to assist in obtaining loan finance for GGNS;;
- v. that the Respondent failed to procure the necessary finance to facilitate the running of the project;
- vi. that the Respondent committed breach by attempting to take control of the management of GGNS and in hampering the participation of the Plaintiff in the management.

The arbitral proceedings remain pending since October 04, 1991 and no further hearing has taken place.

2. The following table details five (5) appeals ("Appeals") that have been filed by Gajra Gears Private Limited ("Appellant") before the High Court of Madhya Pradesh, bench at Indore against the judgement and decree dated December 23, 2005 ("Impugned Order") passed by the Additional District Court, Dewas where the Magistrate held the license agreement(s) between the Appellant and Respondent(s) to be null and void.

Sr. No.	Civil First Appeal Number	Respondents
1.	FA224/06	Radheshyam
2.	FA225/06	Deepak Panchal
3.	FA230/06	Dayashankar Siddu
4.	FA231/06	Manohar Nadkar
5.	FA242/06	Karam Singh

The above Appeals have been filed praying for, inter alia, the following:

- 1. that the Impugned Order be set aside; and
- 2. cost of the Appeals.

The Appeals have been filed on the following ground, inter alia that:

- i. That the trial court failed to see from the records that it was the Appellant and not the Respondents who had taken 62 quarters from M. P. Housing Board on hire and the quarters in question had been given by the Appellant to the Respondents only for temporary residence while he was in the services, as a licensee only.
- ii. The trial court erred in thinking that the filing of the suit had been sanctioned or permitted by the High Court in a common order dated January 03, 2001 dismissing the criminal revision application filed by the Respondents and other employees.

- iii. That the Respondents and other employees had challenged the order of the High Court dismissing the criminal revision by way of a special leave petition before the Supreme Court and the same was also dismissed.
- iv. That the trial court failed to see from the evidence that relationship of hire-purchase between the Appellant and the M.P. Housing Board dates back to 1980 and that the Respondents has no privity in this relationship and that during the trial even though the Respondents failed to produce any evidence of his title to the quarter, the trial court proceeded to declare that the contract of hire purchase was actually between the M.P. Housing Board and the Respondent, with the Appellant merely as the mediator.
- v. The trial court misconstrued the license deed executed on December 01, 1980 between the Appellant and the Respondents and has misunderstood the clause in the said deed declaring that the license fee payable by the Respondents was not "rent".
- vi. That the trial court erred in concluding that the Appellant was making deduction from the salary of the Respondents towards hire purchase instalments and not as nominal license fee.
- vii. That the trial court failed to appreciate that the quarters are meant for the employees only during the course of their employment and that the employees are required to vacate the quarters on ceasing to be employed.
- viii. That the trial court erred in holding that the contract of hire purchase of the quarters between the Appellant and the M.P. Housing Board was illegal as being contrary to the provisions of the Subsidised Industrial Housing Scheme (Hire Purchase) Regulations, 1965.
- ix. That the trial court ignored the fact that no contract was proved between the Respondent and the Housing Board.

Each of these five (5) Appeals are pending for final hearing, before the High Court of Madhya Pradesh, bench at Indore.

**3.** The following table details six (6) appeals ("**Appeals**") that have been filed by Gajra Gears Private Limited ("**Petitioner**") before the High Court, bench at Indore against the judgement and decree dated July 16, 2008 and July 18, 2008 ("**Impugned Orders**") passed by the Additional District Court, Dewas where the Magistrate passed the judgment in favour of the Respondent(s) and declared the title of each of the disputed property in favour of the Respondent(s).

Sr. No.	<b>Civil First Appeal Number</b>	Respondent
1.	FA596/08	Radheshyam
2.	FA599/08	Karam Singh
3.	FA597/08	Deepak Panchal
4.	FA600/08	Dayashankar Siddu
5.	FA151/10	Mangilal Solanki
6.	FA598/08	Manohar Nadkar

The above Appeals have been filed praying for, inter alia, the following:

- 1. That the Impugned Order be set aside; and
- 2. Cost of the Appeals.

The Appeals have been filed on the ground, inter alia;

- i. that the trial court erred in declaring that the registered instrument if sale deed dated October 11, 2004 executed by the M.P. Housing Board in favour of the Appellant be treated as a sale by the Housing Board to the Respondents.
- ii. That the trial court failed to see from the records that it was the Appellant and not the Respondents who had taken 62 quarters from M. P. Housing Board on hire and the quarters in question had been given by the Appellant to the Respondents only for temporary residence while he was in the services, as a licensee only.
- iii. The trial court erred in thinking that the filing of the suit had been sanctioned or permitted by the High Court in a common order dated January 03, 2001 dismissing the criminal revision application filed by the Respondents and other employees.
- iv. That the Respondents and other employees had challenged the order of the High Court dismissing the criminal revision by way of a special leave petition before the Supreme Court and the same was also dismissed.
- v. That there is no document on the record evidencing any agreement of hire purchase between the Respondents and the Housing Board.

- vi. That the trial court failed to see from the evidence that relationship of hire-purchase between the Appellant and the M.P. Housing Board dates back to 1980 and that the Respondents has no privity in this relationship and that during the trial even though the Respondents failed to produce any evidence of his title to the quarter, the trial court proceeded to declare that the contract of hire purchase was actually between the M.P. Housing Board and the Respondent, with the Appellant merely as the mediator.
- vii. That the trial court erred in not considering the license deed executed the Appellant and the Respondents.
- viii. That the trial court erred in concluding that the Appellant was making deduction from the salary of the Respondents towards hire purchase instalments and not as nominal license fee.
- ix. That the trial court failed to appreciate that the quarters are meant for the employees only during the course of their employment and that the employees are required to vacate the quarters on ceasing to be employed.
- x. That the trial court erred in holding that the contract of hire purchase of the quarters between the Appellant and the M.P. Housing Board was illegal as being contrary to the provisions of the Subsidised Industrial Housing Scheme (Hire Purchase) Regulations, 1965.

Each of these six (6) cases are currently pending for final hearing before the High Court, Indore.

4. The following table details eighteen (18), second appeals that has been filed by Gajra Gears Private Limited ("**Petitioner**") before the High Court, Indore against the judgement and decree dated November 10, 2009 passed by the District Court, Dewas where the Magistrate passed the judgment in favour of the Respondent(s) and declared the title of each of the disputed property in favour of the Respondent(s).

Sr. No.	<b>Civil Second Appeal Number</b>	Respondent
1.	SA275/10	Shrikant Potdar
2.	SA276/10	Smt. Asha Devi w/o RP Singh
3.	SA277/10	Hari Singh Sengar
4.	SA279/10	Bhagirath Bisore
5.	SA280/10	Mahesh Sangte
6.	SA281/10	Mangal Singh Yadav
7.	SA282/10	Radhyshyam Shankar Lal
8.	SA283/10	Mahendra Singh
9.	SA278/10	Ramchandaran
10.	SA287/10	Labh Singh
11.	SA288/10	Chhater Singh
12.	SA289/10	Chhotelal
13.	SA290/10	Dhansiya Ram Bhagat
14.	SA291/10	Smt. Arun w/o Arvind
15.	SA292/10	Uttam Bansod
16.	SA293/10	Chandra Shakar Dongre
17.	SA294/10	Babulal Vishwakarma
18.	SA295/10	Madhusudan Pathak

In each of these matters, the Respondent(s) had earlier filed a suit in the District Court, Dewas filed the suit, praying for, *inter alia*, the following:

- 1. to hold the licence agreement between Gajra Gears Private Limited and the Respondent(s), null and void;
- 2. permanent injunction restraining Petitioner from obstructing or interfering with the use and enjoyment of the quarter(s) by the Petitioner(s);
- 3. to hold the registered sale deed executed between the Petitioner and Madhya Pradesh Housing Board, null and void and with no effect;
- 4. to declare the Respondent(s) to be the rightful and lawful owner of the respective quarter(s) with a clear title.

The same has been filed on the following ground, inter alia:

that the Respondent(s) were illiterate and the Petitioner taking advantage of this fact, executed an agreement(s) in the English Language for payment of license fees instead of instalments towards the property.

Petitioner has prayed the following, inter alia:

- 1. that the Respondent(s) had signed the Agreement(s) in sound state of mind in the year 1980-1981 and challenging the same in the year 2000-2001 is time barred under Section 17(1) of the Indian Evidence Act, 1872.
- 2. that all the workers including the Respondent(s) were aware of the fact that the Agreement(s) were executed only as a licence since it was in their knowledge that around 12 workers had handed over their respective quarters on termination of their services with Petitioner, which were thereafter allotted to other workers.
- 3. that in certain suits, under Section 630 of the Companies Act, filed by the Petitioner against workers who had also been allotted quarter(s), Session Courts, or the High Court, Madhya Pradesh and in other cases, the Supreme Court of India, has ordered the suit in favour of Petitioner on the basis of similar agreements and also decreed for imprisonment of the workers.

Each of these eighteen (18) cases are pending before the High Court, Indore.

5. Gajra Gears Private Limited ("Petitioner") has filed a writ petition bearing number 2903/07 against Kalicharan ("Respondent") before the High Court of Madhya Pradesh, Indore Bench.

The petition has been filed praying for setting aside order of the lower court directing reinstatement.

The petition is currently pending for final hearing.

6. M/s. Elve Corporation ("Plaintiff") has filed a civil suit number 1298 of 1997 against Gajra Bevel Gears Limited and others ("Defendants") before the High Court of Judicature at Bombay.

The matter has arose out of dispute pursuant to family settlement "Deed of Recording the Settlement" dated September 11, 1990 wherein the Defendants were given right to personal use of the disputed property until March 31, 1994 and vacate the same from April 01, 1994. However, the Defendants have failed to comply with the said settlement and on the contrary filed two criminal complaints numbers 179/N of 1994 and 180/N of 1994 in the Court of the Metropolitan Magistrate, 33<sup>rd</sup> Court Ballard Pier, Mumbai.

The suit has been filed praying inter alia the following:

- i. That it be declare that the Defendants are bound by the terms of the Deed of Recording the Settlement dated September 11, 1990 and that the Defendants were obliged to vacate the suit premised by March 31, 1994.
- ii. the Defendants be ordered to hand over the suit premises to the Plaintiff.
- iii. the defendants be ordered and decreed to pay to the Plaintiffs, jointly or severally compensation of Rs. 36,00,000 for occupation of the portion of the suit premises upto the date of filing of the suit and thereafter at the rate of Rs. One lakh per month or such other amount and at such rate as the court may deem fit till the premises are vacated and handed over to the Plaintiffs.
- iv. the Defendants be ordered and decreed to pay to the Plaintiff jointly or severally compensation of Rs. 9,00,000 for occupation of the portion of the suit premises upto the date of filing of the suit and thereafter at the rate of Rs. 25,000 per month or such other amount and at such rate as the court may deem fit till the premises are vacated and handed over to the Plaintiffs.
- v. pending the hearing and final disposal of the suit, the court receiver, High Court Mumbai, or some other fit and proper person be appointed as a receiver of the suit premises with all the powers under Order XL Rule 1 of the Code of Civil Procedure, 1908 including the power to recover and realise the suit premises.
- vi. pending the hearing and final disposal of the suit the Defendants by themselves, their servants and agents or otherwise howsoever be restrained from in any manner disposing of or parting with the possession of or alienating or encumbering or transferring or surrendering or creating any rights or interest in favour of anyone else in respect of the suit premises by inducting any one or otherwise howsoever.
- vii. cost of the suit.

The Suit is currently pending before the High Court of Judicature at Bombay.

7. Gajra Gears Private Limited ("Petitioner") has filed a Special Leave Petition (Civil) bearing number 5053/2010 ("SLP") against Rajkapoor Angal ("Respondent") before the Supreme Court of India under Article 136 of the Constitution of India. The SLP has been filed challenging the order dated May 01, 2009 ("Impugned Order") passed by the High Court of Madhya Pradesh, bench at Indore ("High Court") in Writ Petition bearing number 589/ 2003. The High Court vide its Impugned Order had upheld the findings of the Labour Court and the

Industrial Court wherein the Petitioner had been directed to reinstate the Respondent's services and full back wages with cost.

The SLP has been filed praying for, inter alia:

i. that he High Court erred in not considering the settled law that grant of full back wages is not automatic or a natural consequences of reinstatement and confirmed the order of the Industrial Court;

The SLP has been filed on the grounds, inter alia:

- i. that the same is contrary to the settled law by the same court in a catena of decisions holding that payment of full back wages does not automatically follow reinstatement;
- ii. that the High Court has erroneously held that the Respondent had led the evidence that he was not gainfully employed since no evidence was adduced by the Petitioner.
- 8. Gajra Gears Private Limited ("Petitioner") has filed a Writ Petition bearing number 2147/2004(S) ("Petition") against Lakhabnlal Verma ("Respondent") before the High Court of Madhya Pradesh, Indore Bench under Article 227 of the Constitution of India. The Petition has been filed challenging the order dated January 09, 2004 passed by the Industrial Court and the order dated September 29, 1998 passed by the Presiding Officer, Labour Court ("Impugned Orders") wherein the Petitioner was directed to reinstate the Respondent with full back wages.

The Petition has been filed praying for, inter alia:

- i. that to call for the records pertaining to the Impugned Orders and after perusing the same, to quash/set aside the same; and
- ii. to allow the Petition with costs.

The Petitioner has also filed a separate application for interim relief wherein the Petitioner has prayed for a stay of the operation of the Impugned Orders

The Petition has been filed on the ground, inter alia:

- i. that appointment on probation itself means that the appointment is on trial basis to judge one's suitability for regular employment, and that probation comes to an end if a person to appointed is found to be unsuitable;
- ii. that the Industrial Court as well as the Labour Court has failed to see that a probationer has no right of reinstatement;
- iii. that the Industrial Court as well as the Labour Court have acted in material irregularity in directing the reinstatement of the Respondent and awarding his full back wages .

The Petition is currently pending before the before the High Court of Madhya Pradesh, Indore Bench.

#### Criminal Litigation

- M/s. Gajra Gears Private Limited and Others ("Applicants") have filed Criminal Application Number 3566 of 2006 ("Application") against The State of Maharashtra and Others ("Respondents") before the High Court of Judicature at Bombay. The Application has been filed challenging the order dated April 29, 2006 passed by the Additional Sessions Judge Mumbai and the order dated September 27, 2002 passed by the Magistrate, 19<sup>th</sup> Court, Esplanade, Mumbai ("Impugned Orders"). The Application has been filed praying *inter alia* for the following:
- i. That the record and proceedings in CC. No. 678/S/2002 ("**Complaint**") pending before the Magistrate, 19<sup>th</sup> Court, Esplanade, Mumbai be called for.
- ii. That the court be pleased to quash and set aside the Impugned Orders wherein a process was issued against the Applicants under Section 629 A of the Companies Act in 678/S/2002.
- iii. The Complaint pending before the Magistrate be quashed and set aside.
- iv. During the pendency and final disposal of the present Application the further proceedings in CC. 678/S/2002 pending before the Magistrate be stayed.

The Application has been filed on the following grounds, inter alia:

that Complaint is barred by law of limitation and the same is not maintainable.

The Application is currently pending before the High Court of Judicature at Bombay.

#### Tax Litigation

1. M/s. Elve Corporation ("Appellant") has filed an appeal under Section 246A of the IT Act bearing appeal number CIT(A)-23/AC-12(3)/IT523/9-10 before the Deputy Commissioner (Appeals) of Income Tax and Commissioner of Income Tax (Appeals), Mumbai challenging the demand notice and the assessment order passed by the Assistant Commissioner of Income Tax, Range 12 (3) ("Respondent") dated December 31, 2009 for the Assessment Year 2007-2008.

The appeal has been filed on the grounds, inter alia:

- i. that the Respondent erred in computing the income tax of the Appellant at Rs. 4,13,48,190 as against Rs. 92, 34,542 returned by the Appellant;
- that the Respondent erred in completing the assessment under Section 143(3) without issuing notice under Section 143(2) read with section 142(1) within the time limit prescribed under the proviso to Section 143(2)(ii) of the IT Act;
- that the Respondent erred in completing the assessment without giving sufficient opportunity to the Appellant of being heard;
- iv. that the Respondent erred in disallowing expenditure on export freight under Section 40a(i) of the IT Act amounting to Rs. 2,38,07,595 on the ground that no tax was deducted at source;
- v. that the Respondent failed to appreciate that the payment was made to foreign shipping companies for services rendered towards carrying goods outside India and that since no income arose to the shipping company in India, no tax was deductible under Section 195 of the IT Act;
- vi. that the Respondent erred in disallowing commission of Rs. 83,06,053 paid to non-residents under Section 40a(i) of the IT Act on the ground that no tax was deducted at source;
- vii. that the Respondent failed to appreciate that the commission paid to the non-residents was in respect of services rendered by them outside India, that no income accrued or arisen to the payee in India and that the commission paid was not liable for deduction of tax under Section 195 of the IT Act;
- viii. that the Respondent erred in initiating proceedings under Section 271(1)(c) of the IT Act.

Further, the said assessment order dated December 31, 2009 states that separate penalty proceedings under Section 271 (1)(c) of the IT Act have also been initiated.

The above appeal is currently pending before the Deputy Commissioner (Appeals) of Income Tax and Commissioner of Income Tax (Appeals), Mumbai.

 Gajra Gears Private Limited ("GGPL") has filed an appeal bearing numbers 2586-2587/ 2005 against the Central Excise & Customs Department in relation to financial years 1999 to 2002, before the Supreme Court of India.

The same has been filed praying for, inter alia:

- i. interpreting the appropriate classification of products manufactured that are being used for in-house purposes;
- ii. to give relief in payment of duty for such products;
- iii. to set aside the order of the adjudicating authority.

The same has been prayed on the grounds, inter alia:

- that the excise department has failed to correctly interpret the classification and thus, has erred in classifying the products in another category;
- ii. even in case the classification of category is correct by the excise department, GGPL is only using such products for in-house purposes use which is exempted under appropriate notifications and that appropriate duty has been paid on sales of such products in the market, if any.

The appeal is currently pending for final hearing before the Supreme Court of India.

**3.** Gajra Gears Private Limited ("GGPL") has filed an appeal bearing number E/276-CE/APPL/A-II/09 against the Central Excise & Customs Department for FY 2007, before the Adjudicating Commissioner (Appeals) of Central Excise, New Delhi.

The same has been filed praying for, inter alia:

- i. relief in duty demanded by the excise department for repacking and rebranding domestic-purchased products;
- ii. that the quantum of unpackaged products stocked at the product division of GGPL in New Delhi are not correctly quantified by the excise department;
- iii. that the excise department's allegation of packaging and selling of unpackaged products as on May 31, 2006 and thereafter selling the same on a later date so as to manipulate the quantum of such unpackaged products as on that that, is false and baseless.

The same has been prayed the ground inter alia:

- i. that the excise department has failed to correctly quantify the said stock of products;
- ii. that appropriate duty has been paid on the unpackaged products that were present at the unit of GGPL as on May 31, 2006.

The appeal is currently pending for final decision before the Adjudicating Commissioner (Appeals) of Central Excise, New Delhi.

4. Gajra Gears Private Limited ("Petitioner") has filed a petition in tax revision bearing number 29 of 2001 ("Petition") against the State of Orissa represented by the Commissioner of Sales Tax, Orissa ("Respondent") for assessment year 1991-1992, before the High Court of Orissa. The Petition has been filed challenging the order dated September 29, 2000 passed by the Orissa Sales Tax Tribunal ("Impugned Order").

The petition has been filed on the grounds that for the assessment year 1991-1992, wherein assessment was completed under Section 12(4) of the Orissa Sales Tax Act, Respondent levied excess demand of tax amounting to Rs. 3,39,555 due to wanting of declaration Form C and alleged purchased suppression valued at Rs. 1,05,585. Hence, the books of accounts were rejected and the enhancement of 24 times was made determining the sales suppressions of turnover amounting to Rs. 25,36,800. The High Court *vide* its order dated February 12, 2004 admitted the Petition pertaining to alleged suppression of goods amounting to Rs. 1,05,585 and disposed of miscellaneous case bearing number 22 of 2001 with a direction to pay further sum of Rs. 60,000 out of the disputed amount in order to avail a stay of the Impugned Order.

The Petition is currently pending before the before the High Court of Orissa.

#### **Potential Litigation**

#### Potential Litigation against Group Entities

1. Joint Commissioner, Central Excise, Indore has issued a show cause notice bearing number C. No. V(87)15/05/10/Adj-II/31840 dated September 24, 2010 ("Notice") to Gajra Gears Private Limited ("Noticee"). The Notice alleges that the Noticee has availed Cenvat Credit on services like courier services, insurance services and telephone services, which does not appear in order since those services are not specified categories of input services and the same has resulted in availing of incorrect Cenvat Credit of services for the assessing period from October 2009 to March 2010. The Notice has been issued calling upon the Notice to show cause and explain in writing as to why:

- i. Service Tax Credit of Rs. 2,27,294 should not be disallowed and recovered from them under rule 14 of Cenvat Credit Rules, 2004 ("**Rules**") read with Section 11A of Central Excise Act, 1944 ("**Act**");
- ii. Penalty should not be imposed upon the Noticee under Rule 15 of the Rules;
- iii. Interest should not be recovered from the Noticee under Rule 14 of the Rules read with section 11AB of the Act.

The Noticee has responded to the said Notice *vide* letter dated October 25, 2010 wherein the Noticee has replied that the issue involved is a pure question of interpretation, there is no question to impose any penal consequences or disallowance of the Credit taken should not arise and has made a request to withdraw the Notice and drop all the proceedings specified therein.

2. The Additional Commissioner Customs, Central Excise and Service Tax, Indore has issued a show cause notice bearing number C. No. V (87) 15-08/09/Adj-II/ 14080 dated April 08, 2010 ("**Notice**") to Gajra Gears Private Limited ("**Noticee**") The said Notice alleges that the Noticee has availed Cenvat credit of service tax paid on certain services like courier services, insurance, I.C. amendment charges, telephone services, which does not appear in order since those services are not specified categories of input services and the same has resulted in availing of incorrect Cenvat Credit of services during the financial year 2006-07, 2007-2008, 2008-2009, 2009-2010. The Notice has been issued calling upon the Noticee to show cause and explain in writing as to why:

- i. Service tax credit of Rs. 21,18,150 should not be disallowed and recovered from the Noticee under Rule 14 of the Cenvat Credit Rules, 2004 ("**Rules**") read with the provisions of Section 11-A of the Central Excise Act, 1944.
- ii. Penalty should not be imposed upon the Noticee under Rule 15of the Rules read with Section 11-A of the Centre Excise Act, 1944.
- iii. Interest as per applicable rate should not be recovered from the Noticee under Section 11-AB of the Central Excise Act, 1944 read with Rule 14 of the Rules.

The Noticee has responded to the said Notice *vide* letter dated June 10, 2010 wherein the Noticee has denied all the allegations and has made a request to withdraw the said Notice and to drop all the proceedings. No further communication has been received from the Additional Commissioner Customs, Central Excise and Service Tax, Indore in this regard.

- 3. The Assistant Commissioner Customs and Central Excise Division, Ujjain has issued a show cause notice bearing number C N. IV (87) 45/2008-09/AC/D/ 1953 dated March 18, 2009 ("Notice") to Gajra Gears Private Limited ("Noticee") for the financial year 2007-2008. The Notice has been issued calling upon the Noticee to show cause as to why:
  - i. Cenvat Credit of Rs. 3,69,519 wrongly availed by the Noticee on the outward transportation under input services and utilized towards payment of duty should not be disallowed and recovered from them in terms of Rule 14 of the Cenvat Credit Rules, 2004 ("**Rules**") read with Section 11-A of the Central Excise Act, 1944; and
  - ii. Penalty should not be imposed upon the Noticee in terms of Rule 15 of the Rules for contravention of the provisions of Rule 2(1) and 3(1) of the Rules.

The Noticee has responded to the said Notice *vide* letter dated April 17, 2009 wherein the Noticee has replied that the department has not given the effect of notification number 10/2008 CE (NT) of 1/3/2008 in the Notice and as such, the Notice is liable to be set aside and the Noticee has made a request to withdraw the Notice and drop all the proceedings as specified therein.

- 4. The Assistant Commissioner, Customs and Central Excise, Ujjain has issued a show cause notice bearing number C. No. V(87)09/AC/D/2010-11/7457 dated September 09, 2010 ("Notice") to Gajra Gears Private Limited ("Noticee") for the Fiscal 2007. The Notice alleges that the Noticee has sold goods to related persons and the valuation in such circumstances is required to be made in accordance with the provisions of Rule 8, 9 and 10 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 ("Rules") and has contravened the provision of Section 4 of the Central Excise Act, 1944 ("Act") and hence liable for penal action under Rule 25 of the Central Excise Rules, 2002. The Notice has been issued calling upon the Noticee to show cause as why:
  - i. Duty of Rs. 40,322 paid in short by the Noticee on the goods supplied to the related persons should not be recovered from the Noticee in terms of Section 11-A of the Act;
  - ii. Penalty should not be imposed upon the Noticee under Rule 25 of the Central Excise Rules, 2002.

The Noticee has responded to the said Notice *vide* letter dated October 19, 2010, the Noticee has made a request to keep the Notice pending till the disposal of Noticee's earlier show cause notices. to withdraw the Notice and drop all proceedings in this regard.

- The Assistant Commissioner, Customs and Central Excise, Ujjain has issued a show cause notice bearing number C.No. V(87)28/09-10/AC/D/6302 dated September 03, 2009 ("Notice") to Gajra Gears Private Limited ("Noticee"). The Notice has been issued calling upon the Notice to show cause as to why:
  - i. Duty of Rs. 73,880 short paid by the Noticee on the grounds supplied to the related persons should not be recovered from the Noticee in terms of Section 11-A f the Central Excise Act, 1944 (""Act).
  - ii. Penalty should not be imposed upon the Noticee under Rule 25 of the Central Excise Rules, 2002.
  - iii. Penalty should not be imposed upon the Noticee under Section 11-AC of the Act.

The Noticee has responded to the said Notice *vide* letter dated October 19, 2009 wherein the Noticee has made a request to keep the Notice pending till the disposal of the show cause notices bearing number C.No V(87)02/2009-10/AC/D/2764 dated April 24, 2009 and C. No. V(87) 05/2009-10/AC/D/2939 dated April 29, 2009.

- 6. The Assistant Commissioner, Customs and Central Excise Division, Ujjain has issued a show cause notice bearing number C. No. V (87) 53/2009-10/D/2107 dated March 19, 2010 ("Notice") to Gajra Gears Private Limited ("Noticee"). The Notice has been issued calling upon the Notice to show cause as to why:
  - i. Duty of Rs. 24,735 short paid by the Noticee on the goods supplied to related persons should not be recovered from the Noticee in terms of Section 11-A of the Central Excise Act, 1944.
  - ii. Penalty should not be imposed upon them under Rule 25 of the Central Excise Rules, 2002.
  - iii. Penalty should not be imposed upon the Noticee under Section 11-AC of the Central Excise Act, 1944.

The Noticee has responded to the said Notice *vide* letter dated May 12, 2010 wherein the Noticee has made a request to keep the said Notice pending till the disposal of the show cause notices bearing number C.No V(87)02/ 2009-10/ AC/D/2764 dated April 24, 2009, C.No V(87)05/ 2009-10/ AC/D/2939 dated April 29, 2009 and C.No V(87)28/ 2009-10/ AC/D/6302 dated September 14, 2009.

- The Assistant Commissioner, Customs and Central Excise Division, Ujjain has issued a show cause notice bearing number C.No. V(87) 05/2009-10/AC/D/2939 dated April 29, 2009 ("Noticee") to Gajra Gears Private Limited ("Noticee"). The Notice has been issued calling upon the Noticee to show cause as to why:
  - i. Duty amounting to Rs. 57,058 short paid by the Noticee on goods supplied to related persons should not be recovered from the Noticee in terms of Section 11-A of the Central Excise Act, 1944 ("Act").
  - ii. Penalty should be imposed upon the Noticee under Section 11-AC of the Act; and
  - iii. Penalty should not be imposed upon the Noticee under Rule 25 of the Central Excise Rules, 2002.

The Noticee has responded to the said Notice *vide* letter dated May 25, 2009 wherein the Noticee has made a request to keep the said Notice pending till the disposal of the show cause notice bearing number C.No. V(87) 02/ 2009-10/AC/D/2764 dated April 24, 2009.

- 8. The Assistant Commissioner, Customs and Central Excise Division, Ujjain has issued a show cause notice bearing number C. No. V (87) 42/ 2008-09/AC/D/1283 dated February 16, 2009 ("Notice") to Gajra Gears Private Limited ("Noticee") for the financial year 2006-2007. The Notice has been issued calling upon the Noticee to show cause as to why:
  - Cenvat Credit of Rs. 3,40,308 wrongly availed by the Noticee on the outward transportation under the input services and utilized towards payment of duty, should not be disallowed and recovered from the Noticee in terms of Rule 14 of the Cenvat Credit Rules, 2004 ("Rules") read with Section 11-A of the Central Excise Act, 1944;
  - ii. Penalty should not be imposed upon the Noticee in terms of Rule 15 of the Rules for contravention of the provisions of Rule 2(1) and 3(1) of the Rules; and
  - iii. Penalty should not be imposed upon the Noticee under Section 11-AC of the Central Excise Act, 1944 for alleged wrong availment of Cenvat Credit by contravention of these provisions.

The Noticee has responded to the said Notice *vide* letter dated March 14, 2009 wherein the Noticee has denied all the allegations and submitted that the credit taken is valid and in accordance with law and the same is not recoverable because the Notice is time barred. The Noticee has also made a request to withdraw the Notice and drop all proceedings in this regard.

- 9. The Assistant Commissioner Customs and Central Excise Division, Ujjain has issued a show cause notice bearing number C. No. V (87) 02/2009-10/AC/D/ 2764 dated April 24, 2009 ("Notice") to Gajra Gears Private Limited ("Noticee"). The Notice has been issued calling upon the Noticee to show cause as to why:
  - i. Duty amounting to Rs. 4,52,563 short paid by the Noticee on the goods supplied to the related persons should not be recovered from the Noticee in terms of Section 11-A of the Central Excise Act, 1944;
  - ii. Penalty should not be imposed upon them under Section 11-AC of the Central Excise Act, 1944; and
  - iii. Penalty should not be imposed upon them under Rule 25 of Central Excise Rules, 2002.

The Noticee has responded to the said Notice *vide* letter dated May 22, 2009 wherein the Noticee has given interim replies to the said Notice and has requested for an extension of time for replying to the Notice as a whole. No further communication has been received from the Assistant Commissioner Customs and Central Excise Division, Ujjain in this regard.

## DETAILS OF PENALTY IMPOSED ON OUR COMPANY/ PROMOTERS/ DIRECTORS/ GROUP ENTITIES

There are no penalties imposed on our Company/ Promoters/ Directors/ Group Entities in the last five years by SEBI, any of the stock exchanges or RBI.

#### MATERIAL DEVELOPMENTS SINCE THE LAST AUDITED BALANCE SHEET

To our knowledge no circumstance, other than those disclosed in this Draft Red Herring Prospectus, have arisen since the date of the last financial statements contained in this Draft Red Herring Prospectus which materially affect or are likely to affect the trading and profitability of our Company, or the value of its assets or the ability to pay its material liabilities within the next 12 months.

#### Amounts due to Small Scale Undertakings and Other Creditors

There is no amount outstanding for more than 30 days to small scale and ancillary industrial undertaking provided in the Small Scale and Ancillary, Industrial Undertaking Act, 1992 except as under:

Sr.	Name of Small Scale Undertaking	Amount owed (Rs.)	Date on which amount
No.			was due
1.	M/s. Mehta Plastics	6,40,847	September 30, 2010
2.	M/s. Shree Packers	3,80,274	September 30, 2010
3.	M/s. R. K. Machine Tools	16,06,826	September 30, 2010
4.	M/s. Bhajan Engineering	21,37,663	September 30, 2010
5.	M/s, Virendra Auto Industries	10,18,786	September 30, 2010

#### GOVERNMENT AND OTHER STATUTORY APPROVALS

Except for pending approvals mentioned under this heading, Our Company has received the necessary material consents, licenses, permissions and approvals from the Government and various Government agencies required for our present business and carrying on our business activities. Further, except as mentioned herein below, Our Company has not yet applied for any licenses, consents, permissions and approvals for the proposed activities as contained in the chapter titled "Objects of the Issue" beginning on page number 56 of this Draft Red Herring Prospectus. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

#### I. General and corporate approvals

- 1. Certificate of Incorporation bearing number 11-60687 of 1991 dated March 08, 1991, has been issued to Our Company, in the name of "Gajra Transmission and Differential Gears Private Limited" under the Companies Act, 1956 by the Registrar of Companies, Maharashtra, Mumbai.
- 2. Fresh Certificate of Incorporation Consequent on Change of Name under the Companies Act, 1956 dated April 08, 1999 has been issued to Our Company by the Registrar of Companies, Maharashtra, Mumbai, pursuant to the change of name of Our Company from "Gajra Transmission and Differential Gears Limited" to "Gajra Differential Gears Limited".
- 3. Fresh Certificate of Incorporation Consequent on Change of Name under the Companies Act, 1956 dated August 31, 1999 has been issued to Our Company by the Registrar of Companies, Maharashtra, Mumbai, pursuant to the change of name of Our Company from "Gajra Differential Gears Limited" to "Gajra Differential Gears Private Limited".
- 4. Fresh Certificate of Incorporation Consequent upon Change of Name on Conversion to Public Limited Company under the Companies Act, 1956 dated September 14, 2010 has been issued to Our Company by the Registrar of Companies, Maharashtra, Mumbai, pursuant to conversion the name of Our Company changed from "Gajra Differential Gears Private Limited" to "Gajra Differential Gears Limited".
- 5. Our Company's Permanent Account Number ("PAN"), AAACG1586C, has been allotted to Our Company as per the provisions of the Income Tax Act, 1961. The same is valid until cancellation.
- 6. Our Company's Tax Deduction Account Number ("TAN") bearing number BPLG00237G has been allotted to Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India by the Income Tax department as per the provisions of the Income Tax Act, 1961. The same is valid until cancellation.
- 7. Central Excise Registration Certificate bearing number AAACG1586CXM002 dated October 22, 2010 has been issued to Our Company in respect of Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India by the Superintendent, Central Excise under the Central Excise Act, 1944 and Rule 9 of the Central Excise Rules, 2001 for the purposes manufacturing. The same is valid until cancellation.
- Certificate of Registration bearing number S.T./DWS-1/T.G.R./56/04-05 dated January 25, 2005 has been issued to Our Company in respect of Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India by the Central Excise Officer, Dewas, Madhya Pradesh, India under the Finance Act, 1994. The same is valid until cancellation.
- 9. Our Company's Value Added Tax ("VAT") Taxpayers Identification Number ("TIN") being 07650151095 has been allotted by the Sales Tax Department, New Delhi for the branch office at X-45, Okhla Industrial Area Phase-II. New Delhi 110 020, India. The same is valid until cancellation.
- Our Company's VAT TIN being 09737800266 has been allotted by the Department of Commercial Taxes, Uttar Pradesh for Our Company's branch office at 117/L/53, Naveen Nagar, Kakadeo, Kanpur, Uttar Pradesh, India. The same is valid until cancellation.

- Certificate of Registration bearing registration number 19540584235 (Central) has been issued to Our Company's branch office at Room number 302 156A, Lenin Sarani, P.O. Kolkata - 700 013, West Bengal, India by Assistant Commissioner, Commercial Taxes, West Bengal under Central Sales Tax Office (Registration and Turnover) Rules, 1957. The same is valid until cancellation.
- 12. Our Company's VAT TIN being 19540584041 has been allotted by the Assistant Commissioner, Commercial Taxes, West Bengal for Our Company's branch office at Room number 302 156A, Lenin Sarani, P.O. Kolkata-700 013, West Bengal, India. The same is valid until cancellation.
- 13. Our Company's VAT TIN being 05001502264 has been allotted by the Department of Commercial Tax, Government of Uttarakhand for Our Company's branch office at Gauja jali, near old Bareilly Road, Haldwani, Uttarakhand, India under the Uttarakhand Value Added Tax Act, 2005 and Central Sales Tax Act, 1956. The same is valid until cancellation.
- 14. Certificate of Registration bearing registration number CUCIC-1148 (Central) has been issued to Our Company's branch office at Badambadi, Link Road, Cuttack, Orissa, India by Sales Tax Officer, Cuttuck I, Central Circle, Cuttuck, Orissa under Central Sales Tax Office (Registration and Turnover) Rules, 1957. The same is valid until cancellation.
- 15. Our Company's VAT TIN being 21051200249 has been allotted by the Office of the Commercial Tax Officer, Cuttuck I, Central Circle, Cuttuck for Our Company's branch office at 's branch office at Badambadi, Link Road, Cuttack, Orissa, India under the Orissa Value Added Tax Act, 2004. The same is valid until cancellation.
- 16. Certificate of Registration bearing registration number 18029910707 has been issued to Our Company's branch office at Assian Commercial Complex, G.S. Road, Ulubari, Guwahati, Assam, India by the Office of the Assistant Commissioner of Taxes, Dispur under Central Sales Tax Office (Registration and Turnover) Rules, 1957. The same is valid until cancellation.
- 17. Our Company's VAT TIN being 18190034718 has been allotted by the Office of the Assistant Commissioner of Taxes, Dispur for Our Company's branch office at Assian Commercial Complex, G.S. Road, Ulubari, Guwahati, Assam, India under the Assam Value Added Tax Rules, 2005. The same is valid until cancellation.
- 18. Our Company's provisional VAT TIN being 29840068032 has been allotted by the Commercial Taxes Department, Government of Karnataka for Our Company's branch office at Bilekal Complex, 1<sup>st</sup> floor, 40 Raja Ram Mohan Roy Road, Sampangiramanagar, Bangalore, Karnataka, India under the Karnataka Value Added Tax Rules, 2005. The same is valid until cancellation.
- 19. Our Company's TIN LC/001/07650151095/0391 in lieu of Sales Tax Registration number is LC/001/151095/0391 dated December 17, 2003 was issued under Delhi Sales Tax Act and Rules, 1975 for Our Company's branch office at N-114, Pratap Building, Connaught Circus, New Delhi, India. The same valid until cancellation. Our Company is yet to apply for change of address of the branch office from "N-114, Pratap Building, Connaught Circus, New Delhi, India. The same valid until cancellation. Our Company is yet to apply for change of address of the branch office from "N-114, Pratap Building, Connaught Circus, New Delhi, India" to "X-45, Okhla Industrial Area Phase-II. New Delhi 110 020, India".
- 20. Our Company's VAT TIN being 08911602492 has been allotted by the Sales Tax Department, Rajasthan for Our Company's branch office at 170 Oberoi House, Frontier Colony Adarsh Nagar, Jaipur, Rajasthan, India. The same is valid until cancellation.
- 21. Our Company's CST being 08911602492 has been allotted by the Sales Tax Department, Rajasthan for Our Company's branch office at 170 Oberoi House, Frontier Colony Adarsh Nagar, Jaipur, Rajasthan, India. The same is valid until cancellation.
- 22. Our Company's VAT TIN being 03631024657 has been allotted by the Sales Tax Department, Jalandhar for Our Company's branch office at 38, Netaji Park, Jalandhar City, Punjab, India. The same is valid until cancellation.
- 23. Our Company's VAT TIN being 09737800266 has been allotted by the Sales Tax Department, Ghaziabad for Our Company's branch office at G-149, Patel Nagar lind, Ghaziabad, Uttar Pradesh, India-. The same is valid until cancellation.

- 24. Our Company's VAT TIN being 33260780459 has been allotted by the Sales Tax Department, Chennai for Our Company's branch office at 11/35, Kalinarayan Street, Royapettah, Chennai 600 014, Tamil Nadu, India. The same is valid until cancellation.
- 25. Our Company's VAT TIN being 32071868594C has been allotted by the Sales Tax Department, Ernakulam for Our Company's branch office at Door number 34/1498/A, Kottarathil Building, Market Road, Edappaly, Ernakulam, Kerala, India. The same is valid until cancellation.
- 26. Our Company's VAT TIN being 28070131433 has been allotted by the Sales Tax Department, Vijaywada for Our Company's branch office at Plot number 34, Block-5, Ground Floor, Auto Nagar, Vijaywada-520 007, Andhra Pradesh, India. The same is valid until cancellation.
- Our Company's VAT TIN being 24074500770 has been allotted by the Sales Tax Department, Ahmedabad for Our Company's branch office at 2A, Somnath Society, Near Ambika Petrol Pump, Sarkhej-Bavla Road, Sarkhej, Ahmedabad - 382 210, Gujarat. The same is valid until cancellation.
- Our Company's CST TIN being 24574500770 has been allotted by the Sales Tax Department, Ahmedabad for Our Company's branch office at 2A, Somnath Society, Near Ambika Petrol Pump, Sarkhej-Bavla Road, Sarkhej, Ahmedabad - 382 210, Gujarat. The same is valid until cancellation.
- 29. Our Company's VAT TIN being 27860246340V has been allotted by the Sales Tax Department, Mumbai for Our Company's branch office at Elve Chamber, Green Street, Fort, Mumbai-400 023, Maharashtra, India. The same is valid until cancellation.
- 30. Our Company's CST TIN being 27860246340C has been allotted by the Sales Tax Department, Mumbai for Our Company's branch office at Elve Chamber, Green Street, Fort, Mumbai-400 023, Maharashtra, India. The same is valid until cancellation.
- Our Company's VAT TIN being 20450301389 has been allotted by the Sales Tax Department, Ranchi for Our Company's branch office at P. P. Compound, Main Road, Ranchi-04, Jharkhand, India. The same is valid until cancellation.
- 32. Our Company's VAT TIN being 06972818678 has been allotted by the Sales Tax Department, Rohtak for Our Company's branch office at Opposite Income Tax Office. Delhi Road, Rohtak, Haryana, India. The same is valid until cancellation.
- 33. Our Company's CST TIN being 06972818678 has been allotted by the Sales Tax Department, Mumbai for Our Company's branch office at Elve at Opposite Income Tax Office. Delhi Road, Rohtak, Haryana, India. The same is valid until cancellation.
- 34. Our Company's VAT TIN being 22961500044 has been allotted by the Commercial Tax Department, Chhattisgarh for Our Company's branch office at 1, Sarvoday Soceity, Hirapur (Tatibandh) Raipur, Chhattisgarh, India. The same is valid until cancellation.
- 35. Registration Certificate bearing number 23571200318 dated July 02, 1991 has been issued to Our Company's branch office at 201, Friends Houses, Kanadia Road, Indore, Madhya Pradesh, India under section 7(1)/ 7 (2) of Central Sales Tax Act, 1956 and Central Sales Tax (Registration and Turnover) Rules, 1957. The same is valid until cancellation.
- 36. Registration Certificate bearing number 23571200318 dated June 21, 1991 has been issued to Our Company's branch office at 201, Friends Houses, Kanadia Road, Indore, Madhya Pradesh, India under section 9 (2) of Madhya Pradesh Commercial Tax Act, 1994. The same is valid from June 21, 1991 until cancellation.
- 37. Letter bearing number 82/SIA/IMO/2011 dated January 10, 2011 has been issue to Our Company by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of the amendments made to the Industrial Entrepreneurial Memorandum acknowledgement letter bearing number 99/SIA/IMO/2000 dated January 13, 2000. Accordingly, amendments as to the change in name of Our Company pursuant to conversion from private limited company to public limited company have been taken note of by the Issuing Authority.

- 38. Letter dated October 04, 2002 has been issued to Our Company by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of the amendments made to the Industrial Entrepreneurial Memorandum acknowledgement letter bearing number 99/SIA/IMO/2000 dated January 13, 2000. Accordingly, change of NIC Code and items of Manufacture of Our Company is recorded.
- 39. Our Company's Importer- Exporter Code ("IEC") being 0395023424 has been issued on August 03, 1995 to Our Company by the Foreign Trade Development Officer, Ministry of Commerce, Government of India for Our Company's Registered Office and manufacturing units and other branch offices located at Elve Chambers, Green Street, Fort, Mumbai – 400 023, Maharashtra, India, 4/3, Manorama Ganj, Indore-01, Madhya Pradesh, India and VIII, Lohar Pipliya, Near Kshipra, A.B. Raod, Dewas-01, Madhya Pradesh, India. The same is valid until cancellation.
- 40. EPCG License bearing number 03300110537 dated December 16, 2005 has been issued to Our Company by the Foreign Trade Development Officer under the Foreign Trade (Development and Regulation) Act, 1992. The duty saved is Rs. 9,45,978.00 and the export obligation is USD 158,157.24. The same is valid for 8 years.

#### EPF

#### **Professions Tax**

41. Certificate of Registration bearing number 78861202840 dated August 03, 2009 has been issued to Our Company's branch office at 201, Friends Houses, Kanadia Road, Indore, Madhya Pradesh, India by the Profession Tax Officer, Indore under the Madhya Pradesh State Tax on Professional Tax Act, 1995. The same is valid until cancelled.

#### SHOPS AND ESTABLISHMENTS LICENSES

- 42. Registration Certificate of Establishment bearing number A015731/ Commercial II has been issued to Our Company by the Inspector under the Bombay Shops and Establishments Act, 1948, in respect of our registered office. The same is valid until December 31, 2011.
- 43. Certificate of Establishment bearing registration number Jal-4/2/6/10/1708 dated October 24, 2010 has been issued to Our Company by the Inspector of Shops and Commercial Establishments, Jalandhar Circle under Punjab Shops & Establishment Act and Rules, 1958 for our branch office at 38-Netaji Park, 1<sup>st</sup> Floor, Jalandhar City, Punjab, India. The same is valid till March 31, 2011.
- 44. Certificate of Establishment bearing registration number Labour (Sh.Com.) Ghaziabad 1/566 Dh. dated September 15, 1994 has been issued to Our Company by the Inspector of Uttar Pradesh Shop and Commercial Establishment, Ghaziabad under Uttar Pradesh Shops and Establishment Act and Rules, 1962 for our branch office at G-143, Patel Nagar-II, Ghaziabad, Uttar Pradesh, India. The same is valid till March 31, 2013.
- 45. Certificate of Establishment bearing registration number 084 (Shop and commercial) 2-1/7131 dated March 07, 1992 has been issued to Our Company by the Inspector of Uttar Pradesh Shop and Commercial Establishment, Kanpur under Uttar Pradesh Shops and Establishment Act and Rules, 1962 for our branch office at 117/H-2/157, Pande Nagar, Kanpur, Uttar Pradesh, India. The same is valid till the year March 31,2011.
- 46. Registration Certificate bearing registration number KOL/Bow/P II/34775 dated June 04, 1999 has been issued to Our Company by the Registering Authority, Shops & Establishment Government of West Bengal under West Bengal Shops and Establishment Act, 1963 for our branch office at 156A, Lenin Sarani, Kolkata-13, West Bengal, India. The same is valid till June 03, 2011.
- 47. Registration Certificate of Establishment bearing number SLI-21/VA-77/S-0110/2003 dated December 31, 1991 has been issued to Our Company by the Inspector under the Karnataka Shops and Commercial Establishments Act, 1961, for our branch office at Bilekal Complex, 4th Main number 40, Rajarara M.R. Road, Opposite Kanteevara Stadium, Bangalore-27, Karnataka, India. The same is valid until December 31, 2013.

- 48. Registration Certificate bearing number 6048/R PRICE/ 2002 dated August 14, 2007 has been issued to Our Company by the Incharge Officer, for our branch office at H. No. 1, Sarvodaya Housing Society, Hirapur, Raipur, Chhattisgarh, India. The same is valid until December 31, 2011.
- 49. Registration Certificate bearing number 7096/IND/CE/10 dated October 30, 2010 has been issued to Our Company by the Inspector, for our branch office at 201, Friends Houses, Kanadia Road, Indore, Madhya Pradesh, India. The same is valid until December 31, 2014.
- 50. Registration Certificate bearing number R.N. 20373/ Ranchi dated March 20, 1997 issued to Our Company by the Inspection Authority under the Bihar Shops and Establishments Act, 1953 and rules thereunder for our branch office at P. P. Compound, Ranchi, Jharkhand, India.. The same is valid until December 31, 2011.
- 51. Registration Certificate bearing number 2010027427 dated December 28, 2010 issued to Our Company by the Inspection Authority under the Delhi Shops and Establishments Act, 1954 and rules thereunder for our branch office at X-45, Okhla Industrial Area Phase-II. New Delhi - 110 020, India. The same is valid until March 31, 2011.
- 52. Registration Certificate bearing number I-2066 dated January 08, 2010 issued to Our Company by the Inspection Authority under the Orissa Shops and Establishments Act, 1956 and rules thereunder for our branch office at Link Road, Badambadi, Cuttack. The same is valid until December 31, 2011.

#### II. Licenses under the Factories Act, 1948

53. Certificate of Stability dated August 21, 2010 has been issued to Our Company in respect of Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India by M/s. RKGA Consultants Private Limited under the Factories Act, 1948. The same is valid till August 20, 2012.

#### III.Licenses under the Petroleum Act and Rules framed thereunder

54. License to import and store petroleum in an installation bearing number P/HQ/MP/15/2541 (P17986) dated January 01, 2003 issued by the Chief Controller of Explosives to Our Company under the Petroleum Act, 1934 and the rules formulated thereunder for the importation and storage of 60 kilo litres of Petroleum Class B in bulk at the manufacturing unit of Our Company at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India. The same is valid upto December 31, 2011.

#### IV. Licenses under the Explosives Act, 1884 and the Rules framed thereunder

55. License to store compressed gas in pressure vessel or vessels bearing number S/HO/MP/03/131 (S3588) dated February 29, 2008 issued by the Joint Chief Controller of Explosives to Our Company under the Explosives Act, 1884 and rules made thereunder for the storage of propane in two (2) pressure vessels having a total water capacity of 96 cubic meter and a total granted quantity of liquefied gas of 40,218 kilograms at the manufacturing unit of Our Company at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India. The same is valid upto December 31, 2011.

#### V. Madhya Pradesh Factories Act and Rules, 1962

- 56. Report of Examination of Chain Pully Block bearing serial number SA-31741 dated August 04, 2010 was issued to Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under section 29 sub-section 1 (a) (iii) of the Madhya Pradesh Factories Act, 1962 for the chain pully block used at the manufacturing unit. The same is valid till February 03, 2011.
- 57. Report of Examination of E.O.T. Crane bearing serial number 442 dated August 04, 2010 was issued to Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under section 29 sub-section 1 (a) (iii) of the Madhya Pradesh Factories Act, 1962 for the E.O.T. Crane used at the manufacturing unit. The same is valid till February 03, 2011.
- 58. Report of Examination of E.O.T. Crane bearing serial number 441 dated August 04, 2010 was issued to Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under section 29 sub-section 1 (a) (iii) of the Madhya Pradesh Factories Act, 1962 for the E.O.T. Crane used at the manufacturing unit. The same is valid till February 03, 2011.

59. Report of Examination of Pressure Vessel bearing number S/HO/MP/03/131(S3588) dated February 29, 2008 has been issued by Department of Explosives, Ministry of Commerce to Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under Rule 67 of the Madhya Pradesh Factories Rules, 1962 for the for storage of propane gas used at the manufacturing unit. The same is valid until March 31, 2011.

#### VI.Standard Weights and Measurements (Execution) Act, 1985 and the rules thereunder

60. Scrutiny Certificate bearing number 85 dated August 07, 2009 has been issued to Our Company in respect of Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under the Standard Weights and Measurements (Execution) Act, 1985 and the rules thereunder for the purposes of scrutinising one (1) electronic scale, two (2) CI weights and four (4) capacity measures used by Our Company. The next date of scrutiny is August 10, 2011.

#### VII. License under Water (Prevention & Control of Pollution) Act, 1974

61. Consent to operate bearing number 6631/TS/MPPCB/2010 dated July 14, 2010 has been issued by the Member Secretary, Madhya Pradesh Pollution Control Board, Bhopal to Our Company under Section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 for manufacturing of transmission and differential gears. The same is valid upto February 28, 2011.

#### VIII. License under Air (Prevention & Control of Pollution) Act, 1981

- 62. Consent to operate bearing number 6633/TS/MPPCB/2010 dated July 14, 2010 has been issued by the Member Secretary, Madhya Pradesh Pollution Control Board, Bhopal to Our Company under Section 21 of the Air (Prevention & Control of Pollution) Act, 1974 for manufacturing of transmission and differential gears. The same is valid upto February 28, 2011.
- 63. Consent to operate bearing number 6631/TS/MPPCB/2010 dated July 14, 2010 has been issued by the Member Secretary, Madhya Pradesh Pollution Control Board, Bhopal to Our Company under section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 and section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for manufacturing of transmission and differential gears. The same is valid upto February 28, 2011.

#### IX.Licenses under the Indian Electricity Act, 1910

- 64. Third Supplementary Agreement for the agreement entered into on April 26, 2001 for reduction in C.D. dated December 31, 2008 has been entered into between Madhya Pradesh Paschim Kshetra Vidut Vitaran Company Limited, Western Zone, Indore and Our Company for its manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India for the purposes of reduction in contract demand from 1,400 KVA to 500 KVA.
- 65. License for change of location and operation of diesel generator set bearing number generator serial number 6/1794 A.Y./Indore dated February 17, 2003 has been issued to Our Company for its manufacturing unit at Survey number 428, Village Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India.

#### APPLICATIONS MADE FOR LICENSES TO BE RENEWED

Sr. No.	Type of license or approval	Date of expiry of license	Date of application	Authority before whom the application is made
1	Application bearing number GDGL/PNL/2010 dated November 29, 2010 for renewal of License to work a factory bearing number 41/12319/DWS/2m(i) dated February 24, 2010 in respect of our manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under the Factories Act, 1948 and the rules formulated thereunder.	December 31, 2010	November 29, 2010	Chief Inspector of Industrial Health and Safety, Indore, Madhya Pradesh

Sr. No.	Type of license or approval	Date of expiry of license	Date of application	Authority before whom the application is made	
2	2 Application bearing number GDPL/PNL/08/2010 dated April 17, 2010 for renewal of authorisation under Hazardous Waste (Management, Handling and Trans boundary Movement) Rules, 2008	May 30, 2010	April 17, 2010	Member Secretary, Madhya Pradesh Pollution Control Board	

### APPLICATIONS WHICH ARE TO BE OBTAINED IN RESPECT OF WHICH APPLICATIONS ARE TO BE MADE BY OUR COMPANY

Sr. No.	Type of license or approval	Date of expiry of license	Authority before whom the application is to be made
1.	Certificate of Registration bearing number E493 dated March 08, 2006 issued to Our Company in respect of branch office at Kottarattil Building, Market Road, Edappally, Kerala, India.	December 31, 2010	Assistant Labour Officer, Ernakulam Circle 11
2.	Certificate of Registration bearing number P11/SRK/23/0000014 dated November 04, 2010 issued to Our Company in respect of branch office at 2/A, Somnath Society, Near Ambica Petrol Pump, Sarkhej Bavla Road, Sarkhej, Ahmedabad, Gujarat, India.	December 31, 2010	The Deputy Municipal Commissioner under the Bombay Shops and Establishments Act, 1948 and rules thereunder
3.	Certificate of Registration bearing registration number SEA/CE/05/93 dated January 01, 1994 issued to Our Company for our branch office at Asian Complex, G.S. Road, Ulubari, Guwahati- 07, Assam, India.	December 31, 2010	The Inspector of Shops and Establishments under Assam Shops and Establishments Act, 1971
4.	Registration Certificate of Establishment bearing registration number SH. 614/R-9B/P76/07 dated February 20, 2009 issued to Our Company at Plot number 278, Fronteer Colony, in front of Bhagat Singh Park, Adarsh Nagar, Jaipur, Rajasthan, India.	December 31, 2010	Inspector under the Rajasthan Shops and Commercial Establishment Act, 1958
5.	Registration Certificate bearing number 3552010 dated October 15, 2010 issued to Our Company for our branch office at 11/35, Kalingarayan Street, Royapettah, Chennai, India.	December 31, 2010	The Inspector under the Tamil Nadu Shops and Establishment Act, 1947
6.	License bearing number 73/R/DWS/99 dated August 12, 1999 has been issued to Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India under Section 7 (2) of Contract Labour (Regulation and Abolition) Act, 1970.	December 31, 2010	Registering Officer under section 7 (2) of Contract Labour (Regulation and Abolition) Act, 1970.
7.	License bearing number 388/CLA/DWS/2005 dated January 21, 2005 has been issued to Mr. Indrapal Singh Malik under Section 12 (2) of Contract Labour (Regulation and Abolition) Act, 1970 for Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India.	December 31, 2010	Registering Officer under section 12 (2) of Contract Labour (Regulation and Abolition) Act, 1970.
8.	License bearing number 443/CLD/DWS/06 dated December 12, 2006 has been issued to Vigilant Security Organisation under Section 12 (2) of Contract Labour (Regulation and Abolition) Act, 1970 for Our Company's manufacturing unit at Lohar Pipliya, Near Kshipra, A.B. Road, Dewas, Madhya Pradesh, India.	December 31, 2010	Registering Officer under section 12 (2) of Contract Labour (Regulation and Abolition) Act, 1970.

#### **Investment Approvals**

As per notification number bearing FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank, Our Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity shares to NRIs/FIIs shall be subject to the prevailing RBI Guidelines.

#### **REGULATORY AND STATUTORY DISCLOSURES**

#### Authority for this Issue

Our Board has, pursuant to a resolution passed at its meeting held on April 14, 2010, authorised this Issue, subject to the approval of our shareholders under Section 81(1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on July 15, 2010.

Our Company has also obtained all the necessary contractual approvals required for this Issue. For further details, please refer to the chapter titled 'Government and Other Statutory Approvals' beginning on page number 185 of this DRHP.

#### **Prohibition by SEBI**

Our Company, Directors, Promoters, Promoter Group, Group Entities, or persons in control of Our Company confirms that they have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of our Promoters, Directors or persons in control of Our Company was or is a promoter, directors or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI.

#### Association of Directors with the securities market

None of our Directors are associated with securities markets in any manner, nor has SEBI initiated any action against them.

#### Prohibition by RBI

Our Company, Directors, Promoters, Promoter Group and the ventures with which our Directors are associated as directors or promoters have not been declared as wilful defaulters by the RBI or any other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are currently pending against any of them.

#### **Compliance with accounting norms**

Our Company confirms and undertakes that it shall comply with such disclosures and accounting norms specified by SEBI from time to time.

#### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26 (1) of the SEBI ICDR Regulations as explained below:

- a) Our Company has net tangible assets of over three Crore rupees in each of the preceding three full year of which less than 50% were held in monetary assets.
- b) Our Company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956 for at least three out of the five immediately preceding five years.
- c) Our Company has a net worth of more than one Crore in each of the preceding three year.
- d) There has been no previous issue in financial year 2010-11 and the proposed issue does not exceed five times its pre-issue net worth as per the audited Balance Sheet of the preceding financial year.
- e) There is no change in the name of Our Company.

					(13	in Millions)
Particulars	As on 31.03.0 6	As on 31.03.0 7	As on 31.03.0 8	As on 31.03.09	As on 31.03.201 0	As on 30.09.201 0
Net Assets	249.96	214.84	190.97	221.58	263.29	269.28
Less Intangible assets	-	5.24	9.19	10.9 2	12.03	12.85
Net Tangible assets (refer note1)	249.96	209.60	181.79	210.66	251.26	256.43
Monetary Assets (refer note 2)	11.38	7.52	7.68	9.27	2.10	1.92
Monetary Assets as % of net tangible assets	4.55	3.59	4.22	4.40	0.84	0.75
Distributable Profits (refer note 3)	14.67	Nil	Nil	7.62	14.04	8.29
Net-worth (refer note 4)	105.11	67.95	39.55	47.62	87.05	92.97

In terms of a certificate issued by the Statutory Auditor of Our Company, M/s. P. N. Nagar & Co., Chartered Accountants, dated January 20, 2011. Our Company satisfies the above eligibility criteria as detailed below:

Notes

- 1. Net tangible assets is defined as the sum of all fixed assets (including capital work in progress) investments, current assets less current liabilities and provisions and unsecured loans, excluding 'intangible assets', as defined in accounting standard 26 issued by the Institute of Chartered Accountants of India after making adjustments for reststement of financial statement.
- 2. Monetary Assets include cash on hand and bank balances and Liquid Investments
- 3. The Distributable profits of Our Company is as per Section 205 of the Companies Act, 1956 and has been calculated from the audited financial statements of the respective year before making adjustments for restatement of financial statements.
- 4. Net worth has been defined as aggregate of equity share capital and reserves, after deducting miscellaneous expenditures.
- 5. Our Company has not made any public issue of its equity shares till date.

Hence, Our Company is eligible for this Issue under sub-regulation (1) of Regulation 26 of the SEBI ICDR Regulations.

Further, in addition to the conditions enumerate in sub-regulation (1) of Regulation 26 of the SEBI ICDR Regulations, Our Company, in accordance with sub-regulation (4) of Regulation 26 of the SEBI ICDR Regulations, undertakes that the number of allottees in this Issue shall be at least one thousand (1,000) in number, failing which the entire application money shall be refunded forthwith. In case of delay, if any, in refund of application money, Our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay beyond twelve days from the date of closure of the Issue.

For a complete explanation of the above figures, please refer to Section titled '*Financial Statements*' beginning on page number 128 of this DRHP.

#### Compliance with Part A of Schedule VIII of the SEBI ICDR Regulations

Our Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI ICDR Regulations. No exemption from eligibility norms has been sought under regulation 109 of the SEBI ICDR Regulations, with respect to the Offer. Further, Our Company has not been formed by the conversion of a partnership firm into a company.

#### DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF DRAFT RED HERRING PROSPECTUS TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE LEAD MERCHANT BANKER, ASHIKA CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OFCAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIMEBEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FORMAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANGER, ASHIKA CAPITAL LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 20, 2011. IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:
  - (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
- (4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. NOTED FOR COMPLIANCE
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009,

WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

- (7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. NOT APPLICABLE.
- (8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- (9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVEDPURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. - NOTED FOR COMPLIANCE
- (10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. - NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN RS. 1000 LACS, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, THE ALLOTMENT WILL BE MADE ONLY IN DEMAT FORM.
- (11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- (12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
- (13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.

- (14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
- (15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Mumbai at Maharashtra, in terms of Section 56, Section 60 and Section 60(B) of the Companies Act.

#### **Disclaimer Statement from Our Company and the BRLM**

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in the offer document or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information including website of Our Company www.gajra.com, would be doing so at his own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and Our Company and the Underwriting Agreement to be entered into between the Underwriter and Our Company.

All information shall be made available by Our Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither Our Company nor the Syndicate Members are liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

#### Caution

Investors that bid in 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 Issue, sell, pledge, or transfer the Equity Shares of Our Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the BRLM 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.

#### **Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, VCFs, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million, pension funds with minimum corpus of Rs. 250 million and the National Investment Fund, and permitted non-residents including FIIs, Eligible NRIs, multilateral and bilateral development financial institutions, FVCIs and eligible foreign investors, provided that they are eligible under all applicable laws and regulations to hold Equity Shares of Our Company. This DRHP does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this DRHP comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the DRHP has been filed with SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this DRHP may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this DRHP nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the 'Securities Act') or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, 'U.S. persons' (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

#### **Disclaimer Clause of BSE**

As required, a copy of the DRHP has been submitted to the BSE. BSE has given vide its letter dated [•], permission to Our Company to use the BSE's name in this DRHP as the stock exchange on which Our Company's securities are proposed to be listed. The BSE has scrutinised the DRHP for its limited internal purpose of deciding on the matter of granting the aforesaid permission to Our Company. The BSE does not in any manner:-

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this DRHP; or
- ii. warrant that Our Company's securities will be listed or will continue to be listed on the BSE; or
- iii. take any responsibility for the financial or other soundness of Our Company, its promoters, its management or any scheme or project of Our Company;

and it should not for any reason be deemed or construed that this DRHP has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of Our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted ot be stated herein or for any other reason whatsoever.

#### Filing

A copy of this DRHP has been filed with the Corporation Finance Department, Division of Issues & Listing of SEBI at SEBI Bhavan, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC situated at Registrar of Companies, Maharashtra, Everest Building, 100, Marine Drive, Mumbai - 400 002, Maharashtra, India at least 3 (three) days before the Bid / Issue Opening Date.

A copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC and with the Corporate Finance Department of SEBI at their respective addresses upon closure of this Issue and on finalisation of the Issue Price.

#### LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE). Our Company has received the in-principle approval from BSE for listing of the Equity Shares vide its letter dated [•].

BSE will be the Designated Stock Exchange with which the 'Basis of Allotment' will be finalised.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by any of the Stock Exchanges mentioned above, Our Company will forthwith repay, without interest, all money received from the Bidders in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after Our Company becomes liable to repay it. (i.e. from the date of refusal or within 12 days from the Bid / Issue Closing date, whichever is earlier), then Our Company, and every Director of Our Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% per annum on the Bid Amount, as prescribed under Section 73 of Companies Act and the rules formulated there under.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for this Issue.

#### Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

- (a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

#### CONSENTS

Consents in writing of: our Directors; the Company Secretary and Compliance Officer; our Auditors; Bankers to Our Company; Bankers to the Issue & Escrow Collection Bank(s); Refund Bank(s)\*; Syndicate Members; IPO Grading Agency; BRLM; the Registrar and the legal advisors to this Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of filing of the Draft Red Herring Prospectus with SEBI.

\* The aforesaid will be appointed prior to filing of the Red Herring Prospectus with RoC and their consents as above would be obtained prior to the filing of the Red Herring Prospectus with RoC.

In accordance with the Companies Act and SEBI ICDR Regulations, M/s. P. N. Nagar & Co., our statutory auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of filing of this Draft Red Herring Prospectus with SEBI.

M/s. P. N. Nagar & Co., our statutory auditors, have given their written consent to the report on possible tax benefits accruing to Our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of filing of this Draft Red Herring Prospectus with SEBI.

#### **Expert Opinion**

Except as stated below Our Company has not obtained any expert opinion:

- 1. We have obtained IPO grading report from the IPO Grading Agency, dated [•]
- 2. Report of our Auditors, M/s. P. N. Nagar & Co., Chartered Accountants dated January 20, 2011 in respect of the information in the section "Financial Information" and "Statement of Tax Benefits".

#### **Issue Expenses**

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be paid by Our Company.

Expenses (Rs in Lacs) *	As a % of the total estimated Issue expenses	As a % of the total Issue size
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
	(Rs in Lacs) * [•] [•] [•] [•] [•] [•]	(Rs in Lacs) *         total estimated Issue expenses           [•]         [•]           [•]         [•]           [•]         [•]           [•]         [•]           [•]         [•]           [•]         [•]           [•]         [•]           [•]         [•]           [•]         [•]

The estimated Issue expenses are as follows:

Will be incorporated at the time of filing of the Prospectus.

#### Fees Payable to the Book Running Lead Manager

The total fees payable to the BRLM will be as per the Engagement Letter and as stated in the Memorandum of Understanding executed between Our Company and BRLM.

#### Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between Our Company and the Registrar to the Issue.

Adequate funds will be provided to the Registrar to the Issue to enable it to make refunds in any of the modes described in this DRHP or send allotment advice by registered post/speed post/under certificate of posting.

#### IPO Grading

This Issue has been graded by  $[\bullet]$  and has been assigned a grade of  $[\bullet]$  indicating  $[\bullet]$ , through its letter dated  $[\bullet]$ . The IPO grading is assigned on a five point scale from 1 to 5 wherein an "IPO Grade 5" indicates strong fundamentals and an "IPO Grade 1" indicates poor fundamentals. A copy of the report provided by the IPO Grading Agency, furnishing the rationale for its grading has been annexed to this DRHP as Annexure A and will be made available for inspection at our Registered and Corporate Office from 10.00 a.m. to 4.00 p.m. on Working Days from the date of the Red Herring Prospectus until the Bid Closing Date.

#### **Disclaimer of IPO Grading Agency**

#### [•]

#### Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for this Issue is as set out in the Syndicate Agreement to be entered into between Our Company and the BRLM. The underwriting commission shall be paid as set out in the Underwriting Agreement to be entered into based on the Issue Price and amount underwritten in the manner mentioned in the Prospectus. Payment of underwriting commission, brokerage and selling commission would be in accordance with applicable laws.

#### Previous Rights and Public Issues during Last Five Years

Our Company has not made any public issue or rights issue (as defined in the SEBI ICDR Regulations) during the five financial years immediately preceding the date of this DRHP.

#### Previous issues of shares otherwise than for Cash

Except as stated in the chapter '*Capital Structure*' beginning on page number 46 of this DRHP, Our Company have not issued any Equity Shares for consideration other than for cash.

#### Underwriting Commission, brokerage, and selling commission on Previous Issues

Since this is the Initial Public Offer of Our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any our equity shares since our inception.

#### **Companies under Same Management**

No company under the same management (within the meaning of section 370(1)(B) of the Companies Act) as us has made any capital issue during the last three years.

#### Performance V/s Objectives

Our Company has not undertaken any previous public or rights issue. None of the Group Entities, associates and Subsidiaries of Our Company are listed on any stock exchange.

#### **Outstanding Debentures or Bond Issue or Preference Shares**

Our Company has no outstanding debentures or bond issue or redeemable preference shares.

#### Stock Market Data for Our Company's Equity Shares

This being an Initial Public Offering of Our Company, the equity shares of Our Company are not listed on any Stock Exchange.

#### Mechanism for Redressal of Investor's Grievances

The Memorandum of Understanding between the Registrar and Our Company will provide for retention of records with the Registrar for a period of at least one year from the last date of dispatch of the letters of allotment, Demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue with a copy to the Company Secretary and Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

#### Disposal of Investor's Grievances and Redressal Mechanism

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have constituted the Shareholders' / Investors' Grievance Committee vide resolution passed at the Board Meeting held on August 26, 2010.

For further details, please refer to the para titled Shareholders/ Investors Grievance Committee' of the chapter titled 'Our Management' beginning on page number 102 of this DRHP.

Our Company has also appointed Mr. Deepak Upadhyay, Company Secretary of Our Company as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post-Issue related problems, at the following address:

#### Gajra Differential Gears Limited,

Lohar Pipliya, Near Kshipra, A.B. Road, Dewas - 455 001, Madhya Pradesh, India. Tel: +91 – 7272 –264151/ 264152/ 264153/ 264154 Fax: +91 – 7272 – 264574 Website: www.gajra.com Email: cs.dg@gajra.com

#### **Changes in Auditors**

There has been no change in Auditors of Our Company in last three (3) years.

#### **Capitalisation of Reserves or Profits**

Except as stated in Notes to the chapter titled '*Capital Structure*' beginning on page number 46 of this DRHP, Our Company has not capitalised its reserves or profits at any time since inception.

#### **Revaluation of Assets**

Our Company has not revalued its assets since incorporation.

#### SECTION IX – ISSUE RELATED INFORMATION

#### **ISSUE STRUCTURE**

The present Public Issue of 60,00,000 Equity Shares of Rs 10 each for cash at a Price of Rs [•] per Equity Share, including a share premium of Rs. [•] per Equity share, aggregating to Rs [•] Lacs (the "Issue") is being made through 100% Book Building Process The Issue constitutes 46.17% of the fully diluted post-issue paid-up capital of Our Company.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allocation*	Upto 30,00,000 Equity Shares or Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders.	Not less than 9, 00,000 Equity Shares or Issue less allocation to QIB Bidders and Retails Individual Bidders.	Notlessthan21,00,000EquityShares or IssuelessallocationtoQIBBiddersandNon-Institutional Bidders.
Percentage of Issue Size available for Allotment/ allocation	Upto 50% of the Issue or Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders of which 5% will be available for allocation proportionately to Mutual Funds only. #	Not less than 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Issue or Issue less allocation to QIB Bidders and Non- Institutional Bidders
Basis of Allotment/ Allocation, if respective category is oversubscribed	<ul> <li>Proportionate as follows:</li> <li>a) Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Funds Portion;</li> <li>b) Equity Shares shall be allocated on proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.</li> </ul>	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 2,00,000 and in multiples of [•] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 2,00,000 and in multiples of [•] Equity Shares thereafter.	[•] Equity Shares
Maximum Bid Such number of Equity Shar exceeding the Issue, subjective regulations as applicable to Bidder		Such number of Equity Shares not exceeding the Issue, subject to regulations as applicable to the Bidder	Such number of Equity Shares whereby the Bid amount does not exceed Rs. 2,00,000
Mode of Allotment Compulsorily in dematerial form.		Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid lot	[•] Equity Shares and in multiples of [•] Equity Shares thereafter	[•] Equity Shares and in multiples of [•] Equity Shares thereafter	[•] Equity Shares and in multiples of [•] Equity Shares thereafter
Allotment lot	[•] Equity Shares and in multiple of 1 Equity Share thereafter.	[•] Equity Shares and in multiple of 1 Equity Share thereafter.	[•] Equity Shares and in multiple of 1 Equity Share thereafter.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled	Eligible NRIs, Resident Indian individuals, HUFs (in the name of karta),	Individuals (including HUFs in the name of karta,

	commercial banks, mutual funds,		Bidders
	foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds, (subject to applicable laws) with minimum corpus of Rs. 2,500 Lacs and pension funds with minimum corpus of Rs. 2,500 Lacs in accordance with applicable law, National Investment Fund set up by Government of India and insurance funds set up and managed by the army, navy and air force of the Union of India, insurance funds set up and managed by the Department of Posts, India.	companies, corporate bodies, scientific institutions, societies and trusts, sub accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals.	NRI's, minors applying through their natural guardian), applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs. 2,00,000 in value.
Terms of Payment^^ Margin Amount	Bid Amount applicable to QIB Bidders shall be payable at the time of submission of Bid-cum- Application Form to the Member of Syndicate.	Bid Amount applicable to Non-institutional Bidder shall be payable at the time of submission of Bid-cum- Application Form to the Member of Syndicate. Bid Amount on bidding.	Bid Amount applicable to Retail Individual Bidder shall be payable at the time of submission of Bid- cum-Application Form to the Member of Syndicate.

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the discretion of Our Company, the BRLM, designated stock exchange and subject to applicable provisions of the SEBI ICDR Regulations.

\*\* In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

<sup>^</sup>In case of ASBA Bidders, the SCSBs shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.

# If the aggregate demand by Mutual Funds is less than 1,50,000 Equity Shares aggregating to Rs. [•] Lacs, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

#### Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue, including at any time after the Bid Opening Date but before the Allotment of the Equity shares. If Our Company withdraws from the Issue, it shall issue a public notice that shall include reasons for such withdrawal, within two (2) days of the closure of the Issue. The notice of withdrawal shall be issued in the same newspapers where the pre-Issue advertisements have appeared and Our Company shall also promptly inform the Stock Exchanges. If Our Company withdraws the Issue after the Bid Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, it shall file a fresh draft red herring prospectus with the SEBI. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which Our Company shall apply for after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

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

Bid/Issue Opens On	[•]
Bid/Issue Closes On (For QIB Bidders)	[•]
Bid/Issue Closes On (Except for QIB Bidders)	[•]

Bids and any revision in Bids shall be accepted only between **10.00** AM and **5.00** PM (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form or in case of Bids submitted through ASBA, the Designated Branches of the SCSBs, except that on the Bid/Issue closing date. On the Bid/Issue Closing Date, the Bids and any revision of bids (excluding the ASBA Bidders) shall be accepted only between **10.00** AM and **3.00** PM (Indian Standard Time) during the bidding period and shall be uploaded until (i) 4.00 PM in case of Bids by QIB Bidders, Non-Institutional Bidders and where the Bid Amount is in excess of Rs. 2,00,000 and (ii) until 5.00 PM or such extended time as permitted by BSE, in case of Bids by Retail Individual Bidders and where the bid amount is up to Rs. 2,00,000. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the BSE.

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

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/ Issue Closing Date. All times mentioned in the Draft Red Herring Prospectus is Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business days, i.e., Monday to Friday (excluding any public holiday)

## Investors Please note that as per letter no. List/smd/sm/2006 dated July 03, 2006 issued by BSE, bids and any revision in bids shall not be accepted on Saturdays and holidays as declared by the Stock Exchange.

Our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two (2) days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for three (3) additional Business Days after revision of Price Band subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the members of the Syndicate.

#### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of Our Company, conditions of RBI approval, the terms of this Draft Red Herring Prospectus and Prospectus, Bid-cum-Application Form, ASBA Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Reserve Bank of India, Registrar of Companies and / or other authorities, as in force on the date of this Issue and to the extent applicable.

#### Authority for the Issue

Our Board has, pursuant to a resolution passed at its meeting held on April 14, 2010, authorised this Issue, subject to the approval of our shareholders under Section 81(1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on July 15, 2010.

#### **Ranking of Equity Shares**

The Equity Shares being issued through this Issue shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the other existing Equity Shares of Our Company including rights in respect of dividends. The Allottees, in receipt of Allotment of Equity Shares under this Issue, will be entitled to dividend or any other corporate benefits, if any, declared by Our Company after the date of allotment. For a description of our Articles of Association, please refer to the chapter titled '*Main Provisions of the Articles of Association*' beginning on page number 241 of this DRHP.

#### Mode of Payment of Dividend

We shall pay dividend to the shareholders as per the provisions of the Companies Act, 1956 and recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of Our Company.

#### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each will be issued in terms of the Red Herring Prospectus to be filed with the RoC, Maharashtra at a price of Rs. [•] per share. At any given point of time, there shall be only one denomination for the Equity Shares of Our Company, subject to applicable laws.

#### **Rights of the Equity Shareholder**

Subject to applicable laws, the equity shareholders shall have the following rights:

- i. Right to receive dividend, if declared;
- ii. Right to attend general meetings and exercise voting powers, unless prohibited by law;
- iii. Right to vote on a poll either in person or by proxy;
- iv. Right to receive offers for rights shares and be allotted bonus shares, if announced;
- v. Right to receive surplus on liquidation subject to statutory and other preferential claims being satisfied;
- vi. Right of free transferability; and
- vii. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Listing Agreements executed with the Stock Exchanges and the Memorandum and Articles of Association of Our Company.

For further details on the main provisions of Our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the chapter titled '*Main Provisions of the Articles of Association*' beginning on page number 241 of this Draft Red Herring Prospectus.

#### Compliance with SEBI ICDR Regulations

We shall comply with all disclosures and accounting norms as specified by SEBI from time to time.

#### Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, 1956, the Equity Shares of Our Company shall be allotted only in dematerialised form. In terms of existing SEBI ICDR Regulations, the trading in the Equity Shares of Our Company shall only be in dematerialised form for all investors. Since trading of our Equity Shares will be in dematerialised form, the tradable lot would be one Equity Share. Allocation and Allotment in this issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of Equity Shares. For details of allocation and allotment, please refer to the chapter titled '*Issue Procedure*' beginning on page number 209 of this Draft Red Herring Prospectus.

#### Jurisdiction

The jurisdiction for the purpose of this issue is with competent courts/authorities in Mumbai, India.

#### Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original shareholder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of Our Company or to the Registrar and Transfer Agents of Our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- i. to register himself or herself as the holder of the Equity Shares; or
- ii. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

#### **Minimum Subscription**

"If Our Company does not receive the minimum subscription of 90% of the issue amount, including devolvement of the Underwriter/ Members of the Syndicate, if any, within 60 days from the date of Bid/Issue Closing Date, Our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after Our Company becomes liable to pay the amount, Our Company shall pay interest prescribed under Section 73 of the Companies Act, 1956."

Further, in terms of sub-regulation (4) of Regulation 26 of the SEBI ICDR Regulations, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1000.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

# The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

#### Withdrawal of the Issue

The Issuer, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date but prior to Allotment, without assigning any reason thereof. In case the Issuer decides to do so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of issue in the newspapers in which the Bid advertisement appeared earlier. The Issuer shall also inform the Stock Exchanges, on which the Equity Shares are proposed to be listed, of its intention of withdrawing the Issue.

#### Arrangements for disposal of odd lots

Our Company' shares will be traded in dematerialised form only and therefore the marketable lot is one (1) share. Therefore, there is no possibility of odd lots.

#### Restrictions on transfer of shares etc. and alteration of capital structure

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. For further details, please refer to the chapter titled 'Main Provisions of the Articles of Association of Our Company' beginning on page number 241 of this Draft Red Herring Prospectus.

#### Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of Allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in the Issue.

#### **ISSUE PROCEDURE**

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form.

It may be noted that pursuant to the SEBI Circular (no. CIR/CFD/DIL/2/2010) dated April 06, 2010 SEBI has decided to extend the ASBA facility to QIBs in all public issues opening on or after May 1, 2010.

#### **Book Building Procedure**

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

All Bidders other than the ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs.

In case of QIB Bidders, Our Company, in consultation with the BRLM, may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for such rejection shall be communicated to the QIB Bidder at the time of rejection of the Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, Our Company would have a right to reject the Bids only on technical grounds. The identity of QIBs bidding in the Issue under QIB Portion shall not be made public.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under applicable laws, regulations or approvals. Bidders are advised to make their own enquiries about the limits applicable to them.

#### **Bid cum Application Form**

Bidders (excluding ASBA Bidders) shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. Before being issued to the Bidders, the Bid cum Application Forms shall be serially numbered and date and time stamped at the Bidding Centres and such form shall be issued in duplicate signed by the Bidder and countersigned by the relevant member of the Syndicate. The Bid cum Application Form shall contain information about the Bidder, the price and the number of Equity Shares that the Bidder wishes to Bid for. A Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids.

An ASBA Bidder can submit his Bid through an ASBA Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder ("ASBA Account") is maintained. The ASBA Bid cum Application Form will also be available on the websites of the Stock Exchanges at least one day prior to the Bid/Issue Opening Day. The BRLM and the SCSBs will provide the hyperlink to BSE website on their website. The SCSB shall block an amount equal to the Bid Amount in the ASBA Account specified in the ASBA Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the 'Basis of Allotment' and consequent transfer of the Bid Amount against the allocated Equity

Shares to the Public Issue Account, or until withdrawal/failure of this Issue or until withdrawal/rejection of the ASBA Form, as the case may be. Once the 'Basis of Allotment' is finalised, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the concerned SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Issue Account. In case of withdrawal/failure of this Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue. In accordance with the SEBI ICDR Regulations, only Resident Retail Individual Investor can participate under the ASBA process.

Upon the filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completion and submission of the Bid cum Application Form to the Syndicate/SCSBs/Designated Branches, the Bidder or the ASBA Bidder is deemed to have authorised Our Company to make the necessary changes in the Red Herring Prospectus 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 Bidder or the ASBA Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis (ASBA as well as non ASBA Bidders)	White
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis (ASBA as well as non ASBA Bidders)	Blue

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialised form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

#### Who can Bid?

- 1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
- 2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: Name of Sole or First Bidder: "XYZ Hindu Undivided Family applying through the Karta XYZ", where XYZ is the name of the Karta. Bids by HUFs would be considered at par with those from individuals;
- 3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- 4. Mutual Funds registered with SEBI;
- 5. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
- 6. Multilateral and bilateral development financial institution;
- 7. Venture capital funds registered with SEBI;
- 8. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- 9. FIIs and sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or foreign individual subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- 10. Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category;
- 11. State Industrial Development Corporations;
- 12. Insurance companies registered with the Insurance Regulatory and Development Authority;
- 13. Provident funds with a minimum corpus of Rs. 2,500 Lacs and who are authorised under their constitution to hold and invest in equity shares;
- 14. Pension funds a with minimum corpus of Rs. 2,500 Lacs and who are authorised under their constitution to hold and invest in equity shares;
- 15. National Investment Fund set up by resolution F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India;
- 16. Insurance funds set up and managed by army, navy or air force of the Union of India;
- 17. Insurance funds set up and managed by the Department of Posts, India;

- 18. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their respective constitutions to hold and invest in equity shares;
- 19. Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable local laws. NRIs other than Eligible NRIs are not eligible to participate in this Issue;
- 20. Scientific and/or industrial research organisations authorised under their constitution to invest in equity shares; and
- 21. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue.

As per the existing regulations, OCBs cannot participate in this Issue.

#### Participation by Associates of BRLM and Syndicate Members

The BRLM and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

#### Participation by eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals

Eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals may Bid in the Non-Institutional Portion, subject to receipt of appropriate approvals from applicable regulatory authorities.

#### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than  $[\bullet]$  Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

#### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be lodged along with the Bid cum Application Form. Failing this, Our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

#### **Bids by Provident Funds**

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, Our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

#### **Bids by Eligible NRIs**

- 1. Bid cum Application Forms have been made available for Eligible NRIs applying on a repatriation basis at the Registered Office of Our Company and with members of the Syndicate and the Registrar to the Issue.
- 2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.
- 3. Bids by Eligible NRIs for a Bid Amount of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

#### **Bids by FIIs**

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue issued capital of Our Company. In respect of an FII investing in the Equity Shares of Our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of Our Company or 5% of the total issued capital of Our Company in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of its total issued capital. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "SEBI FII Regulations"), an FII, as defined in the SEBI FII Regulations, or its sub-account may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' 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 BRLM and the Syndicate Member that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation or claim on or an interest in the Company.

Refunds, dividends and other distributions (if any) will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

#### Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture

Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the rate of exchange prevailing at the time of remittance and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with a minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, Our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- a) With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- b) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.
- c) With respect to Bids made by provident funds with a minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that Our Company, the BRLM may deem fit.

#### Maximum and Minimum Bid Size

#### (a) For Retail Individual Bidders:

The Bid must be for a minimum of  $[\bullet]$  Equity Shares and in multiples of  $[\bullet]$  Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 2,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 2,00,000. In case the Bid Price is over Rs. 2,00,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

#### (b) For Other Bidders (Non-Institutional Bidders and QIBs):

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 2,00,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is

required to pay the full Bid Amount upon submission of the Bid. The identity of QIBs bidding in the Issue under QIB Portion shall not be made public.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 2, 00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 2, 00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company and the Book Running Lead Manager do not accept any responsibility for the completeness and accuracy of the information in relation to applicable investment limits or number of Equity Shares that can be held by them stated herein.

Our Company and the Book Running Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund".

#### Information for the Bidders:

- 1. Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- 2. Our Company and the BRLM shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and the same shall also be published in three newspapers (one each in English, Hindi, Gujarati and Marathi). Further, the Price Band and minimum bid lot size shall be disclosed atleast two days prior to Bid/Issue Opening Date in three newspapers (one each in English, Hindi and Marathi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Part A of Schedule XIII of the of the SEBI ICDR Regulations.
- 3. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- 4. Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the registered office of the Company or from any of the members of the Syndicate.
- 5. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bids.
- 6. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI ICDR Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form, which will also be available on the websites of the Stock Exchanges at least one day prior to the Bid/Issue Opening Date

The applicants may note that in case the DP ID, Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate do not match with the DP ID, Client ID and PAN available in the Depository database, the application is liable to be rejected.

### Method and Process of Bidding

- (a) The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one regional language newspaper with wide circulation. This advertisement shall be in the prescribed format. The Price Band and the minimum Bid Lot size for the Issue will be decided by the Company in consultation with the BRLM and advertised at least two (2) working days prior to the Bid/Issue Opening Date.
- (b) The Bid/Issue Period shall be for a minimum of three working days and shall not exceed 10 working days. The Bid/ Issue Period maybe extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper with wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- (c) During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids".
- (f) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) During the Bid/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- (h) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described under the chapter titled "Issue Procedure" beginning on page number 209 of this Draft Red Herring Prospectus.
- (i) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- (j) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- (k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic

bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

(I) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalised, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

### **Bids at Different Price Levels and Revision of Bids**

- (a) The Bidders can bid at any price within the Price Band, in multiples of Re.1 (One). The Price Band and the minimum Bid Lot size for the Issue will be decided by the Company, in consultation with the BRLM, and advertised BRLM and advertised at least two (2) working days prior to the Bid/Issue Opening Date.
- (b) The Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two (2) days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.
- (c) In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE by issuing a public notice in two national newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLM, SCSBs and at the terminals of the members of the Syndicate.
- (d) The Company, in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (e) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 2,00,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 2,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account. The Company, in consultation with the BRLM, shall decide the minimum number of

Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

(i) Shortfalls, if any, on accord of downward revision in the Price Band shall be met through a range of options including utilising our internal accruals, seeking additional debt or raising further equity capital.

# **General Instructions**

# Do's:

- 1. Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Draft Red Herring Prospectus;
- 2. Ensure that you Bid within the Price Band;
- 3. Read all the instructions carefully and complete the Bid cum Application Form;
- 4. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in dematerialised form only;
- 5. Ensure that you have collected TRSs for all options in your Bid;
- 6. Ensure that you submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- 7. Each of the Bidders, should mention their PAN allotted under the IT Act;
- 8. Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. Where the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form;
- 9. Ensure that the demographic details (as defined in the chapter titled "Issue Procedure Bidder's Depository Account and Bank Account Details" on page number 209) are updated, true and correct in all respects;
- 10. Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of a member of the syndicate and that the full Bid Amount is paid for the Bids submitted to the Syndicate; and

# Don'ts:

- 1. Do not Bid for lower than the minimum Bid size;
- 2. Do not Bid or revise Bid to a price that is less than the Floor Price or higher than the Cap Price;
- 3. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- 4. Do not pay the Bid amount in cash, postal order, or by stockinvest;
- 5. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate;
- 6. QIBs and Non-Institutional Bidders should not Bid at Cut-Off Price;
- Do not Bid such that such that the number of Equity Shares Bid for exceeds the Issue size and/or the investment limit or the maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Draft Red Herring Prospectus;
- 8. Do not Bid at Bid Amount exceeding Rs. 2,00,000, for in case of a Bid by a Retail Individual Bidder;

- 9. Do not submit the Bid without the full Bid Amount through the Bid cum Application Form;
- 10. Do not mention the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- 11. Do not Bid for Allotment of shares in physical form.

# Additional Instructions for ASBA Bidders only

# Do's:

- 1. Ensure that you use the ASBA Form specified for the purposes of ASBA.
- 2. Read all the instructions carefully and complete the ASBA Form.
- 3. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.
- 4. Ensure that your ASBA Form is submitted at a Designated Branch, with a branch of which the ASBA Bidder or a person whose bank account will be utilised by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to Our Company or the Registrar to the Issue or the BRLMs.
- 5. Ensure that the ASBA Form is signed by the account holder in case the applicant is not the account holder.
- 6. Ensure that you have mentioned the correct ASBA Account number in the ASBA Form.
- 7. Ensure that you have funds equal to the number of Equity Shares Bid for at the Cap Price available in your ASBA Account before submitting the ASBA Form to the respective Designated Branch.
- 8. Ensure that you have correctly checked the authorisation box in the ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Form in your ASBA Account maintained with a branch of the concerned SCSB.
- 9. Ensure that you receive an acknowledgement from the Designated Branch for the submission of your ASBA Form.
- 10. Ensure that the name(s) given in the ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Form.

# Don'ts:

- 1. Do not Bid on another ASBA Form or on a Bid cum Application Form after you have submitted a Bid to a Designated Branch.
- 2. Payment of Bid Amounts in any mode other than blocked amounts in the ASBA Accounts, shall not be accepted under the ASBA.
- 3. Do not send your physical ASBA Form by post; instead submit the same to a Designated Branch.

# Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please refer to the section titled "Issue Procedure-Payment Instructions" on page number 209 of this Draft Red Herring Prospectus.

# **Electronic Registration of Bids**

- 1. The members of the Syndicate will register the Bids using the on-line facilities of BSE. There will be at least one terminal offering on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- 2. The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Issue Closing Date to amend some of the data fields (currently DP ID, Client ID) entered by them in the electronic bidding system. Bidders are cautioned that a high inflow of Bids typically experienced on the last Working Day of the Bidding may lead to some Bids received on the last Working Day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on Working Days.
- 3. The BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/ Issue Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis.
- 4. At the end of each day during the Bidding Period, the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be uploaded on a regular basis, consolidated and displayed online at all Bidding Centres and the website of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at the Bidding Centres during the Bidding Period.
- 5. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
  - Name of the investor: Name of the investor: Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
  - Investor Category Individual, Corporate, FII, NRI, Mutual Fund, etc.
  - Numbers of Equity Shares bid for.
  - Bid price.
  - Bid cum Application Form number.
  - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.
  - In case of payment made by cheque PAN, cheque amount and cheque number

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the online system:

- Name of the Bidder(s);
- Application Number;
- PAN (of First Bidder, in case of more than one Bidder);
- Investor Category and Sub-Category:

QIB	Non-Institutional	Retail
<ul> <li>Mutual Funds</li> <li>Financial Institutions</li> <li>Insurance companies</li> <li>Foreign Institutional Investors</li> <li>Sub-accounts</li> <li>Investors other than Corporate and Individual</li> <li>Others</li> </ul>	<ul><li>Individual</li><li>Corporate</li><li>Other</li></ul>	(No sub category)

- DP ID;
- Beneficiary Account Number or client ID;
- Number of Equity Shares bid for;
- Price;
- Bank Account Number;
- In case of payment made by cheque PAN, cheque amount and cheque number
- 6. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Allotment either by the members of the Syndicate or the Company.
- 7. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- 8. In case of QIB Bidders bidding in the QIB Portion, Members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed under the chapter titled "Issue Procedure" beginning on page number 209 of this Draft Red Herring Prospectus.
- 9. The permission given by BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company and/or the BRLM are cleared or approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, management or any scheme or project of the Company.
- 10. It is also to be distinctly understood that the approval given by BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE.

# Build up of the book and revision of bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any,

resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus.

- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (h) Only Bids that are uploaded on the online IPO system of BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE and the members of the Syndicate, the decision of the Company in consultation with the BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the Book Running Lead Manager will analyse the demand generated at various price levels and discuss the pricing strategy with Our Company.
- (b) Our Company, in consultation with Book Running Lead Manager, the Issue Price and the number of Equity Shares to be allotted in each investor category.
- (c) The allocation to QIBs will be upto 50% of the Issue and the availability for allocation to Non-Institutional and Retail Individual Bidders will not less than 15% and 35% of the Issue respectively, and, would be on proportionate basis, in the manner specified in the SEBI ICDR Regulations and this Draft Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under-subscription, if any, in any category would be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLM. However, if the aggregate demand by Mutual Fund is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of Our Company, in consultation with the BRLM and the Designated Stock Exchange. Under-subscription, if any, in any category, would be met with spill over from other categories at our sole discretion in consultation with the BRLM.
- (e) Any oversubscription to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allotment'.
- (f) Allocation to Eligible NRIs, FIIs, eligible/permitted Sub-Accounts etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for Allotment to them in this Issue. Our Company intends to seek a clarification from the RBI for investment by FIIs and Eligible NRIs in this Issue.
- (g) The Book Running Lead Manager, in consultation with Our Company, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (h) Our Company, in consultation with Book Running Lead Manager, reserve the right not to proceed with this Issue within a period of two days after the Issue Closing Date. In the event of withdrawal of this Issue, the reasons therefore shall be disclosed in a public notice which shall be published within two days of the Issue Closing Date in English and Hindi national newspapers and one regional newspaper, each with wide circulation and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of an IPO by Our Company, a draft red herring prospectus will be submitted again for observations of the SEBI.
- (i) QIB Bidders shall not be allowed to withdraw their Bid after their Bid / Issue Closing Date, [●], 2010, i.e. one working day prior to the Bid / Issue Closing Date. Our Company, in consultation with the Book Running Lead Manager, reserve the right to reject any Bid procured from QIBs. Rejection of Bids made by QIBs, if any, will be made at the time of acceptance of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

(j) The Basis of Allotment details shall be put on the website of the Registrar to the Issue.

### Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

### Filing of the Prospectus with the RoC

The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

### **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the ROC, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in one widely circulated English language national daily newspaper; one widely circulated Hindi language national daily newspaper and one Marathi newspaper with wide circulation.

### **Advertisement regarding Issue Price and Prospectus**

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### Issuance of Confirmation of Allocation Note ("CAN")

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the Basis of Allotment for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date as the date of Allotment.
- (b) The BRLM or members of the Syndicate will then dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue.
- (c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account.

### Issuance of CAN with respect to ASBA Bidders

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue, along with:
  - The number of Equity Shares to be allotted against each successful ASBA;
  - The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA;
  - The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and

• The details of rejected ASBA Forms, if any, along with reasons for rejection and details of withdrawn (except in case of QIB bidding through an ASBA Form) or unsuccessful ASBA Forms, if any, to enable SCSBs to unblock the respective ASBA Accounts.

ASBA Bidders should note that Our Company shall ensure that the instructions by Our Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and

The ASBA Bidders shall directly receive the CANs from the Registrar. The dispatch of a CAN to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

# **Designated Date and Allotment of Equity Shares**

- (a) The Company will ensure that the Allotment of Equity Shares is done within 12 (twelve) days of the Bid/Issue Closing Date.
- (b) In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.
- (c) Allottees will have the option to re-materialise the Equity Shares so allotted as per the provisions of the Companies Act and the Depositories Act.

# Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ allotted to them pursuant to this Issue.

### Bids and Revisions of Bids for all Bidders

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 2,00,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 2,00,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) Eligible NRIs bidding at a Bid Price of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.
- (f) Bids by Eligible NRIs, FIIs, and eligible/permitted Sub-Accounts etc. on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.
- (g) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE or FCNR accounts, as the case may be, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

- (h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### Instructions for completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

### Bidder's PAN, Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders, or unblocking of ASBA accounts. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds, unblocking of ASBA accounts, to Bidders at the Bidders sole risk and neither the BRLM or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Banks nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the

Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

# Bids by Non-Residents, including Eligible NRIs, Foreign Venture Capital Funds and FIIs on repatriation basis

Bids and revision to the Bids must be made:

- 1. On the Bid cum Application Form or the Revision Form, as applicable ([•] in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- 2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
- 3. In the names of individuals, or in the names of FIIs or FVCIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to Rs. 2, 00,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 2, 00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, at the rate of exchange prevailing at the time of remittance, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE Accounts, details of which are received from the Depositories as part of the demographic details of the First Bidder/ sole Bidder. Our Company, its Directors and officers, its directors, affiliates, associates and their respective directors and officers will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Eligible NRIs, FVCIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

## **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be

submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company and the BRLM may deem fit.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

### **Payment Instructions**

### Escrow Mechanism for Bidders other than ASBA Bidders

Our Company and the Members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs), from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

# Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

# Payment into Escrow Account for Bidders other than ASBA Bidders

Escrow Accounts shall be opened for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/Allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

- 1. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
- 2. The payment instruments for payment into the Escrow Account should be drawn in favour of:

- a. In case of Resident QIB Bidders: "[●]"
- b. In case of Non Resident QIB Bidders: "[●]"
- c. In case of Resident Retail and Non-Institutional Bidders: "[●]"
- d. In case of Non-Resident Retail and Non-Institutional Bidders: "[•]"
- 3. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.
- 4. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
- 5. In case of Bids by FIIs / FVCIs / multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- 6. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- 7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- 8. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
- 9. Payments should be made by cheque, or demand draft drawn on any Bank (including a Cooperative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.
- 10. Bidders are advised to mention the number of application form on the reverse of the cheque/ demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
- 11. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Bank(s), such Bids are liable to be rejected.

# Payment by cash/ stockinvest/ money order

Under the terms of the RBI Circular No, DBOD No FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Payment through stockinvest would not be accepted in this Issue.

### Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

### **Other Instructions**

### Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

# **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid has been submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a Bid cum Application Form. Submission of a second application form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch of the SCSB, or a Bid cum Application Form to the members of the Syndicate, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the chapter titled "*Issue Procedure*" beginning on page number 209 of this Draft Red Herring Prospectus.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs shall not accept a total of more than five ASBA Bids cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. A check would be carried out for the same PAN, in cases where the PAN is same; such bids would be treated as multiple applications.

Cases where there are more than 20 valid applicants having a common address shall be reported to the Stock Exchanges and other appropriate regulatory authorities such as the SEBI and such Equity Shares will be kept in abeyance post Allotment and will be released on receipt of appropriate confirmation from such authorities.

### Permanent Account Number or PAN

The Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/ her Permanent Account Number (PAN) allotted under the I.T. Act. In accordance with the SEBI ICDR Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Any Bid cum Application Form without the PAN is liable to be rejected. It is to be specifically

# noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

# Unique Identification Number ("UIN")

Pursuant to circulars dated April 27, 2007 (No. MRD/DoP/Cir-05/2007) and June 25, 2007 (No. MRD/DoP/Cir-08/2007) issued by SEBI, the requirement of UIN under the SEBI (Central database of Market Participants) Regulations, 2005 has been discontinued and irrespective of the amount of transaction, PAN has been made the sole identification number for all participants in the securities market.

### **Rejection of Bids**

In case of QIBs bidding in the QIB Portion, Our Company, in consultation with Book Running Lead Manager, may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing at the time of acceptance/ rejection of the Bids.

In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, Our Company has a right to reject Bids based on technical grounds. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Company would have a right to reject the ASBA Bids only on technical grounds.

Consequent refunds shall be made as described in the Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for; With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not given;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders.
- Bids for number of Equity Shares which are not in multiples of [•];

- Bids or revision thereof by QIBs and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 2,00,000 uploaded after 5.00 p.m. on the Bid/Issue Closing Date;
- Category not ticked;
- Signature of sole and/or joint Bidders missing; With respect to ASBA Bids, the ASBA Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks; With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the size of the Issue or the maximum permissible investment limits prescribed under the applicable laws and regulations;
- Bids by QIBs not submitted through the BRLM or their affiliates or in case of ASBA Bids for QIBs not intimated to the BRLM;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by persons in the United States;
- Bids not uploaded in the book would be rejected;
- Bids for allotment of Equity Shares in physical form;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and

• Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

# IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES, THE APPLICATION IS LIABLE TO BE REJECTED.

### Equity shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- Agreement dated [●], between NSDL, the Company and the Registrar to the Issue;
- Agreement dated [•], between CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) If incomplete or incorrect details are given under the heading '*Bidders Depository Account Details*' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-a-vis those with his or her Depository Participant.
- (g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.
- (i) Non-transferable Allotment advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue

# Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Isue quoting the full name of the sole or First Bidder, PAN, Bid cum Application Form number, Bidders depository account details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate or the Designated Branch of the SCSB where the Bid was submitted and cheque or draft

number and issuing bank thereof or with respect to ASBA Bids, the bank account number in which an amount equivalent to the Bid Amount was blocked.

Bidders/Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches of the SCSBs.

# Payment of Refund

Bidders, other than ASBA Bidders, must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

### Mode of making refunds for Bidders other than ASBA Bidders

The payment of refund, if any, would be done through various modes in the following manner:

- 1. **NECS** Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
- 2. RTGS Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- 3. *NEFT* (*National Electronic Fund Transfer*) Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is not operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
- 4. Direct Credit Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
- 5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received.

Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 working days of the Bid/Issue Closing Date.

# Disposal of applications and application moneys and interest in case of delay

With respect to Bidders other than ASBA Bidders, the Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 12 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 12 (twelve) working days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 12 days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 days of the Bid/Issue Closing Date would be ensured;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 working days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Bidder's bank account shall be made within 12 working days from the Bid/Issue Closing Date; and
- Our Company shall pay interest at 15% p.a. for any delay beyond the 12 working days time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day the Company becomes liable to repay (i.e. 12 days after the Bid/Issue Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day the Company becomes liable to repay, the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

### Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

# "Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

### **Basis of Allotment**

# A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of Allotment, refer below.

# **B.** For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment refer below.

# C. For QIBs

- **A.** Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- **B.** The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- C. Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

- (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;
- (b) In the second instance Allotment to all QIBs shall be determined as follows:
  - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
  - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
  - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate Allotment to QIB Bidders shall not be more than [•] Equity Shares
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of one Equity Share thereafter. For the method of proportionate Basis of Allotment, refer below.

# Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorised according to the number of Equity Shares applied for.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be allotted a minimum of [•] Equity Shares.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of 1 (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

# Illustration of Allotment to QIBs and Mutual Funds ("MF")

# A. Issue Details

Sr. No.	No. Particulars Issue Details	
1.	Issue size	200 million equity shares
2.	Allocation to QIB (50%)	100 million equity shares
	(a) Allocation to MF (5%)	5 million equity shares
	(b) Balance for all QIBs including MFs	95 million equity shares
3.	No. of QIB applicants	10
4.	No. of shares applied for	500 million equity shares

# B. Details of QIB Bids

Sr. No.	Type of QIB Bidders#	No. of shares bid for (in million)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40
7.	MF2	40
8.	MF3	80
9.	MF4	20
10.	MF5	20
	Total	500

# A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

# C. Details of Allotment to QIB Bidders/ Applicants

Type of QIB Bidders	Shares Bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
<b>(I</b> )	(II)	(III)	(IV)	(V)
A1	50	0	9.6	0
A2	20	0	3.8	0
A3	130	0	3.8	0
A4	50	0	24.9	0
A5	50	0	9.6	0
MF1	40	1.0	9.6	8.5
MF2	40	1.0	7.5	8.5
MF3	80	2.0	7.5	17.0
MF4	20	0.5	15.0	4.2
MF5	20	0.5	3.7	4.2
	500	5.0	95.0	42.4

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the chapter titled "Issue Structure" beginning on page number 203 of this Draft Red Herring Prospectus.

- 2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
- The balance 95 million Equity Shares (i.e. 100 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).

- 4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
  - For QIBs other than Mutual Funds (A1 to A5)= No. of shares Bid for (i.e. in column II) X 95 / 495
  - For Mutual Funds (MF1 to MF5)= [(No. of shares Bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95 / 495
  - The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

### Procedure and Time of Schedule for Allotment and demat Credit of Equity Shares

This Issue will be conducted through the '100% Book Building Process' pursuant to which the members of the Syndicate will accept Bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on  $[\bullet]$  and expire on  $[\bullet]$ . Following the expiration of the Bidding Period, Our Company, in consultation with Book Running Lead Manager, will determine the Issue Price and the 'Basis of Allotment' and entitlement to Allotment based on the Bids received and subject to confirmation by the Stock Exchange(s). Successful Bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI ICDR Regulations require Our Company to complete the Allotment to successful Bidders within 12 days of the expiration of the Bidding Period. The Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant Depository Participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

# Letters of Allotment or Refund Orders or instruction to SCSBs

Our Company shall give credit to the beneficiary account with Depository Participants within twelve Working Days from Bid / Issue Closing Date. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS.

Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 12 days of the Bid/Issue Closing Date, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or direct credit. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 days of the Bid/Issue Closing Date.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 working days of the Bid/Issue Closing Date.

# Interest in case of delay in despatch of Allotment Letters or Refund Orders/ instruction to the SCSBs by the Registrar to the Issue

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI ICDR Regulations, Our Company undertakes that:

- 1. Allotment shall be made only in dematerialised form within 12 (twelve) days from the Bid/ Issue Closing Date;
- 2. Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done within 12 days from the Bid/Issue Closing Date; and
- 3. Interest shall be paid by Our Company at 15% p.a., if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been given to the clearing system in the disclosed manner within 12 (twelve) days from the Bid/Issue Closing Date.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Other than refunds effected through electronic transfer of funds, refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by Our Company, as the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### Undertakings by Our Company

Our Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 working days of the Bid/Issue Closing Date;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the Equity Shares are free and clear of all liens or encumbrances and shall be Allotted to the successful Bidders within the specified time;
- That the Promoter' contribution in full has already been brought in;
- That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time;
- That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and
- That adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalising the basis of allotment
- The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

# Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by the Company shall be in compliance with applicable laws.

### Utilisation of Issue proceeds

The Board of Directors of the Company certify that:

- All monies received out of the Issue shall be credited / transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed, and continue to be disclosed till the time any part of the issue proceeds remains unutilised, under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilisation of the Net Proceeds.

# **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Foreign investment limit is allowed up to 100% under automatic route in the Company.

FIIs are permitted to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the GoI, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

# SECTION X - DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI ICDR Regulations, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below:

# CAPITAL AND INCREASE AND REDUCTION IN CAPITAL

# Authorised Capital

3. The Authorised Share Capital of the company shall be as mentioned in clause V of Memorandum of Association of the Company.

### **Issue of Capital**

4. Subject to the provisions of the Act and these Articles, shares (whether forming part of the original capital or of any increased capital of the Company) may be issued either with the sanction of the company in general meeting or by the Board, as the case may be with such rights and privileges annexed thereto and upon such terms and conditions as by the General Meeting or by the Board as the case may be, sanctioning the issue of such shares be directed and, if no such direction be given and in all other cases, as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company, without prejudice, however, to any rights and privileges already conferred on the holders of any shares or class of shares for the time being issued by the Company.

# Increase of Capital by the Company and how carried into effect

- 5. (1) The Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting shall, resolving upon the creation, direct and, if no direction be given, as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meetings of the Company in conformity with Section 87 and 88 of the Act.
  - (2) Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.
  - A. Subject to the provisions of the Act and all other applicable provisions of Law, the Company may issue shares, either equity or any other kind with non-voting rights and the resolutions authorising such issue shall prescribe the terms and conditions of the issue.
  - B. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid shares whether or not they are redeemable and may make a Payment out of capital in respect of such purchase.
- 6. Except so for other wise provided by the condition of Issue or by these presents, any capital raised by the creation of new shares, shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payments of calls and instalments, forfeiture lien, surrender, transfer and transmission, voting or otherwise.

# Further issue of capital

- 7. (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of increased share capital.
  - (a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the Equity Shares of the Company in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at the date;

- (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
- (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right; Provided that the Board may decline, without assigning any reason, to allot any shares to any person in whose favour a member may renounce the shares offered to him.
- (d) After the expiry of the time specified in the aforesaid notice, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose them of in such manner as they think most beneficial to the Company.
- (2) Notwithstanding anything contained in clause (1) hereof, the further shares aforesaid may be offered to any persons whether or not those person include the persons referred to in sub-clause (a) of clause (1) hereof in any manner whatsoever:

If a special resolution to that effect, is passed by the company in general meeting.

Where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members, who being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf, that the proposal is most beneficial to the Company.

- Nothing is sub-clause (c) of clause (1) hereof shall be deemed: (a) To extend the time within which the offer should be accepted
  - (a) To extend the time within which the offer should be accepted; or
     (b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares

# comprised in the renunciation.

# Conversion of loan/debentures into shares

8. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loan raised by the Company;

- (i) to convert such debentures or loans into shares in the Company, or
- (ii) To subscribe for shares in the Company provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term-
- (a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans, or is in conformity with the rules, if any, made by that Government in this behalf; and
- (b) In the case of the debentures or loans other than debentures issued to, or loans obtained from, the Government or any institution specified by the Central Government in this behalf, has also been approved by special resolution passed by the Company in General Meeting before th issue of the debentures or the raising of the loans.

# Share Capital to stand increased where an order is made under Section 81 (4)

- 9. (i) Notwithstanding anything contained in these Articles, where the Central Government has, by an order made under sub-section (4) of section 81, directed that any debenture or loan or any part thereof shall be converted into shares in the Company, the conditions contained in the Memorandum of the Company shall, where such order has the effect of increasing the nominal share capital of the Company, the nominal share capital of the Company shall stand increased by an amount equal to the amount of the value of the shares into which such debenture or loans or part thereof has been converted.
  - (ii) Where, in pursuance of an option attached to debenture issued or loans raised by the Company, any Public Financial Institution proposes to convert such debenture or loans into shares in the Company, the Central Government on the application of such Public Financial Institution, by an order made under Sub Section (4) of Section 81 directs that such debentures or loans shall be converted into shares in the Company the conditions contained n the Memorandum of such Company shall, where such order has the effect of increasing the nominal Share Capital of the Company the nominal share capital of such company shall stand increased by an amount equal to the amount of the value of the shares into which such debentures or loans or part thereof has been converted.

# Application of premium received on Shares

10. (1) Where the Company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these shares shall be transferred to an account, to be

called "THE SECURITIES PREMIUM ACCOUNT" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this clause, apply as if the Share Premium Account were paid-up share capital of the Company.

- (2) The Securities Premium Account may, notwithstanding clause (1) hereof, be applied by the Company.
  - (a) in paying up unissued shares of the Company, to be issued to the members as duly paid bonus shares,
  - (b) in writing off the preliminary expenses of the Company;
  - (c) in writing off the expenses of or the commission paid or discount allowed on any issue of shares in, or debentures of the company, or
  - (d) In providing for the premium payable on the redemption of any redeemable Preference Shares in, or of any debentures of, the Company.

# **Reduction of Capital**

11. The Company may (subject to the provisions of Section 78, 80 and 100 to 105, inclusive, of the Act, from time to time by special Resolution, reduce its capital in any manner for the time being authorised by law, and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article shall not derogate from any power the Company would have, if it were omitted.

# Consolidation, division, sub-division and cancellation of Shares

- 12. (1) Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time, alter the conditions of its memorandum for all or any of the following purpose:
  - (a) To consolidate and divide all or any of its capital into shars of larger amount than its existing shares:
  - (b) To sub-divide its shares, or any of them into shares of smaller amount than is fixed by the memorandum, so however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
  - (c) To 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 the shares so cancelled. A cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.
  - (2) Whenever the Company shall do any one or more of the things provided for in the foregoing subclauses (a), (b) and (c), the Company shall, within thirty day thereafter, give notice thereof to the Registrar as required by Section 95 of the Act specifying as the case may be, the shares consolidated, divided, sub-divided or cancelled.

# Modification of rights of share-holders

- 13. (1) Whenever the capital, by reason of the issue of Preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be varied, modified, commuted, affected or abrogated, or dealt with less then three-fourths of the issued capital of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions hereafter contained as to General Meetings shall mutatis-mutandis, apply to every such meeting. This Article is not derogate from any power the Company would have if this Article were omitted.
  - (2) The rights conferred upon the holders of the shares(including Preference Shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of shares of that class, be deemed not to be modified, commuted, effected, abrogated, dealt with or varied by the creation or issue or further shares ranking pari passu therewith.

# Shares at a discount

- 14. The Company may issue at a discount shares in the Company of a Class already issued, if the following conditions are fulfilled, namely:
  - (i) The issue of the shares at a discount is authorised by a resolution passed by the Company in General Meeting and sanctioned by the Company Law Board;
  - (ii) The resolution specifying the maximum rate or discount (not exceeding 10 percent or such higher percentage as the Central Government may permit in any special case) which the shares are to be issued; and

(iii) The shares to be issued at a discount are issued within two months after the date on which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

# SHARES AND CERTIFICATES

# **Shares under Control of Board or Directors**

15. Subject to the provisions of these Articles and of the Act, the shares (including any shares forming part of any increased capital of the company) in the capital shall be under the control of the Board of Directors who may allot or otherwise dispose off the same to such person on such terms and conditions and at such time as the Board of Directors think fit and with full power to give any person the option to call for or be allotted shares of any class of the Company either at a premium or at par or (Subject to the Provisions of Section 79 of the Act) at a discount and for such time and for such consideration as the Board of Directors think fit, Option or right to call of shares shall not be given to any person or persons without the sanction of the Company in general meeting.

# Directors may allot any shares as fully paid up

16. Subject to the provisions of the Act and these Articles, the Directors may allot and issue shares in the capital of the company as payment or part payment for any property or assets of any kind whatsoever sold or transferred goods or machinery supplied or for services rendered to the company either in or about the formation or promotion of the company, or the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up shares as aforesaid.

### Power also to Company in General Meeting to issue shares

17. In addition to and without derogating from the powers for that purpose conferred on the Board under Article 13, the Company in General Meeting may, subject to the provisions of section 81, of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) be offered to such person (whether members or not) in such proportion and on such terms and conditions and either at a premium or at par or at a discount (Subject to compliance with the provisions of Section 78 and 79 of the Act) as such General Meeting shall determine and with full power to give any person, whether a member or not the option to call or be allotted shares of any class of the Company either at a premium or at par or at a discount (subject to compliance with the provisions of Section 78 and 79 of the Act) such option being exercisable at such time and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any such shares.

# **Redeemable preference Shares**

18. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference Shares which are, or at the option of the company, are to be liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

# **Rights of the act and privileges of Preference Shareholders**

- (a) The Cumulative Redeemable Preference Shares (hereinafter called "Preference Shares") shall unless the terms of issue thereof otherwise provide, subject as hereunder provided, confer on the holders thereof the following rights and privileges, that is to say :;
  - (i) The right to a Cumulative Preferential dividend at such rate as may be prescribed by the terms of issue of such shares, on the share capital for the time being paid-up thereon, free of Company's income-tax, but subject to deduction of taxes at source at the rate of rates prescribed from time to time.
  - (ii) The right in the event of winding up to payment of such capital and arrears of dividend, whether earned, accrued, declared or not, down to the commencement of the winding up, in priority to the Equity Shares but shall not confer any further right to participate in profits or assets.
  - (b) Subject to the provisions of Section 80 of the Act and unless otherwise determined by the terms of the issue thereof, the following provisions shall apply in regard to the redemption, either in full or in part, of the Preference Shares :
    - (i) The Company may, at any time after 5 years but in any event not later than 15 years from the date of allotment of the shares, apply any profits of moneys of the Company which may be lawfully applied for the purpose in the redemption, either in full or in part, of the preference

Shares at par, together with a sum equal to arrears of the dividend thereon down to the date of redemption.

- (ii) In the case of any partial redemption under clause (b)(i) of this Article, the Company shall, for the purpose of ascertaining the particular shares to be redeemed, cause a drawing to be made at the Registered Office of the Company or at such other places the Directors may decide, in the presence of a representative of the Auditors.
- (iii) Forthwith after every such drawing, the Company shall give to the holders on the shares drawn for redemption, a notice in writing of the Company's intention to redeem the same, fixing a time (not less then three months thereafter) and the place for the redemption and surrender of the shares to be redeemed;
- (iv) At the time and place so fixed each holder shall be bound to surrender to the Company the Certificate for his shares to be redeemed and the Company shall pay to him the amount payable in respect of such redemption and where any such certificate comprises any shares which have not been drawn for redemption, the Company shall issue free of charge, the holders a fresh certificate therefore.
- (v) Any of the Preference Shares not previously redeemed under the foregoing provisions shall, unless the terms of issue prescribed otherwise, be redeemed at the expiry of 15 years from the date of allotment thereof at par together with all arrears of dividend thereon upto the date of payment.
- (c) Subject to the provisions of this Article, the Company shall be entitled to create or issue further preference Shares ranking in all or any respect pari passu with the then existing and outstanding Preference Shares issued for the time being and outstanding, provided that in the event of its creating and/or issuing Preference Shares in future, ranking pari passu with the then existing and outstanding Preference Shares or part thereof, the Company would do only with the consent of the holders of not less than three-fourths of the Preference Shares then outstanding.
- (d) The Preference Shares Shall not confer on the holders thereof the right to vote either in person or by proxy at any General Meeting of the Company save to the extent and in the manner provided by Section 87(2) of the Act.

# Provisions to apply on issue of Redeemable Preference Shares

- 20. On the issue of Preference Shares under the provisions of the immediately preceding Article, the following provisions shall take effect:
  - (a) No such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of fresh issue of share made for the purpose of redemption.
  - (b) No such shares shall be redeemed unless they are fully paid.
  - (c) The premium, if any, payable on redemption shall have been provided for from and out of the profits of the Company or from and out of the Company's Share Premium Account before the shares are redeemed.
  - (d) Subject to the provisions of Section 80 of the Act the redemption of Preference Shares hereunder may be effected in accordance with the terms and conditions in these Articles or by the terms of their issue and in; the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.
  - (e) The rights, privileges and conditions for the time being attached to the Preference Shares may be varied, modified or abrogated in accordance with the Provisions of these Articles and of the Act.

# DEMATERIALISATION OF SECURITIES

# Authority to Dematerialise Securities

- 20A (1) Notwithstanding anything to the contrary in these Articles, the Company shall be entitled to Dematerialise its securities and to offer securities in a Dematerialise form pursuant to the Depositories Act, 1996.
- (2) When any Securities of the Company are held or dealt in Dematerialise form

### Option to hold securities in the certificate or with Depository

(a) Every person holding securities of the Company through allotment or otherwise shall have the option to receive and hold the same in the physical form or to hold the same in the Dematerialise form with a depository.

### Securities with Depository to be dematerialised

(b) All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B and 187C of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

# Beneficial owner may opt out of a Depository

(c) Every person holding securities of the Company with a depository, being the beneficial owner thereof, may at any time opt out of the depository in the manner provided under the provisions of the Depository Act, 1996 and the rules, if any, prescribed thereunder and on fulfillment of the conditions prescribed by the Company from time to time, the Company shall issue the relevant security certificates to the beneficial owner thereof."

# **Intimation to Depository**

- 20B (1) The Company shall make available to the Depository copies of the relevant records in respect of securities held by such depository for the beneficial owner thereof.
  - (2) When a holder or an allottee of the securities opts to hold the same with a depository, the Company shall intimate such depository the details of his holdings or allotment of securities and thereupon the depository shall enter in its record the names of the holders / allottees as the beneficial owners of such securities."

### **Register and Index on Beneficial Owners**

20C. The Register and Index of Beneficial Owners of Securities maintained by a depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of members or Holders of Debentures or other securities of the Company.".

# Transfer of Securities held in a Depository

- 20D (1) Transfer of Securities held in a depository will be governed by the provisions of Depository Act, 1996.
  - (2) Every depository shall furnish to the Company information about the transfer of securities the name of beneficial owners at such intervals and in such manner as may be specified under the provisions of the Depositories Act, 1996.
  - (3) Section 108 of the Act shall not apply to the transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository".

### **Rights of Depositories and Beneficial owners**

- 20E (1) A depository shall be deemed to be the registered owner for the purpose of effecting the transfer of ownership of securities on behalf of the beneficial owners and shall not have any voting rights or any other rights in respect of the securities held by it.
  - (2) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository."

# Distinctive numbers of Securities held in a Depository

20F Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to the securities held with a Depository."

### Other matters

20G Notwithstanding anything contained in these Articles or the Act, the provisions of Depositories Act, 1996, relating to Dematerialisation of securities, (including any modification or re-enactment thereof and Rules / Regulations made thereunder) shall prevail and apply accordingly.

### **Restriction on allotment of Shares**

- 21. If the Company shall offer any of its shares to the public for subscription:
  - (1) No allotment thereof shall be made unless the amount stated in the prospectus as the minimum subscription has been subscribed, and the sum payable on application thereof has been paid to and received by the Company; but this provision shall no longer apply after the first allotment of shares offered to the public for subscription; and
  - (2) The amount payable on application on each share shall not be less than 5 percent of the nominal amount of the share;

# **Register and Index of Members**

22. The Company shall cause to be kept a Register and Index of members in accordance with Sections 150 and 151 of the Act.

# Branch Register etc., may be kept in any state or outside of India

23. The Company shall be entitled to keep in any State or Country outside India a branch Register of members resident in that State or Country.

# Shares to be numbered progressively and no share to be sub-divided

24. The shares in the capital shall be numbered progressively according to their several denominations and, except in the manner hereinbefore mentioned, no share shall be sub-divided, Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

# Share Certificates, Single allottees

- 25.1 (a) Every member or allottee of shares shall be entitled, without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid up thereon.
  - (b) Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issue against letters of acceptance or of renunciation or in cases of issue of bonus shares.
  - (c) Subject to the provision of the Companies (Issue of Share Certificates) Rules, 1960, every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of (i) directors or persons acting on behalf of the directors under a duly registered power of attorney and (ii) the Secretary or some other person appointed by the Board for the purpose. The two directors or their attorneys and Secretary or other shall sign the share certificate.

### **Joint Allottees**

- I (1) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them.
  - (2) For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One.
- II (1) A Director may sign a share certificate by affixing his signature thereon by means of any machine/equipment.
  - (2) Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued, indicating the date of issue.
  - (3) The Company shall comply with the provisions of Section 113 of the Act.

# **Renewal of Shares Certificate**

26. (1) No certificate of any share or shares shall be issued either in exchange for those which are defaced, torn, or old, decrepit, worn out or where the cages on the reverse for recording transfer have been fully utilised unless the Certificate in lieu of which it is issued in surrendered to the Company.

Provided that no fee shall be charged for issue of new certificates in replacement of those which are sold, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilised.

Provided further that in case of any Share Certificate being lost or destroyed the Company may issue a duplicate Certificate in place of the Certificate so lost or destroyed on such terms as to evidence, out of pocket expenses in regard to investigation of such evidence and indemnity as the Board may determine.

- (2) When a new share certificate has been issued in pursuance of this Article, it shall state on the face of it against the stub or counterfoil to the effect that it is "duplicate issued in lieu of share Certificate No...". The word "duplicate" shall be stamped or punched in bold letters across the face of the share certificate.
- (3) Where a new share certificate has been issued in pursuance of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate certificate indicating against the names of the persons to whom the certificate is issued, the number and date of issue of share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of members by suitable cross references in the remarks column.

### Safe custody of blank shares, forms, books etc.,

- 27. (i) All blank forms to be used for issue fo share certificate shall be printed and the printing shall be done only on the authority of a resolution of the Board.
  - (ii) The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles and due relating to the printing of such forms shall be keep in the custody of the Secretary or such other persons as the Board may appoint for the purpose.

# The first named of joint holders deemed sole-holder

28. If any share stands in the names of two or more persons, the person first named in the Register, shall as regards receipts of dividends or bonus or service of notices and all or any other matter connected with the Company, except voting at a meeting and the transfer of the shares, be deemed to be the sole holder thereof but the joint holders of a share, shall severally as well as jointly be liable for the payment of all instalments and calls due in respect of such share, and for all incidents thereof.

Provided that not more than three persons shall be registered as joint holders of any share. Provided further that in case of death of one or more of the joint holders, the survivor or survivors of them shall be the only person entitled to the share unless the Board shall, on request of the survivor/s, decide to recognise the legal representatives of the deceased joint holder as the persons entitled to the shares jointly with the survivor/s.

### Company not bound to recognise any interest in share other than of registered holder.

29. Except as ordered by a Court of Competent jurisdiction and except to the extent and in the manner and for the purposes laid down under Section 153(B) or Section 187(B) or 187(C) or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of share other than a absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof.

# UNDERWRITING AND BROKERAGE

### Commission may be paid

30. Subject to the provisions of Section 76 of the Act, the Company may, at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company, for procuring, or agreeing to procure subscriptions (Whether absolute or conditional) for any shares in or debentures of the Company, but so that the commission shall not exceed in the case of shares 5 percent of the price at which the shares are issued and in the case of debentures 2-1/2% (percent) of the price at which the debentures are issued. Such commission may be satisfied by payment of each or by allotment of fully or partly paid shares or debentures as the case may be or partly in one way and partly in the other.

### Brokerage

31. The Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful.

# Interest out of capital

32. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, of the provision of any plant, which cannot be made profitable for a lengthy period the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same by way of interest to capital as part of the cost of construction of the work or building or the provision of the plant.

### Funds of Company may not be applied in purchase of share of the Company

33. None of the funds of the Company shall be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding company save as provided by Section 77 of the Act.

# LIEN

### Company to have lien on shares

44. The Company shall have first and paramount lien upon all the shares (other than fully paid-up) shares registered in the name of each member (whether solely, or jointly with others) and upon the proceeds of sale there for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such

shares and no equitable interest in any share shall be created except upon the footing and conditions that article 29 thereof will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any share wholly or in part to be exempt from the provisions of this clause.

# Enforcement of lien by sale

- 45. (1) For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their number to execute a transfer thereof on behalf of and in the name of such member.
  - (2) No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such Member or his representatives and default shall have been made by him or them in payment, fulfillment or discharge of such debts, liabilities or engagements for fourteen days after service of such notice.

# Application of proceeds of sale.

46. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any shall (subject to a like lien or sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

# TRANSFER AND TRANSMISSION OF SHARES

### Form of transfer

64. The instrument of transfer of any share shall be in writing in the form prescribed pursuant to Section 108(1A) of the Act.

### Provision of Section 108 to be complied with

65. The Company, the transferor and the transferee of the Shares shall comply with the provisions of subsections (1), (1A) and (1B) of Section 108 of the Act.

### Instrument of transfer to be presented with evidence of title

66. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the relative share certificates and such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board shall from time to time prescribe and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board or law.

### **Application for transfer**

- 67. (i) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee;
  - (ii) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act, and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
  - (iii) For the purpose of sub-clause (ii) above, notice to transferee shall be deemed to have been duly given if it is dispatched by prepared registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

### Form of Transfer to be executed by Transferor and Transferee

68. Every such instrument of transfer duly stamped shall be executed by or on behalf of both the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register or Members in respect thereof.

# Transfer to be left at office when to be retained

69. Every instrument of transfer shall before delivery thereof to the Company, be dated, stamped and executed with the date of presentation of the instrument (save as provided in Section 108 of the Act) to the proper

authorities, duly engrossed thereon and shall thereafter 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. 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.

# Company not liable for disregard of a notice prohibiting registration of a transfer

70. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto. In any book of the Company, and the Company shall not be bound or required to regard to attend or give effect to any notice which may be given to or of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some books of the Company; but the Company shall, nevertheless, be at liberty to regard and attend to any such notice, and give effect thereto if the Board of Directors shall so think fit.

### Insolvency of liquidation of one or more joint holders of shares

71. In the case of insolvency or liquidation of anyone or more to the persons named in the Register of members as the joint-holders of any share, the remaining holder or holders shall be the only persons recognised by the Company as having title to, or interest in, such share, but nothing herein contained shall be taken to release the estate of the person under insolvency or liquidation from any liability on shares held by him, jointly with any other person.

### Transfer by legal representatives

72. A transfer of a shares in the company of a deceased member made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

### Transfer Books of shares and Debentures when closed

73. The Board shall have power on giving seven day's previous notice by advertisement in some newspaper circulating at the place where the Registered office is located to close the Transfer Books, the Register of Members or Register of Debenture-holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as it may seem expedient.

### Directors' right to refuse registration of transfer

74. The Directors may, at any time in their own absolute and uncontrolled discretion and without assigning any reasons or grounds, decline to register or acknowledge any transfer or any share and in particular may so decline in any case in which the Company has lien upon the shares desired to be transferred or any call or instalment regarding any of them remains unpaid.

PROVIDED THAT registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except in case of a lien on shares.

PROVIDED THAT nothing herein shall precluded the Board from refusing to register, transfer of any share in favour of any person of whom the Board of Directors do not approve irrespective as to whether or not such a person is already an existing member of the Company.

### Notice of refusal to be given to Transferor and transferee

75. If the Company refuses to register the transfer of any share or transmission of any right therein, the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Company send notice of refusal to the transferee and the transferor or to the person giving intimation of the transmission as the case may be.

### Directors entitled to refuse to register more than three joint-holders

76. The Board shall be entitled to decline to register more than three person as the holders of any share.

### Persons entitled may receive dividends without being registered as Members.

77. A person entitled to a share by transmission shall subject to the right of the Board to retain such dividends or money as hereinafter provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share.

## No fee on transfer or transmission

78. No fee shall be charged for registration of transfer, probate, Succession Certificate Letters of Administration, Certificates of Death or Marriage, Power of Attorney or other similar documents.

## **Register of transfer and transmission**

79. The Company shall keep a book, to be called the "Register of Transfer" and herein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

## **CONVERSION OF SHARE INTO STOCK**

#### Shares may be converted into stock

80. The Company may, by a resolution passed at a General Meeting, convert any paid-up shares into stock and when any shares shall have been converted into stock, the several holders of stock may henceforth transfer their respective interests therein, or any part of such interests in the same manner and subject to the same regulations as the subject to which, shares may be or might have been transferred it no such conversion had taken place, or as near thereto as circumstances will admit.

#### **Rights of stock holders**

81. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as is they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

## Copies of Memorandum and Articles of Association to be sent by the Company to Members

82. The Company shall, subject to the payment of the fee prescribed under Section 39 of the Act or its statutory modification for the time being in force, on being so required by a member, send to him within seven day.

#### Death of one or more joint holders of shares

83. In case of the death of any one or more persons named in the Register of members as the joint-holders of any share, the survivor or survivors shall be the only person recognised 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 shares held by him jointly with any other person.

#### Title to shares of deceased member

84. The executors or administrators of a deceased member or the holder of a succession certificate or the legal representatives in respect of the shares of a deceased member (not being one of two joint holders) shall be the only person recognised by the Company as having any title to the shares registered in the names of such members, and the Company shall not be bound to recognise such executor or administrators or holders of a succession certificate or the legal representatives unless such executers or administrators or legal representative shall have first obtained Probate or Letters of Administration or Succession Certificate, as the case may be, from a duly constituted court or other competent authority in the Union of India provided that in any case where the Board in its absolute discretion thinks fit, the Board may, upon such terms as to indemnity or otherwise as the Board may deem proper, dispense with production of Probate or Letters of Administration or Succession Certificate and register under these Article the names of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

#### Registration of persons entitled to shares otherwise than by transfer

85. Any person becoming entitled to any share in consequence of the death, lunancy, bankruptcy, insolvency, liquidation or winding up as the case may be, of any member or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board (which it shall not be under obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under these Articles, or of his title, as the Board shall require and upon giving such indemnity as the Directors shall require, either by registered as a member in respect of such shares or elect to have some person nominated by him and approved by the Board registered as a member in respect of such shares. PROVIDED NEVERTHELESS THAT if such person shall elect to have his nominee registered, he shall

testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained, and, until he does so he shall not be freed from any liability in respect of such shares. This clause is herein referred to as "THE TRANSMISSION CLAUSE".

## Refusal to register nominee

#### 86. Nomination of shares:

- i. Not withstanding anything contained in any other Article, every holder of shares in, or holder of debentures of the Company may at any time nominate a person in the prescribed manner to whom the shares and/or debentures shall be transferred in the event of his or her death. A member may revoke or vary his her nomination, at any time, by notifying the Company to that effect.
- ii. Where the shares in or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person in whom all the rights of shares or debentures of the Company shall vest in the event of death of all the joint holders.
- iii. Notwithstanding anything contained in any other law for the time being in force or in any disposition whether testamentary or otherwise, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares or debentures of the Company, the nominee shall, on the death of the shareholder or debentureholder or as the case may be, on the death of the last of the joint holders, become entitled to all the rights in the shares or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled, in the manner as may be prescribed under the act.
- iv. Where the nominee is minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares, or debentures of the Company, in the manner prescribed under the act, in the event of his death, during the minority.
- v. Any person who become a nominee by virtue of the aforesaid provisions upon the production of such evidence as may be required by the Board or Committee thereof and subject as hereinafter provided, elect, either
  - a) To be registered himself as holder of shares or debentures, as the case may be: or
  - b) To make such transfer of shares or debentures as the case may be, as deceased shareholder or debentureholder, as the case may be, could have made.
- vi. The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased shareholder or debentureholder, as the case may be, before his death.
- vii. If the nominee elects to be registered as holders of the shares or debentures, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debentureholder, as the case may be.
- viii. A nominee shall be entitled to the share dividend/ interest and other advantages to which he would be entitled if he were the registered holder of the shares or debentures, provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect to be registered himself or to transfer the shares or debentures, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends bonuses or other moneys payable in respect of the shares or debentures, until the requirements of the notice have been complied with.

## **BORROWING POWERS**

#### Power to borrow

87. Subject to the provisions of Section 58A, Section 292 and 293 of the Act and of these Articles, the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board receiving deposits or loans from members either in advance of call or otherwise and generally raise or borrow money by way of deposits, loans, overdraft, cash credit or by issue of bonds, debentures or debenture stock (perpetual or otherwise) or in any other manner, or from any person, firm, company, Co-operative Society, any corporate body, bank, institution, Government or any authority or any other body for the purpose of the Company and may secure the payment of any sum or sums of money so received, raised or borrowed. Provided however, that where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of paid up capital of the Company and its free reserves (not being reserved set apart for any specific purpose) the board shall not borrow such money without the sanction the Company in general meeting. No debt incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender

proves that he advanced the loan in good faith and without knowledge that the limit imposed by the Article had been exceeded.

## The payment or repayment of moneys borrowed etc.

88. The payment and/or repayment of moneys borrowed or raised as aforesaid or any moneys owing otherwise or debts due from the Company may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, and in particular by mortgage charge, lien or any other security upon all or any of the assets or property (both present and future) or the undertaking of the Company including its uncalled capital for the time being, upon the guarantee by any Director or Government or any third party, and the bonds debentures and the debenture stock and other securities may be made assignable, free from equities between the company and the person to whom the same may be issued and also by a similar mortgage, charge or lien to secure and guarantee, the performance by the Company or any other person or company or any obligation undertaken by the Company or by any other person or company as the case may be.

## Terms of issue of debentures, or raising loan

- 89. (1) Any debentures, debenture stock or other securities may be issued at a discount, premium, or otherwise and may be issued or the moneys borrowed otherwise may be borrowed on condition that they or any part of them shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, repayment, allotment of shares, attending (but not voting) at general meetings, appointment of Director and otherwise.
  - (2) Debenture with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.

## Mortgage of uncalled capital

90. If any uncalled capital of the Company is included in or charged by way of mortgage of other security, the Board may, subject to the provisions of the Act and these Articles make calls on the members in respect of such uncalled capital in just for the person in whose favour such mortgage or security is executed, Provided that power to make calls on shares shall not be given to any other person without the consent of the members in General Meeting.

## Register of Mortgage etc., to be kept

- 91. (1) The Board shall cause a proper Register to kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company.
  - (2) The Board shall also cause the requirement of Section 118, 125 and Section 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they fail to be complied by the Board of Directors.

## **Register and Index of Debenture-holders**

92. The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture-holders in accordance with Section 152 of the Act. The Company shall have he power to keep in any State or Country outside India a Branch Register of Debenture-holder resident in that State or Country.

## **MEETING OF MEMBERS**

## **Annual General Meeting**

- 93. (1) The Company shall, in each year hold, in addition to any other meetings, a general meeting as its Annual General Meeting in accordance with the provisions of the Act and shall specify the meeting as such in the notice calling it.
  - (2) Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Registered office of the Company or at some other place within the city or town in which the registered office of the Company is for time being situate as the Board may determine and the Notices calling the meeting shall specify it as the Annual General Meeting.
  - (3) The first Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company, and the next Annual General Meeting shall be held within six months alter the expiry of the financial year in which the first Annual General Meeting was held, and thereafter all subsequent Annual General Meetings shall be held within six months after the expiry of each financial year provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next.

(4) Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act ot extend the time within which any Annual General Meeting may be held.

## **Proxies/Auditors**

(5) Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the Business which concerns him as Auditor.

## Report, statement and Registers to be laid before the Annual General Meeting.

94. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report and Audited Statement of Accounts, Balance Sheet, Auditor's Report (if not already incorporated in the Audited Statement of Accounts etc.). The proxy Register and Registers of Directors Share-holdings, shall remain open and accessible during the continuance of the meeting.

## **Extraordinary General Meeting**

95. All General Meeting other than Annual General Meeting shall be called Extra Ordinary General Meetings.

#### Place of keeping and inspection of registers and returns.

- 96. The Register of Members, Index of Members, the Register and Index of Debenture holders and copies of all Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act shall be kept at the office of the Company. Provided that such registers, indices returns and copies of certificates and documents of any one or more of them may instead of being kept at the office of the Company, be kept at any other place within the city or town in which the office of the Company is situated for the time being if,
  - (i) Such other place has been approved for this purpose by a Special Resolution passed by the Company in General Meeting; and
  - (ii) the Registrar has been given in advance a copy of the purposed Special Resolution.

#### Circulation of Member's Resolution and requisition of meetings by members

- 97. (1) Subject to the provisions of Section 188 of the Act, the Directors shall, on the requisition in writing of such number of members as is hereinafter specified and (unless the Annual General Meeting has otherwise resolved) at the expense of the requisitionists :
  - (a) give to the members of the Company entitled to receive a notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.
  - (b) Circulate to members entitled to have notice of any General Meeting to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or business to be dealt with at that meeting.
  - (2) The number of members entitled to requisition a meeting in regard to any matter shall be such number as held at the date of deposit of the requisition, not less than one-twentieth of such of the paid-up capital of the Company as at that date carried the right of voting in regard to that matter.
  - (3) Notice of any such resolution shall be given and any such statement shall be circulated to members of the company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each member in any manner permitted by the Act for service of notice of the meeting and notice of any such resolution shall be given to any other member by giving notice of theGeneral effect of the resolution in any manner permitted by the Act for giving him notice of meeting. The copy of the resolution shall be served or notice of the effect of the resolution shall be served or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable at the same time as notice of the meeting and where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.
  - (4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:
    - (a) a copy of the requisition signed by the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Office of the Company.
      - (i) in the case of a requisition for notice of a resolution, not less then six weeks before the meeting; and
      - (ii) in the case of any other requisition not less than two weeks before the meeting; and
    - (b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Provided that if after a copy of the requisition requiring notice of resolution has been deposited at the office of the company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purpose thereof.

- (5) The Company shall not also be bound under this article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the right conferred by this clause are being abused to secure needless publicity for defamatory matter.
- (6) Notwithstanding anything in these Articles contained, the business which may be dealt with at an Annual General Meeting shall include a resolution of which notice is given in accordance with this Article and for the purpose of this clause notice shall be deemed to have been so given notwithstanding the accidental omission in giving it to one or more members.

## Extra Ordinary General Meeting by Board and by requisition

98. The Directors, may, whenever they think fit, convene an Extraordinary General Meeting and they shall on requisition by the members as hereinafter provided, forthwith proceed to convene an Extraordinary General Meeting of the Company.

#### Contents of resolution and number of requisitionists required and the conduct of meeting

99. In case of requisition the following shall have effect;

- (1) The requisition shall set out the matters for the consideration of which the meeting is to be called shall be signed by the requisitionists and shall be deposited at the Office of the Company.
- (2) The requisition may consist of several documents in like form each signed by one or more requisitionists.
- (3) The number of members entitled to requisition a meeting in regard to any matter shall be such number as held at the date of the deposit of the requisition, not less than one tenth of such of the paid-up capital of the Company as at that carries the right of voting in regard to that matter.
- (4) Where two or more distinct matters are specified in the requisition, the provisions of clause (3) shall apply separately in regard to each such matters, and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that sub-section is fulfilled.
- (5) If the Board does not, within twenty-one days from the date of the deposit of a valid requisition in regard to any matters proceed to convene a meeting for the consideration of these matters on a day not later than forty-five days from the date of the deposit of the requisition, the meeting may be called:
  - (a) by the requisitionists, or
  - (b) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one-tenth fo the paid-up share capital of the Company as is referred to in sub-section (4) of Section 169 of the Act; whichever is less.

Provided that for the purpose of this clause the Board shall, in the case of a meeting at which a resolution is to be proposed as a special resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.

- (6) A meeting called under clause (3) by the requisitionists or any of them;
  - (a) shall be called in the same manner as early possible, as that in which meeting are to be called by the Board, but:
  - (b) Shall not be held after expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing herein shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid from adjourning to some day after the expiry of that period.
- (7) Where two or more persons hold any shares in the Company jointly, a requisition or a notice calling a meeting by one or some of them shall for the purpose of this Article have the same force and effect as if it had been signed by all of them.
- (8) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionsts by the Company, and any sums so repaid shall be retained by the Company out of any sums due or to become due form the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

## NOTICE

#### Length of notice of meeting

100. (1) A General Meeting of the Company, Annual or Extraordinary and by whomsoever called, may be called by giving not less than twenty one days notice in writing.

- (2) A general Meeting may be called after giving shorter notice than that specified in clause (1) hereof if consent is accorded thereto
  - (i) in the case of Annual General Meeting by all the Members entitled to vote thereat; and
  - (ii) in the case of any other meeting, by members of the Company holding not less than ninety-five percent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting.

PROVIDED THAT where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others those members shall be taken into account for the purposes of this clause in respect of the former resolution and not in respect of the latter.

## Contents and manner of service of notice

- 101. (1) Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereof. PROVIDED THAT if on account of any unforeseen circumstances or events which are beyond the control of the Directors to prevent, including but not limited to earthquake, fire, typhoon, hurricane, flood, cyclone or natural calamities, war, war like events, civil emotion, affray, riots, strike, lock-out, lay-off, go-slow or any other agitation such as ghearao or bandh, by any group of people, and that issuing the notice for holding and General Meeting of the Company. The Directors are of the opinion that it will not be possible to hold and or continue the meeting at such place where the meeting shall have been hold, that meeting may be adjourned and/or reconvened at a new place which the Directors may consider appropriate and for this purpose any notice given by the Directors in any newspaper circulating at the place where the Meeting was to be held originally, shall be sufficient compliance in regard to the issuance of any notice for holding and/or continuing any Meeting of the Company at such new place.
  - (2) Subject to the provisions of the Act, and subject to clause (1) of this Article, notice of every General Meeting shall be given;
    - (a) to every member of the Company in the matter authorised by sub-sections (1) to (4) of Section 53 of the Act;
    - (b) to the persons entitled to a share in consequence of the death, or insolvency of a member, by sending it through the post in prepaid letter addressed to them by name, or by the title of representatives of the deceased, or the assignee of the insolvent or by like description, at the address, if any, in India supplied for the purpose by the persons claiming to be entitled, or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and
    - (c) To the Auditors or Auditor for the time being of the Company, in any manner authorised by Section 53 of the Act in the case of any member of the Company.

PROVIDED THAT where there notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by the Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the members.

(3) Every notice convening a meeting of the Company shall state that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote and attend instead of himself and that proxy need not be a member.

## Special and Ordinary business and explanatory statement

- 102. (1)(a) In the case of an Annual General Meeting, all business to be transacted at the meetings, shall be deemed special with the exception of business relating to
  - (i) The consideration of the accounts, balance sheet and reports of the Directors and Auditors;
  - (ii) The declaration of dividend;
  - (iii) The appointment of Directors in the place of those retiring; and
  - (iv) the appointment of, and the fixing of the remuneration of the auditors.
  - (b) In the case of any other meeting, all business shall be deemed special.
  - (2) Where any items of business to be transacted at the meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such items of business including in particular the nature of the concern or interest, if any, therein of every Director.

PROVIDED THAT where any item of special business at the meeting of the Company relates to or affect any other company, the extent of share-holding interest in that other company of every Director shall be set out in

the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up share capital of that other Company.

(3) Where any item of business consists of according of approval, to any document by meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

#### Commission to give notice not to invalidate proceedings.

103. The accidental omission to give any such notice as aforesaid to or the non-receipt thereof by any member or other person to whom it should be given, shall not invalidate the proceedings of any such meeting.

## PROCEEDING AT THE GENERAL MEETING

#### Notice of business to be given

104. No general Meeting, annual or extraordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the meeting.

## **Quorum at General Meeting**

105. Five members, entitled to vote and present in person shall be quorum for a General Meeting. No business shall be transacted at the General Meeting unless the quorum requisite be present at the commencement of the meeting. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a member of the Company shall be deemed to be personally present if he is represented in accordance with Section 187-A of the Act.

## If quorum not present meeting to be dissolved or adjourned

106. If within half an hour from the time appointed for holding a meeting of the Company a quorum is not present the meeting if called by or upon the requisition of members shall stand dissolved and in any other case the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjourned meeting also quorum is not present within half an hour from the time appointed for holding the meeting the members present shall be quorum and may transact the business for which the meeting was called.

#### **Resolution passed at adjourned meeting**

107. Where a resolution is passed at an adjourned meeting of the company, the resolution shall for all purposes be treated as having been passed on the date on which it was it was in fact passed and shall not be deemed to have been passed on any earlier date.

## **Chairman of General Meeting**

- 108. (1) The Chairman of the Board shall be entitled to take the chair at every General Meeting whether Annual or Extra-Ordinary.
  - (2) 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 such meeting, or shall decline to take the chair, the Vice-Chairman, if any, shall be entitled to take the Chair. If the Vice-Chairman is also not present or is unwilling to take the chair, the Directors present shall elect one of them as Chairman and if no Director be present or if the Directors present decline to take the chair, then the members present shall elect one of their number to be a chairman.
  - (3) If a poll is demanded on the election of the Chairman it shall be taken forthwith in accordance with provisions of the Act and the Chairman as elected shall exercise all the powers of the Chairman under the said provisions. If some other person is elected as a result of the poll he shall be the Chairman for the rest of the meeting.

#### Business confined to election of Chairman whilst chair vacant

109. No business shall be discussed at any General Meeting except the election of a Chairman whilst the chair is vacant.

#### Chairman may adjourn meeting with consent

110. (1) The chairman may, with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, ajdourn the meeting from time to time and from place to place.

- (2) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (3) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- (4) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at an adjourned meeting.

#### Voting to be by show of hands in the first instance

111. At any general meeting, a resolution put to the vote at the meeting shall, unless a poll is demanded, be decided on a show of hands.

#### Chairman's declaration of result of voting on show of hands

112. A declaration by the Chairman that in pursuance of voting on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and any entry to that effect in the books containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of votes in favour or against such resolution.

#### **Demand for Poll**

- 113. (1) Before or on the declaration of the result of the voting on any resolutin on show of hands a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on demand made in that behalf by the person or persons specified below, that is to say:
  - (a) by at least five members having the right to vote on the resolution and present in person or by proxy; or
  - (b) by any member or members present in person or by proxy and having not less than one tenth of the total voting power in respect of the resolution; or
  - (c) by any member or members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution, beign shares on which an aggregate sum has been paid up which is not less than one-tenth of the total sum paid-up on all the shares conferring that right.
  - (2) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

#### Time of taking poll

- 114. (1) A poll demanded on any question of adjournment shall be taken forthwith.
  - (2) A poll demanded on any other question (not being related to the election of a Chairman which is provided for in Article 106) shall be taken at such time not being letter than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the meeting may direct.
  - (3) The demand for a poll may be withdrawn at any time by the persons who made the demand.

## Chairman's casting vote both on a show of hands and on a poll

115. In the case of an equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be otherwise entitled.

## Scrutineers at poll and Chairman's power to remove scrutineer

116. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.

#### Demand for poll not to be prevent transaction of other business

117. The demand for a poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

#### **Special notice**

118. (1) Where by any provision contained in the Act or in these Articles special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than

fourteen days before the meeting at which it is to be moved exclusive of the day on which the notice is served or deemed to be served and the day of the meeting.

(2) The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolutin in the same manner as it gives notice of the meeting, or if that is not practicable, shall give them notice thereof either by advertisment in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the meeting.

## **Resolution requiring special Notice**

- 119. The following resolution shall require special notice:
  - (1) Resolution under Section 225 of the Act at an Annual General Meting appointing as Auditor a person other than a retiring Auditor or providing expressly that a retiring Auditor shall not be re-appointed.
  - (2) Resolution under Section 284 of the Act removing a Director before the expiry of his period of office.
  - (3) Resolution under Section 284 of the Act appointing a Director in place of the Director so removed.

#### **Registration of document with Registrar.**

120. A copy of each of the resolutions or agreement shall, if so required under any provision of the Act, be field with the Registrar.

120A. Notwithstanding anything contained in the forgoing articles, the company may get resolution passed by means of postal ballot, instead of transacting business in the general meeting of the company in accordance with the provisions of section 192A of the Companies Act, 1956 and rules made thereunder.

## VOTING RIGHTS OF MEMBERS

#### Members paying money in advance not to be entitled to vote in respect thereof

121. A member paying the whole or a part of the amount remaining unpaid on any shares held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

#### Restriction on exercise of voting rights of members who have not paid calls

122. No member shall exercise any voting rights in respect of any share registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.

## Number of votes to which member entitled

123. (1) Subject to the provision of the immediately preceding Articles, every member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person for being a body corporate present by a representative duly authorised have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative) or by an agent duly authorised by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital in the Company.

PROVIDED HOWEVER, if any Preference Shareholder be present at any meeting of the Company save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only resolutions before the meeting which directly affect the rights attached to his preference shares.

(2) A member is not prohibited from exercising his voting rights on the ground that he has not held his shares or interest in the Company for any specified period preceding the date on which the vote is taken.

## Votes of members of unsound mind

124. A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on a poll vote by proxy.

#### Votes of joint members

125. If there be joint registered holders of any shares, any one of such person may vote at any meeting personally or by proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting, and, if more than one of such joint holders be present at any meeting either personally or by proxy, that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at the meeting. PROVIDE ALWAYS THAT a person at any

meeting personally shall be entitled to vote in preference to a person present by proxy although the name of such person present by proxy stands first or higher in the Register in respect of such shares. Several Executors or administrators of a deceased member in whose name shares stand shall, for the purpose of these Articles, be deemed joint holders thereof.

### **Representation of body corporate**

126. A body corporate (whether a company within the meaning of the Act or not) may, if it is a member or a creditor of the Company (including a holder of debentures), authorise such persons at it thinks fit by resolution of its Board of Directors or other governing body in accordance with the provisions of Section 187 of the Act to act as representative at any meeting of the members or creditors of the Company or debenture holders of the Company. A person authorised by resolution as aforesaid shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the Company.

## President of India and Governor of a State, how represented

127. Where the President of India or the Governor of a State is a member of the Company, the President or, as the case may be, the Governor may in the manner provided in Section 187 A of the Act, appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of member of the Company and such a person shall be deemed to be a member of the Company and shall be entitled to exercise the same rights and power, including the right to vote by proxy, as the President or, as the case may be the Governor, could exercise as a member of the Company.

#### Votes in respect of deceased or insolvent member

128. Any person entitled under the Transmission clause to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such shares, provided that at least forty-eight hours before the time of holding the meeting or the adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his rights to transfer such shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

#### Voting in person or by proxy

129. Subject to the provisions of these Articles a vote may be given either personally or by proxy.

#### Right of member to use his votes differently

130. On a poll taken at a meeting of the Company 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 in the same way all the votes he uses.

#### Appointment of proxy

131. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS THAT a proxy so appointed shall not have any right whatever to speak at the meeting. Every notice convening a meeting of the Company shall state that a member entitled to attend and vote is entitled to appoint one or more proxies.

#### Proxy either for specified meeting or for a period

132. An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purposes of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

#### Proxy not to vote on a show of hands

133. No member present only by proxy shall be entitled to vote on a show of hands.

#### Deposit of instrument of appointment of proxy

134. The instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of that authority, shall be deposited at the office of the company not less than forty-eight hours before the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

## Form of proxy

135. Every instrument of proxy whether for specified meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing, or, if the appointer is a body corporate be under its seal or be signed by any office or attorney duly authorised by it.

## **Inspection of proxies**

136. Every member entitled to vote at a meeting of the Company according to the provisions of these Articles on any resolution to be moved there at shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect proxies lodged, at any time during the business hours of the Company provided not less than three day's notice in writing of the intention so to inspect is given to the Company.

## Validity of votes given by proxy notwithstanding revocation of authority

137. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, in the case of an individual member, or winding-up in the case of a corporate member, or revocation of the proxy or authority under which such proxy was signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, winding-up revocation or transfer, as the case may be, shall have been receive at the office before the commencement of the meeting, or adjourned meeting at which the proxy is used.

#### Time for objection to the validity of votes

138. No objection shall be made to the qualification of any voter or to the validity of a vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such meeting shall be valid for all purpose. Any such objection made in due time shall be referred to the Chairman of the Meeting.

## Chairman of any meeting to be the judge of validity of any vote

139. The Chairman of any meeting shall be the sole judge of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

## Custody of instruments appointing proxy

140. If any such instrument of appointment be confined to the object of appointing a proxy for voting at meeting of the Company it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If embracing other objects, copy thereof verified with the original shall be delivered to the Company to remain in the custody of the Company.

### Minutes of General Meeting and inspection there of by Members

- 141. (1) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the Conclusion of every such meeting concerned, entires thereof in books kept for that purpose with their pages consecutively numbered.
  - (2) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of death or inability of that Chairman within the period, by a director duly authorised by the Board for the purpose.
  - (3) The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or noninclusion of any matter in the minutes of the aforesaid grounds.

## INSPECTION OF MINUTES BOOK OF GENERAL MEETING

- (i) The book containing the minutes of proceedings of General Meeting shall be kept at the Registered Office of the Company and shall be open, during business hours, for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any member without charge.
- (ii) Any member shall be entitled to be furnished, within the period prescribed by the Act, if he has made a request in that behalf to the Company, with a copy of any minutes referred to in sub-clause (i) on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.

## DIRECTORS

#### **Number of Directors**

142. (a) Unless otherwise determined by a General Meeting of the Company and subject to the provisions of Section 253 of the Act the number of Directors (including Debenture Directors, Special Directors and Corporation Directors, if any) shall be not less than 3 and not more than 12.

## The first Directors of the Company shall be-

- 1. Smt. Rita Ramesh Gajra
- 2. Shri Raj Damodar Kirtani

## **Debenture Directors**

143. Any Trust Deed for securing debentures or debentures stocks, may, if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture stocks, of same person to be a Director of the Company and may empower such trustees or holders of debentures or debenture stocks, from time to time, to remove and reappoint any Director so appointed, the Director appointed under this Article is herein referred to as "Debenture Director". The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

#### Nominee Directors of Financial Corporations - Corporation Director

Notwithstanding anything to the contrary contained in these Articles so long as any moneys remain 144. (i) owing by the Company to the Industrial Development Bank of India (IDBI), Life Insurance Corporation of India (LIC), The Industrial Credit and Investment Corporation of India Limited (ICICI), Industrial Finance Corporation of India, and Unit Trust of India (UTI) or to any other Financial Corporation or Credit Corporation or to any other Financing Company or body out of any loans granted by them to the Company or so long as IDBI, ICICI, IFCI, and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body out of any loans granted by them to the company or so long as IDBI, ICICI, IFCI, UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or body (which ICICI, LIC, IDBI, IFCI AND UTI or any other Finance Corporation or credit Corporation or any other Financing Company or body is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company by direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or conversion of the said loans/debentures, Corporation shall have a right to appoint form time to time, any person or persons as a Director or Directors (which Director or Directors is/are hereinafter referred to as "Corporation Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s. At the option of the Corporation, such Corporation Director/s shall not be required to hold qualification share in the Company. Also at the option of the corporation, such corporation director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Corporation Director/s shall be entitled to the same rights and privileges and be subject to the same obligation as any Director of the Company.

The Corporation Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the corporation holds shares in the Company as a result of underwriting or direct subscription or conversion of the loans/debenture and the Corporation Director/s so appointed in exercise of the said power shall ipso facto vacate his office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/Shares in the Company.

#### Limit on number of non-rotational Directors that may be appointed

145. The Power of Debenture Trustee and the Financial Corporations to appoint non-rotational Directors shall be subject to the provisions of Section 255 of the Companies Act and the total number of such Directors so appointed shall not, in the aggregate exceed one-third of the total number of Director for the time being in office.

#### Appointment of alternate Director

146. (1) The Board may appoint an alternate Director to act for a Director (hereinafter called "the original Director") during his absence for a period not less than three months from any State in India in which meetings of the Board are ordinarily held.

- (2) Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meeting of Directors and to attend and vote as a Directors and be counted for the purpose of quorum and general at such meeting to have and exercise all the powers and duties and authorities of the original Director.
- (3) The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to such state.
- (4) If the term of office of the original director is determined before he returns, to that State, any provision in the Act or or in these Articles for the automatic re-appointment of retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.
- (5) An alternate Director shall not hold office as such for a longer period than what permissible to the original Director in whose place he has been appointed.

## Directors may fill casual vacancies

- 147. (1) The Board shall have power at any time and from time to time to appoint any qualified person to be a Director to fill a casual vacancy, arising out of the office of any Director appointed by the Company in General Meeting being vacated before his term of office expires in the normal course.
  - (2) Such casual vacancy shall be filled by the Board at a meeting of the Board.
  - (3) Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office, if it has not been vacated as aforesaid but he shall then be eligible for re-election.

## **Additional Directors**

148. The Board of Directors shall also have power at any time and from time to time to appoint any other person to be an Additional Directors but so that the total number of Directors shall not at any time exceed the maximum strength fixed for the Board by the Articles, Any person so appointed as an Additional Director shall retain his office only upto the date of the next Annual General Meeting but shall be eligible for election at such meeting, subject to the provisions of the Act.

## No share qualification for Directors

149. A Director shall not be required to hold any qualification shares.

## **Remuneration of Directors**

150. The remuneration of a Director for his services shall be such sum as may be fixed by the Board not exceeding Rupee Five hundred for each meeting of the Board or a Committee thereof attended by him. The Directors may, subject to the sanction of the Central Government (if any required), be paid such further remuneration as the Company in General Meeting shall, from time to time, determine and such further remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine and in default of such determination shall be divided among the Directors equally.

## Extra remuneration to Directors for extra services

151. Subject to the provisions of the Act, if any Director, being willing, shall be called upon to perform extra services (which expression shall include work done by a Director as a member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing out of his usual place of residence or otherwise for any of purposes of the Company, the Company shall remunerate the director so doing either by a fixed sum or otherwise as may be, determined by the Directors, and such remuneration may be, either in addition to or in substitution for his share in the remuneration above provided.

## Travelling expenses incurred by Directors on Company's business

152. The Board may subject to the limitations provided by the Act allow to any director who attends a meeting at a place other than his usual place of residence for the purpose of attending a meeting, such sum as the Board may consider fair compensation for travelling, hotel, and other incidental expenses properly incurred by him, in addition to his fee for attending such meeting as above specified.

## Directors may act notwithstanding vacancy

153. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Continuing Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum or for summoning a General Meeting of the Company, but for no other purpose.

## Vacation of office by Director

154. The office of a Director shall become vacant if any of the disqualification provided by the Act is incurred by a Director.

## Removal of Directors from office

- 155. (a) The Company may (Subject to the provision of Section 284 and other applicable provisions of the Act and these Articles) by Ordinary Resolution remove any Director before the expiry of his period of office.
  - (b) Special notice as provided under Section 190 of the Act shall be required of any Resolution to remove a Director under this Article or to appoint other person in place of a Director so removed at the meeting at which he removed.
  - (c) On receipt of a Resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director (Whether or not he is a member of the Company) shall be entitled to be heard on the Resolution at the meeting.
  - (d) Where a notice is given of a Resolution to remove a Director under this Articles and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall, unless the representation are received by it too late for it to do so, (i) in the notice of the Resolution given to members of the Company state the fact of the representations having been made, and (ii) send a copy of the representations to every member of the Company to whom the notice of the meeting is sent (before or after the representation) by the Company and if a copy of the representations is not sent as aforesaid because they were received too late or because the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting. Provided that copies of the representations need not be sent or read out at the meeting if, on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
  - (e) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board in pursuance of Article 145 and/ or Section 262 of the Act, be filled by the appointment of another Director in his place by the meeting at which he is removed; provided special notice of the intended appointment has been given. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
  - (f) If the vacancy is not filled under sub-clause (e) it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Articles 150 and all the provisions of that Article shall apply accordingly.
  - (g) A director who is removed from office under this Articles shall not be reappointed as a Director by the Board of Directors.
  - (h) Nothing contained in this Article shall be taken:
    - (i) as depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director; or
    - (ii) as derogating from any power to remove a Director which may exist apart from this Article.

## Director may hold office of profit under or contract with the Company

156. Subject to the compliance with the provisions, if any, of the Act and save as therein provided no Director shall be disqualified by his office from holding any office or place of profit under the Company or under any company in which this Company shall be a shareholder or otherwise interested or form contracting with the Company either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract or any arrangement entered into by or on behalf of the Company in which any Director shall be in otherwise interested be avoided, nor shall any Director be liable to account to the Company for profit arising from any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established.

#### **Disclosure of Director's interest**

157. If so required by any of the provisions of the Act, a Director of the Company who is in any way whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act.

#### Directors may contract with the Company

- 158. (1) A Director or his relative, a firm in which such Director or relative is a Partner, any other partner in such firm, or a private Company of which the Director is a member or Director, may enter into contract with the Company for the sale, purchase or supply of any goods, materials or services or services of for underwriting the subscription of any shares in, or debentures of, the Company provided that the sanction of the Board is obtained before or within three months of the date on which the contract is entered into, in accordance with Section 297 of the Act.
  - (2) No sanction however shall be necessary for :
    - (a) any purchase of goods and materials from the Company, or the sale of goods or materials to the Company, by any such Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or
    - (b) any contract or contracts between the Company on one side and any such Director, relative, firm partner or private company on the other, for sale, purchase or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private Company, as the case may be, regularly trades or does business provided, however, that the value of the goods and materials or the cost of such services do not exceed Rs.5,000 in the aggregate in any year comprised in the period of the contract or contracts.

Provided that in circumstances of urgent necessary a Director, relative, firm, partner or private Company as aforesaid may, without obtaining the consent of the Board, enter into any such contract with the Company, for such purchase or supply of any goods, materials or services even if the value of such goods or materials or the cost of such services exceeds Rs.5,000 in the aggregate in any year comprised in the period of the contract if the consent of the Board shall be obtained at a meeting within three months of the date on which the contract was entered into.

#### Interest Director not to participate or vote in Board's proceedings

159. No Director shall as a Director, take any part in the discussion of, or vote on, any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.

Provided that this provision shall not apply to any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the director aforesaid consists solely:-

- (i) in his being a director of such company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as director thereof, he having been nominated as such director by the Company; or
- (ii) In his being a member holding not more than two percent of its paid-up share capital.

## Register of Contracts in which Directors are interested

- 160. The Company shall keep one or more registers in accordance with Section 301 of the Act and shall within the time specified under therein such other particulars of all contracts or arrangements to which Section 297 or Section 299 of the Act applies including the following particulars to the extent they are applicable in each case, namely-
  - (a) the date of the contract or arrangement;
  - (b) the names of the parties thereto:
  - (c) the principal terms and conditions hereof
  - (d) in the case of contract to which section 297 applies or in the case of contract or arrangement to which sub-section (2) of section 299 applies, the date on which it was placed before the Board;
  - (e) the names of directors voting for and against the contract or arrangement and the names of those remaining neutral.

Particulars of every such contract or arrangement to which Section 297 or as the Case may be, sub-section (2) of Section 299 applies, shall be entered in the relevant register aforesaid.

(a) In the case of contract or arrangement requiring the Board's approval within seven days (exclusive of public holidays) of the meeting of the Board at which the contract or arrangement is approved;

(b) In the case of any other contract or arrangement, within seven days of the receipt at the Registered Office of the Company of the particulars of such other contract or arrangement.

## Directors may be Directors of Companies promoted by the Company

161. Director may be or become a director of any Company promoted by the Company or in which it may be interested as a vendor, share-holder, or otherwise, and no such Director shall be accountable for any benefits received as director or shareholder of such company.

#### Appointment of Directors and liability to retire by rotation

162. Not less than two-thirds of the total number of Directors shall (a) be persons whose period of the office is liable to determination by retirement of Directors by rotation and (b) save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.

## **Retirement of Directors by rotation**

- 163. (1) At every 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 multiple of three the number nearest to one-third, shall retire from office.
  - (2) In these Articles a "Retiring Director" means a Director retiring by rotation.

## Ascertainment of Directors to retire by rotation and filling of vacancies

164. 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 those who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot.

#### Eligibility of retiring Directors for re-appointment

165. A retiring Director shall be eligible for-reappointment.

## Company to fill vacancies at General Meeting

- 166. (1) The Company may, at the General Meeting at which a Director retires in manner aforesaid, fill up the vacancy by appointing the Retiring Director or some other person thereto-
  - (2) If the place of Retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is public holiday till the next succeeding day which is not a public holiday, at the same time and place;
  - (3) If at the adjourned meeting also the place of the Retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy the retiring Director shall be deemed to have been reappointed at the adjourned meeting, unless

(i) at that meeting or the previous meeting a Resolution for the re-appointment of such Director has been put to the meeting and lost;

(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board expressed his unwillingness to be so reappointed;

(iii) he is not qualified or is disqualified for appointment

(iv) a resolution, whether Special or Ordinary, is required for his appointment or re-appointment by virtue of any provisions of the Act; or

(v) the provision to sub-section (2) of Section 263 of the Act is applicable to the case.

#### Company may increase or reduce the number of Directors

167. Subject to the provisions of the Act, the Company may, by ordinary resolution, from time to time, increase or reduce the number of Directors and may alter the qualifications for becoming a director.

#### Appointment of Directors to be voted on individually

- 168. (1) No motion at any General Meeting shall be made for the appointment of two or more persons as Director by a single Resolution unless a Resolution that it shall be so made, has been first agreed to by the Meeting without any vote being given against it.
  - (2) A Resolution moved in contravention of clause (1) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided where a Resolution so moved is passed, no provision for the automatic re-appointment of the Retiring Director in default of another appointment as hereinbefore provided shall apply.
  - (3) For the purpose of this Article, a motion for approving a person's appointment or for nominating a person for appointment shall be treated as a motion for his appointment.

## Notice of candidature for office of Director except in certain cases

- 169. (1) No person, not being a Retiring Director shall be eligible for election to the office of Director at any General Meeting unless he or some other member intending to propose him has, at least fourteen days before the meeting, left at the office a notice in writing under his hand signifying his candidature for the office of a Director or the intention of such member to propose him as a Director for that office, as the case may be.
  - (2) The Company shall inform its member of the candidature of a person for office of Director or the intention of a member to propose such person as a candidature for that office by serving individual notice on the members not less than seven days before the meeting. Provided that it shall not be necessary for the Company to serve individual notices upon the members as aforesaid if the Company advertises such candidature or intention not less than seven days before the meeting in at least two newspaper circulating in the place where the Registered Office is located, of which one is published in the English language and the other in the regional language of that place.
  - (3) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as a candidate for the office of a Director shall sign and file with Company his consent in writing to act as a director if appointed.

## Filing of consent to act as Director

170. A person, other than -

- (a) A Director re-appointed after retirement by rotation or immediately on the expiry of his term of office, or
- (b) An additional or alternate Director or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a Director or re-appointed as an additional or alternate Director immediately on the expiry of his term of office, or
- (c) A person named as a Director of the Company under its Articles as first registered, shall not act as Director of the Company unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.

# Disclosure by Director of appointment to any other body corporate and of holding of shares and debentures of the Company.

- 171. (1) Every Director (including a person deemed to be a Director by virture of the Explanation to subsection (1) of section 303 of the Act), Managing Director, Manager or Secretary of the Company shall, within twenty days of his appointment to any of the above offices in any other body corporate, disclose to the Company the particulars relating to his office in the body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.
  - (2) Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.

# Register of Directors and shares and debentures of the company held by them etc. and notification of change to Registrar

- 172. (1) The Company shall keep at its Registered Office a Register containing the particulars of its Directors, Managers, Secretaries and other persons mentioned in Section 303 of the Act and shall send to the Registrar a Return containing the particulars specified in such Register, and shall otherwise comply with the provisions of the said section in all respects.
  - (2) The Company shall also keep at its Registered office a Register in respect of the shares and/or debentures of the Company held by its Directors as required by Section 307 of the Act, and shall otherwise duly comply with the provisions of the said Section in all respects.

## MANAGING DIRECTOR/WHOLE TIME DIRECTOR

#### Appointment of Managing Director and/or Whole Time Director(s) by the Board.

173. The Board may, from time to time, appoint one or more of their body to be Managing Director or Managing Directors or Whole Time Directors of Whole Time Directors of the Company for such term not exceeding five years at a time as they may think fit to manage the affairs and business of the Company any may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

#### Provisions to which Managing Director and Whole Time Director would be subject to

174. Subject to the provisions of the Act and these Articles, the Managing Director or the Whole Time Director shall not while he continues to hold that office, be subject to retirement by rotation. He shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and he shall ipso facto and immediately cease to be Managing or Whole Time Director, as the case may be, if he ceases to hold the office of Director for any reason.

Provided that if at any time the total number of Directors (including Managing Director and Whole Time Director) as are not subject to retirement by rotation shall exceed one-third of the total number of Directors for the time being, then such of the Managing Directors or Whole Time Directors or two or more of them as the Directors may from time to time determine shall be liable to retirement by rotation in accordance with the provision of these Articles to the intent that the total number of director not liable to retirement by rotation shall not exceed one-third of the total number of Directors for the time being.

## Remuneration of Managing or Whole Time Director(s)

175. The remuneration of the Managing Director or Whole Time Director shall, subject to Section 309 and other applicable provisions of the Act and of these Articles and of any contract between him and the Company, be fixed by the Directors, from time to time and may be by way of fixed salary and/or perquisites or commission on profits, or by fee for each meeting of the Board or by and/or all these modes or any other mode not expressly prohibited by the Act.

## Powers and duties of Managing and/or Whole Time Director (s)

- 176. (1) Subject to superintendence, control and direction of the Board, the day to day management of the Company shall be in the hands of the Managing Director(s) and the Whole Time Director(s) appointed under these Articles with power to the Board to distribute such day to day management functions among such Director(s) in any manner as deemed fit by the Board and subject to the provisions of the Act and these Articles the Board may by resolution vest any such Managing or Whole Time Director or Directors such of the power hereby vested in the Board generally as it thinks fit and subject to such restrictions as the Board may determine and the Board may, subject to the provisions of the Act and these Articles, confer such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf and may from the time to revoke, withdraw, alter or vary all or any of such powers.
  - (2) Subject to the provision of the Act and subject to the general control, superintendence and directions of the Board, the Managing Director shall have power on behalf of the Company.
    - to make all sales and purchases and to enter into all contracts and agreements as he thinks (i) proper for the purposes of the Company, execute and sign all dividend warrants and all the documents, instruments, declarations, statements, affidavits, applications, receipts, releases, discharges and papers, on behalf of the Company and to do all other acts, deeds and things, as usual, desirable or expedient in the management of the affairs, purposes and business of the Company and in carrying out its objects and shall have the power to appoint and employ in and for the purpose of the transactions and management of the affairs of the Company or otherwise for the purposes thereof such managers, officers, bankers, secretaries, brokers, experts, engineers, contractors, assistants, clerks, labourers, workmen, peons and other servants, persons or employees as he shall think proper with such power and duties upon such terms as to duration of employment, remuneration or otherwise as he shall think fit and from time to time to remove, suspend or dismiss him or them and appoint other or others of them as he thinks fit and to engage or appoint advocates, legal advises, chartered accountants or other professionals and technical persons on such terms as he considers appropriate for the business or affairs of the Company.
    - (ii) to borrow, make payments, receive and accept moneys and to draw, sign, accept, endorse and negotiate on behalf of the Company all bills of exchange, promissory notes, hundies, cheques, drafts, Government promissory notes, loans or bonds or any other security, debentures, Railway Receipts, way bills, consignment notes, Lorry receipts, Bills of Lading and all other negotiable or transferable instrument and receipts signed by the Managing Director for any moneys, good or property in the usual course of business of the Company or for any moneys, goods or property lent to payable or belonging to the Company shall be effectual discharge on behalf of and against the Company for the moneys, goods or property which in such receipts shall be acknowledged to be received, and the person paying any such moneys, etc. shall not be bound to see to the application or be answerable for any misapplication thereof;

- (iii) to commence, institute, conduct, defend or abandon any action or legal proceedings by or against the company and shall have, for such purpose, power to sign and verify all plaints, written statements, petitions, appeals, declaration appeals, revisions and applications and shall have power to refer any claims by or against the company to arbitration and to perform, observe and challenge the awards.
- (3) The Managing Director may delegate all or any of his powers to such other Directors, Managers, Agents or other persons as he may think fit and shall have power to grant to any such person such power of attorney as he may deem expedient and also to revoke such power at pleasure.

## GENERAL MANAGER

## Appointment of General Manager

- 177. (1) The Directors may from time to time appoint any person to be the General Manager of the Company, or by any other designation as they shall deem fit; and on such terms and conditions as they shall deem fit and may from time to time suspend, remove or dismiss him form office and appoint another in his place.
  - (2) Subject to the provision of the Act and these Articles, the Directors may delegate to the General Manager such powers and entrust him with such duties as they may deem fit from time to time and revoke, cancel, alter or modify the same.
  - (3) The remuneration of the General Manager shall be such as may be determined by the directors from time to time.

## SECRETARY

#### Appointment of Secretary

- 178. (1) The Directors may from time to time appoint a duly qualified person to be the Secretary of the Company and on such terms and conditions as they shall deem fit and may form time to time suspend, remove or dismiss him from office and appoint another in his place.
  - (2) Subject to the provisions of the Act and these Articles, the Directors may delegate to the Secretary such powers and entrust him such duties as they may deem fit from time to time and revoke, cancel, alter or modify the same, and in particular entrust to him the performance of the functions which, by the Act are to be performed by the Secretary of a Company, and other administrative and ministerial duties.
  - (3) The remuneration of the Secretary shall be such as may be determined by the Directors from time to time.

## PROCEEDINGS OF THE BOARD OF DIRECTORS

## **Meeting of the Directors**

179. The Directors may meet together as a Board for the despatch of business from time to time, and shall so meet at least once in every three months and at least four such meeting shall be held in every year. The directors may adjourn and otherwise regulate their meetings as they think fit.

## Notice of Meetings

180. Notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India to every other Director.

#### When meeting to be convened

181. Director may at any time and the Secretary upon the request of a Director made at any time shall convene a meeting of the Board of Directors by giving a notice in writing to every Director for the time being in India and at his usual address in India to every other Director. Notice may be given by telegram to any Director who is not in the State.

#### Quorum for a meeting of the Board

182. (a) Subject to provisions of Section 287 of the Act the Quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors if any, whose places may be vacant at the time and any fraction contained in that one-third rounded off as one) or two Directors, whichever is greater, Provided that where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the total strength, the number of remaining Directors (that is to say, the

number of Directors who are not interested) present at the meeting being not less than two shall be quorum during such time.

(b) For the purpose of clause (a) -

(i) "Total Strength" of the board shall be determined in pursuance of the Act, after deducting thereform the number of the Directors, if any, whose places may be vacant at the time; and
(ii) "Interested Director" means any Director whose presence cannot by reason of any other provisions in the Act count for the purpose of forming a quorum of a meeting of the Board at the time of the discussion or vote on any matter.

#### Adjournment of meeting for want of a quorum

183. If a meeting of the Board could not be held for want of quorum then the meeting shall stand adjourned and to such other date, time and place as the Director or Directors present at the meeting may decide.

## Chairman

184. The Directors shall elect one of their number to be the Chairman of the Board. The Chairman shall preside over the meetings of the Board. If at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors shall elect one of their number to be the Chairman of such meeting.

### Questions at Board Meeting how decided

185. Subject to the provisions of the Act, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

## Powers exercisable at Board Meetings

186. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of its authorities, powers and discretions which by or under the Act or those Articles or the regulations for the time being of the Company are vested in or exercisable by the Board generally.

#### **Directors may appoint Committees**

- 187. (1) The Board may subject to the provisions of Section 292 and 292A other relevant provisions of the Act and of these Articles, appoint committees of the Board and delegate any of the powers, other than the powers to make calls and to issue debentures, to such committee or committees and may from time to time revoke and discharge any such committee either wholly or in part and either as to the person or purposes, but every committee so formed shall in exercise of the powers so delegate conform to any regulations that may from time to time be imposed on it by the Board.
  - (2) The quorum for a meeting of a committee shall be two persons present in person.

#### Meeting of a Committee how to governed

188. The meetings and proceedings of any such Committee of the Board shall be governed by the provisions herein contained for regulating meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by Board under the last preceding article.

#### **Circular Resolutions**

- 189. (1) A resolution passed by circular without a meeting of the Board or of a Committee shall, subject to the provisions of clause (2) hereof and the Act, be as valid and effectual as a resolution duly passed at a meeting of the Board or of a Committee duly called and held.
  - (2) A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, if the resolution has been circulated in draft together with necessary papers, if any, to all the Directors or to all the members of the Committee (not being less in number than in the quorum fixed for a meeting of the Board or Committee, as the case may be), and to all other Directors or members of the Committee at their usual addresses and has been approved by such of the Directors or members of the committee as are in India or by a majority of such of them as are entitled to vote on the resolution.

#### Acts of the Board or Committee valid notwithstanding defect in appointment

190. All acts, done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of one or more of such directors or any person acting as aforesaid, or that they or any of them were disqualified or that the appointment of any of them was terminated by virtue of any provisions

contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director.

Provided nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have been terminated.

## Minutes of proceedings of meetings of the Board

- 191. (1) The Company shall cause minutes of all proceedings of every meeting of the Board or of every committee of the Board to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.
  - (2) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat;
  - (3) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
  - (4) The minutes shall also contain details of -
    - (a) the names of the Directors present at the meeting.
    - (b) all orders made by the Board and Committee of the Board;
    - (c) all resolutions and proceedings of meetings of the Board; and

(d) in the case of each resolution passed at the meeting, the names of Directors if any, dissenting from or not concurring in the resolution.

- (5) Nothing contained in clause (1) to (4) shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting-
  - (a) is or could reasonable by regarded as defamatory of any person;
  - (b) is irrelevant or immaterial to the proceedings; or
  - (c) is detrimental to the interest of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this clause.

#### Powers of the Board

192. The business of the Company shall be managed by the Board who may exercise all such powers of the Company any do all such acts and things as are not, by the Act, or any other law or by the Memorandum or by the Articles required to be exercised by the Company in General Meeting, subject nevertheless to these Articles or to the provisions of the Act. or any other law and to such regulation (being not inconsistent with these Articles or the aforesaid provision), as may be prescribed by the Company in General Meeting but no regulation may by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

## Certain powers of the Board

193. Without prejudice to the general powers conferred by Articles 192 and so as not in any way to limit to restrict these powers, and without prejudice to the other powers, conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers;

## To pay cost for formation of the Company.

(1) To pay the costs, charges and expenses preliminary and incidental of the formation, promotion, establishment and registration of the Company;

## To pay commission or interest

(2) To pay out of the capital and charges to the Capital account of the Company any commission or interest lawfully payable there out under Section 76 and 208 of the Act;

## To acquire any property, rights etc.

(3) Subject to Section 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, rights, or privileges which the Company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit and in such purchase or other acquisition accept such title as the Directors may believe or may be advised to be reasonably satisfactory;

#### To pay for property

(4) At their discretion and subject to the provision of the Act, to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the company and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon, and any such bonds, debentures, mortgages or other securities may be either specifically charges upon all or any part of the property of the Company and its uncalled capital or not so charged;

#### To secure contracts by mortgage

(5) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge all or any of the property of the Company including its whole or part of its undertaking as a going concern and its uncalled capital for the time being or in such manner as they think fit;

## To accept surrender of shares

(6) To accept from any member, so far as may be permissible by law, surrender of his shares or any part thereof, on such terms and conditions as shall be agreed;

#### To appoint trustees for the Company

(7) To appoint any person to accept and hold in trust, for the Company property belonging to Company, or in which it is interested or for any other purposes and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees;

## To conduct legal proceedings

(8) To institute, conduct defend, compound or abandon any legal proceeding by or against the Company or its officer, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due, and of any claims or demands by or against the Company and to refer any difference to arbitration, either according to Indian Law or according to foreign law and either in India or abroad and observe and perform or challenge any award made thereon;

#### To act in matters relating to insolvents.

(9) To act on behalf of the Company in all matters relating to bankrupts and insolvents;

#### To issue receipts and give discharge

(10) To make and give receipts, release and other discharge for moneys payable to the Company and for the claims and demands of the Company;

## To invest the money of the Company

(11) Subject to the provision of Section 292, 293(1), 295, 370, 372, 372A and 373 of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof, upon such security (not being the shares of this Company) or without security and in such manner as they may think fit and from time to time to vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name;

#### To give security by way of indemnity

(12) To execute in the name and on behalf of the company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgage of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and other powers, provisions, covenants and agreements as shall be agreed upon;

## To determine singing powers

(13) To determine from time to time who shall be entitled to sign, on Company's behalf, bills, notes, receipts, acceptance, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose whether by way of a resolution of the Board or by way of a powers of attorney or otherwise;

## To distribute profits of the Company among officers and others

(14) To distribute by way of bonus amongst the staff of the Company as a share or shares on the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of working expenses of the Company.

## To provide for provident fund, gratuity etc. to Directors and employees

(15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and wives, windows, and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwellings or by grant of money pensions, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provident and other associations, institutions, funds, or trusts and by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and subject to the provisions of the Section 293(1)(e) of the Act, to subscribe or contribute or other institutions or objects which shall have any moral or other claims to support or aid by the Company, either by reason or locality of operation, or the public and general utility or otherwise;

#### To provide for reserves, etc.

Before recommending any dividend subject to the provisions of Section 205 of the Act, to set aside (16)out of the profits of the Company such sums as they may think proper for depreciation fund, or to insurance fund, or as a reserve fund or sinking fund or any special fund to meet contingencies or to repay Debentures or Debenture Stock or for special dividends or for equalising dividends or for repairing, improving, extending, and maintaining any of the properties of the Company and for such other purposes (including the purpose referred to in the preceding clause) as the Board may, in their absolute discretion think conducive to the interest of the Company, and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as may be required to be invested, upon such investments (other than share of this Company) as they may think fit, and from time to deal with and vary such investment and dispose off and apply and expand all or any part thereof for the benefit of the Company in such manner and for such purposes as the Board in their absolute discretion think conducive to the interest of the Company notwithstanding the matters to which the Board apply or upon which the capital moneys of the company might rightly be applied or the expanded; and to divide the reserve fund into such special funds as the Board may think fit; with full power to transfer the whole or any portion of a reserve fund or divisions of a reserve fund and with another reserve fund and/or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the company or in purchase or repayment of debentures or debenture stocks and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same, with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum;

#### To appoint and remove officers and other employees

(17) To appoint, and at their discretion remove or suspend such general manager, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economical advisers, research workers, labourers, clerks, agent and servants for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and to fix their salaries, or emoluments or remuneration, and to require securities in such instances and for such amounts they may think fit, and also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit; and the provision contained in the next following clauses shall be without prejudice to the general powers conferred by this clause;

#### To comply with provisions of local law

(18) To comply with the requirement of any local law which in their opinion it would be in the interest of the Company be necessary or expedient to comply with;

### **To appoint Local Boards**

(19) From time to time and at any time to establish any Local board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such Local Boards, and to fix their remuneration;

## To delegate powers to members of Local Boards

(20) Subject to Section 292 of the Act, from time to time, and at any time to delegate to any person so appointed any of the powers, authorities, and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow moneys; and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and such appointments or delegation may be made on such terms and conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or very such delegation.

#### **To appoint Attorneys**

(21) At any time and from time to time by power of attorney under the seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such power, authorities and discretion (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls land excluding also except in their limits authorised by the Board the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit, and any such appointment may (if the Board think fit) be made in favour of the members or any of the members of any Local Board established as aforesaid or in favour of any company, or the shareholders, Directors, nominees or managers of any company or a Firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any powers of attorney may contain such powers for the protection or convenience for dealing with such Attorneys as the Board may think fit, and may

contain powers enabling any such delegates Attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.

#### To enter into contracts

(22) Subject to Section 294, 287 and 300 of the Act, for or in relation to any of the matters aforesaid or otherwise of the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and to such acts, deeds and things in the name and on behalf of the Company as they may consider expedient;

#### To make rules

(23) From time to time to make, vary and repeal rules for the regulation of the business of the Company, its officers and servants.

## To effect contracts etc.

(24) To effect, make and enter into on behalf of the Company all transactions, agreements and other contracts within the scope of the business of the Company.

## THE SEAL

#### The seal its custody and use

- 194. (1) The board shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody, of the seal for the time being under such regulations as the Board may prescribe.
  - (2) The Seal shall not be affixed to any instrument except by the authority of the Board or a Committee of the Board, previously given and in the presence of atleast one Director of the Company and countersigned by the Secretary, if any, or any other person authorised by the Board, who shall sign every instrument to which the seal is affixed.
  - (3) Debenture may be signed by one Director whose signature by the Board of Directors and subject to such regulations as may be prescribed by the Board for the purpose, may be reproduced and affixed by mechanical means.
  - (4) Any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding irregularity touching and the authority of the Board or issue of the same.
  - (5) The certificate of shares or debentures shall be sealed in the manner and in conformity with the provisions of the Companies (Issue of Share Certificate) Rules, 1960, and their statutory modifications for the time being in force.
  - (6) The Company shall also be at liberty to have an official seal in accordance with the Section 50 of the Act for use in any territory district or place outside India.

#### **Division of profits**

- 195. (1) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid in proportion to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of the shares in the Company dividends may be declared and paid according to the amounts of the shares.
  - (2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Article as paid on the share.

## The Company in general meeting may declare dividends

196. The Company in General Meeting may declare dividends to be paid to members according to their respective rights and interest in the profits and may fix the time for payment and to company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors, but the Company may declare a smaller dividend in the general meeting.

#### Dividends only to be paid out of profits

- 197. No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both provided that -
  - (a) if the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying dividend for any financial year provide for such depreciation out of the profits of that financial year or out of that profits of any other previous financial year or years;

(b) if the Company has incurred any loss in any previous financial year or years, the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or years or those years whichever is less, shall be set off against the profits of the company for which the dividend is proposed to be declared or paid or against the profits of the company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of Section 205 of the Act, or against both.

## Interim dividend

198. The Board of Directors may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

## Capital paid-up in advance at interest not to earn dividend

199. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right, to dividend or to participate in profits.

### Dividends in proportion to amount paid-up

200. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such share shall form dividend accordingly.

#### Retention of Dividends until completion of transfer under Article 75

201. The Board may retain the dividend payable upon shares in respect of which any person upon Article 75 has become entitled to be a member, or any person under that article is entitled to transfer, until such person becomes a member, irrespective of such shares or shall duly transfer the same.

#### Effect of transfer of Shares

202. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

#### Dividend, etc. to joint holder

203. Any one of several persons who are registered as joint holders of any shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share.

#### Dividend etc. how remitted

- 204. (1) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant payable only in India, or by a pay slip or receipt having the force of a cheque or warrant, sent through post direct to the registered address of the member or person entitled to the payment of the dividend or in case of joint holders to registered address of that one of the members who is first named on the Register of Member in respect of joint holding or to such address as the holder or the joint holder may in writing direct.
  - (2) Every cheque or warrant shall be crossed and made payable to the order of the person to whom it is sent.
  - (3) The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission or for dividend lost, to the member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

## Unclaimed dividend not to be forfeited

205. No Unclaimed dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205(A) and 205C of the Act in respect of such dividend.

# No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereout

206. No member shall be entitled to receive payment of interest or dividend or bonus in respect of his share of shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons, and the Board of Directors may deduct from them interest or dividend to any member all such sums of money so due from him to the Company.

## Notice of dividend

207. Notice of declaration of any dividend, interim on otherwise, shall be given to the registered holder of share in the manner herein provided.

## Dividend to be paid within thirty days

- 208. The Company shall pay the dividend or send the warrant in respect thereof to the shareholder entitled to the payment of dividend, within thirty days from the date of declaration unless:
  - (a) Where the dividend could not be paid by reason of the operation of any law;
  - (b) Where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with;
  - (c) Where there is a dispute regarding the right to receive the dividend;
  - (d) Where the dividend has been lawfully adjusted by the Company against any sum to it from the shareholder or
  - (e) Where for any other person, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

## Undistributed dividend to be transferred to special account with a Scheduled Bank

- 209. (a) Where the dividend has been declared but not paid but the warrant in respect thereof has not been posted, within 30 days from the date of the declaration to any share holder entitled to the payment thereof, the company shall within 7 days from the date of expiry of the said period of 30 days transfer the total amount of dividend which remains unpaid in relation to which no dividend has been posted within said period of 30 days to a special account to be opened by the Company in that behalf in any Scheduled Bank, to be called unpaid 'dividend' account of the company.
  - (b) Any money transferred to the unpaid dividend account of the Company in pursuance to Clause 209(a) of the Articles of Association which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to the Fund established under sub-section (1) of Section 205C of the Companies Act, 1956."
  - (c) The Company shall when making any transfer under clause (b) hereof to the Fund established under section 205C of the Companies Act, 1956, any unpaid or unclaimed dividend furnish to such authority or committee as the Central Government may appoint in this behalf a statement in the prescribed form setting forth in respect of all persons entitled to receive the sum, the amount to which each person is entitled and the nature of his claim thereof and such other particulars as may be prescribed.

#### Dividend and call together

210. Any General Meeting declaring a dividend may, on the recommendations of the Directors make a call on the members of such amount as the meeting fixed but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between the Company and the members be set off against the call.

### No interest on dividends

211. No unpaid dividend shall bear interest as against the Company.

## CAPITALISATION

## Capitalisation of undisbursed profits etc

- 212. (1) The Company in General Meeting may, upon the recommendation of the Board, resolve that any moneys, investments or other assets forming part of the undistributed profits of the company standing to the credit of the Reserve fund, or to profit and loss account 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 capitalised and distributed amongst such of the Members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such members in paying up in full either at par or at such premium as the resolution may provide, any unissued shares of the company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or partly in one way and partly in the other, and that such distribution or payment shall be accepted by such Members in full satisfaction of their interest in the said capitalised sum.
  - (2) A General meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the company or any investments representing the same, or any other undistributed profits of

the Company not subject to charge for income-tax be distributed among the Member on the footing that they receive the same as capital.

(3) The Board shall give effect to the resolution passed as aforesaid and for that Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that such cash payments shall be made to any Members upon the footing of the value so fixed or that fraction of less value than Rs. 10 may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trust for the person entitled to the dividend or capitalised funds as may seem expedient to the Board. where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such contract on behalf of persons entitled to dividend or capitalised fund, and such contract on behalf of persons entitled to dividend or capitalised fund, and such contract on behalf of persons entitled to dividend or capitalised fund, and such contract on behalf of persons entitled to dividend or capitalised fund, and such contract on behalf of persons entitled to dividend or capitalised fund.

## **Fractional certificates**

213. (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall:

(a) make all appropriations of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, and

(b) generally do all acts and things required to give effect thereto.

(2) The Board shall have full power:

(a) to make such provision by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit in the case of shares becoming distributable in fractions; and also

(b) to authorise any person to enter on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of amounts remaining unpaid on their existing shares.

- (3) Any agreement made under such authority shall be effective and binding on all such members.
- (4) That for the purpose of giving effect to any resolution, under the preceding clause of this Article, the Directors may give such directions as may be necessary and settle any questions or difficulties that may arise in regard to any issue including distribution of new equity shares and fractional certificates as they think fit.

## ACCOUNT

#### **Directions to keep true Accounts**

214. (1) The company shall keep at the office or at such other place in India as the Board thinks fit, proper books of account in accordance with Section 209 of the Act with respect to

(a) All sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place :

- (b) the assets and liabilities of the Company -
- (c) all sales and purchases or goods by the Company.
- (2) The books of accounts shall be kept at the office or at such other place or places as the Board thinks fit and shall be open to inspection by any Director during business hours.
- (3) The Company shall preserve in good order the books of account relating to period of not less than eight years preceding the current year together with the voucher relevant to entries in such books of account.
- (4) When the Company has a branch office, Whether in or outside India, the company shall be deemed to have complied with this Article if proper books of account relating to the transaction effected at the branch office are kept at the branch office and proper summarised returns. made up-to dates at intervals of not more than three months are sent by the branch office to the Company at its Registered Office or other place in India, at which the company's books of accounts are kept as aforesaid.

#### Inspection of Accounts or Books by Members

215. (1) The Board of Directors shall from time to time determine whether and to what extent and at what times and place and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member not being a Director, shall have and right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Board of Directors.

## **Balance Sheet and Auditor's Report**

- 216. (1) The profit and Loss Account and Balance Sheet shall be signed by two Directors and by the General Manager or Manager or Secretary or Chief Accountant, if any, of the company, provided that if there is only one Director present in India at the or that the other Directors are not available for any reason, the Profit and Loss Account and Balance Sheet shall be signed by such Director but in such a case there shall sub-jointed to the Profit and Loss Account and Balance Sheet a statement signed by such Director explaining the reason for noncompliance with the aforesaid provision requiring the signature of two Directors.
  - (2) The Profit and Loss Account and Balance Sheet shall be audited by the Auditor and the Auditor's Report (including the Auditor's separate, special or supplementary report, if any) shall be attached thereto and such Report shall be read before the Company in General Meeting and shall be open to inspection by any Member.

## AUDIT

## Accounts to be audited

217. Every Balance Sheet and Profit & Loss Account shall be audited by one or more auditor (s) to be appointed as hereinafter mentioned.

#### First Auditors to be appointed by the Board

218. (1) The first Auditor or Auditors of the Company shall be appointed by the Board of Director within one month of the date of registration of the Company; and the Auditor or Auditors so appointed shall hold office until the conclusion of the first Annual General Meeting.

## **Appointment of Auditors**

219. (1) The company shall at each Annual General meeting, appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment give intimation thereof to every Auditor so appointed, unless he is retiring Auditor.

#### **Qualifications and Disqualifications of Auditors**

220. The qualifications and disqualifications of Auditors shall be those contained in Section 226 of the Act.

## Auditors to receive notice of certain meetings

221. 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 or Auditors of the Company; and the auditor or Auditors of the Company, shall be entitled to attend any General Meeting and to be heard at any General Meeting which he or they attend on any part of the business which concerns him or them as Auditor or Auditors.

## Accounts when Audited and approved to be conclusive except as to errors discovered within three months

222. Every Account of the Directors when audited and approved by a General Meeting shall be conclusive except as regards any error discovered therein within three months next after the approval thereof. Whenever any such error is discovered within that period the Account shall forthwith be corrected, and henceforth shall be conclusive, subject to the approval of the Company in General Meeting.

#### **DOCUMENTS AND NOTICES**

## Service of document or notices on members by the Company

223. A document or notice may be served by the Company on any member thereof either personally or by sending it by post to him at his registered address or if he has no registered address or if he has no registered address in India, to the address if any within India supplied by him to the Company for serving document or notice on him.

#### Service by post

- 224. Where a document or notice is sent by post:
  - (a) service thereof shell be deemed to be effected by properly addressing, preparing and posting a letter containing the document or notice :
    - Provided that where a member has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by registered post, with or without

acknowledgment due, and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is in the manner intimated by the member:

- (b) such service shall be deemed to have been effected :
  - (i) In the case of a notice of meeting at the expiration of forty eight hours after the letter containing the same is posted and
  - (ii) In any other case at the time at which the letter would be delivered in the ordinary course of post:

#### Service by advertisement

225. A document or notice advertised in a newspaper circulating in the neighbourhood of the Registered Office of the Company shall be deemed to be duly served on the day on which the advertisement appears, on every member of the Company who had no registered address in India and has not supplied to the company an address within India for serving of documents or the sending or notices to him.

## Service on joint holders

226. A document or notice may be served by the Company on or to the joint-holders of a share by serving it on or to the joint-holder named first in the Register in respect of the share.

# Service on Official Receiver or liquidators and person entitled to a share consequent on the death etc. of member

227. A document or notice may be served by the Company on or to the person 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 title or representatives of the deceased or assignees of the insolvent or by any like description, at the address, if any in India supplied for the purpose by the person to be so entitled, or until such an address has been so supplied by serving the document or notice in any manner in which it might have been served if the death or insolvency had not occurred.

#### Signing of documents and notices to be served or given by company

228. Any document or notice to be served or given by the Company be signed by a Director or such person duly authorised by the Board for such purpose and the signature may be written or printed or lithographed.

#### To whom the documents or notices must be served or given

229. Document or notices of every General Meeting shall be served or given in the same manner herein before authorised on or to every member, every person entitled to a share in consequence of the death or insolvency of a member and the Auditor or Auditors for the time being of the company.

PROVIDED THAT When the notice of the meeting is given by advertising the same in newspaper circulating in the neighbourhood of the office of the Company, pursuant to Article 232 a statement of material facts referred to in Article 100 need not be annexed to the notice, as is required by that Article, but it shall merely be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

#### Members bound by documents or notices served on or given to previous holders

230. Every person who by operation of law, transfer or by other means whatsoever, becomes entitled to any share shall be bound by every document or notice in respect of such share, which prior to his name and address being entered on the Register of Members, shall have been duly served on or given to the person from whom he derived his title to such share.

#### Service of documents on Company

231. A document may be served on the Company or an officer thereof by sending it to the company or Officer at the Registered Office or by leaving it at its Registered Office.

#### Service of documents by Company on the Registrar of Companies

232. A document may be served on the Registrar of Companies by sending it to him at his office by ordinary post or by under a Certificate of posting or by Registered Post or by delivering it to or leaving it for him in his office.

#### Authentication of documents and proceedings

233. Save as otherwise expressly provided in the Act, a document or proceeding requiring authentication by the Company may be signed by a Director, the Manager or Secretary or other authorised officer of the company and need not be under the common seal of the company.

## Power of promoter to give directives and of chairman to reserve important

## **Decisions for promoter**

## Power of promoter to give directives

234. Notwithstanding anything contained in any of these Articles, so long as the Promoter holds not less than 51% of the subscribed capital of the Company the Promoter may from time to time, issue to the Directors such directives as it may consider necessary in regard to the conduct of the business of the Company, and in like manner may vary and annul any such directive. The Directors shall give immediate effect to the directives so issued.

## Chairman to reserve certain important decisions for consideration of Promoter

235. The Chairman shall reserve for the approval of the Promoter any proposals to or decisions of the Board of Directors in respect of any matter which in the opinion of the Chairman should be reserved for such approval on the ground that they are likely to affect the Promoter as the majority share holder in the Company. No action shall be taken by the Company in respect of any proposals or decisions of the Board of Directors reserved for the approval of the Promoter as aforesaid until its approval for the same has been obtained.

## WINDING UP

## Distribution of assets

236. If the Company shall be wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid-up at the commencement of the winding-up on the shares held by them respectively. If in a winding-up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed amongst the members in proportion to the capital, at the commencement of the winding-up, paid-up or which ought to have been paid-up on the shares by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions and preference shares-holders shall have prior rights to re-payment of capital and dividend due.

## Distribution of assets in specie

237. If the company shall be wound up whether voluntarily or otherwise the Liquidators, may, with the sanction of special resolution, divide among the contributories, in special or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributors or any of them, as the Liquidators, with the like sanction, shall think fit.

## SECRECY

238. Every Director, Manager, Secretary, Trustee for the Company its members or debentures holders members of a Committee, officer, servant, agent, accountant 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 transactions of the company with its customers and the state of accounts with individuals and in matters relating thereto shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required so do by the Board or by any General Meeting or by a Court of Law and except so far as may be necessary in order to comply with any of the provisions of there Articles contained.

## No member to enter the premises of the Company without permission

239. No shareholder or person (not being a Director) shall be entitled to enter upon the premises of the company or to inspect or examine the Company's premises or properties without the permission of the Board 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 matter of trade, or secret process, or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Board will be inexpedient in the interest of the Company to communicate.

## INDEMNITY

#### **Indemnity of Directors and others**

- 240. (1) Save and except so far as the provision of this Article shall be avoided by Section 201 of the Act the Board of Directors, Managing Director, Managers, Secretary and other officers or other employee for the time being of the Company, Auditor and the trustees, if any for the time being acting in relation to any of the affairs of the Company, and every one of them and every one of their heirs, executors and administrators shall be indemnified and secured harmless out of the assets and profits of the company from and against all actions, costs charges, losses, damages and expenses which they or any of them or any of their executors or administrators shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such, if any as they shall incur or sustain through or by their own wilful neglect or default respectively.
  - (2) Save as except so far as the provisions of this Article shall be avoided by Section 201 of the Act none of them shall be answerable for the acts, receipts, neglects or defaults or the other or others of them or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the company shall or may be lodged or deposited for safe custody or for the insufficiency or deficiency of any security upon which any moneys of or belonging to the company shall be placed out or invested or for any other loss, misfortune or damaged which may happen in the execution of their respective offices or trusts or in relation thereto, except when the same shall happen by or through their own willful neglect or default respectively.

## SECTION XI - OTHER INFORMATION

## MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements (not being contracts/agreements entered into in the ordinary course of business carried on by Our Company or entered into more than two years before the date of this DRHP) which are or may be deemed material have been entered or to be entered into by Our Company. These contracts/agreements, copies of which have been attached to the copy of the DRHP, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of Our Company from 10.00 a.m. to 4.00 p.m. on working days from the date of this DRHP until the Bid/Issue Closing Date.

#### A. Material Contracts:

- 1. Memorandum of Understanding dated August 3, 2010 entered into between Our Company and Ashika Capital Limited, the Book Running Lead Manager.
- 2. Memorandum of Understanding dated September 6, 2010 entered into between Our Company and Bigshare Services Private Limited, the Registrar to the Issue.
- 3. Copy of Tripartite Agreement dated [•] entered into among Our Company, CDSL and the Registrar to the Issue.
- 4. Copy of Tripartite Agreement dated [•] entered into among Our Company, NSDL and the Registrar to the Issue.
- 5. Escrow Agreement dated [•] entered into among Our Company, the Book Running Lead Manager, the Escrow Collection Banks and the Registrar to the Issue.
- 6. Syndicate Agreement dated [•] entered into among Our Company, the Book Running Lead Manager and the Syndicate Members.
- 7. Underwriting Agreement dated [•] entered into among Our Company, the Book Running Lead Manager and the Syndicate Members.

## **B.** Material Documents:

- 1. Memorandum and Articles of Association of Our Company, as amended from time to time.
- 2. Copy of Certificate of Incorporation dated March 08, 1991, issued by the Registrar of Companies, Maharashtra.
- 3. Copy of Board Resolution noting the change of status upon conversion into a deemed public company with effect from July 1, 1994 by operation of section 43A(1-A) of the Companies Act .
- 4. Copy of Fresh Certificate of Incorporation dated April 8, 1999, issued by RoC consequent to change of name of Our Company from 'Gajra Transmission And Differential Gears Limited' to 'Gajra Differential Gears Limited'.
- 5. Copy of Fresh Certificate of Incorporation dated August 31, 1999, issued by RoC consequent to change of name of Our Company from 'Gajra Differential Gears Limited' to 'Gajra Differential Gears Private Limited'.
- 6. Copy of Fresh Certificate of Incorporation dated September 14, 2010 consequent on change of name issued by RoC consequent to change in constitution of Our Company from Private Limited to Public Limited.
- 7. Copy of the Board Resolution passed under at its meeting held on April 14, 2010 authorising the Issue, subject to the approval of our shareholders under Section 81(1A) of the Companies Act.
- 8. Copy of the Shareholders Resolution passed under Section 81(1A) of the Companies Act, 1956 at the Annual General Meeting held on July 15, 2010 authorising the Issue.

- Copy of the Board resolution datedMay 28, 2009, approving the re-appointment and remuneration of Ms. Rita R. Gajra, as the Whole Time Director Our Company, for a period of five (5) years with effect from November 27, 2006.
- Copy of the Board resolution dated March 15, 2010 approving the re-appointment and remuneration of Mr. Raj D. Kirtani as the Managing Director Our Company, for a period of five (5) years with effect from April 01, 2010.
- 11. Copy of resolution of the meeting of Board of Directors of the company held on August 26, 2010 inter-alia constituting the Audit Committee, Investor's Grievance Committee and Remuneration Committee.
- 12. Copies of Annual Reports of Our Company for the years ended March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010.
- 13. Report of the Statutory Auditor of Our Company, M/s. P. N. Nagar & Co., Chartered Accountants, dated January 20, 2011 on restated financial statements for the last five financial years, as mentioned in the DRHP.
- 14. Certificate from the Statutory Auditor of Our Company, M/s. P. N. Nagar & Co., Chartered Accountants dated January 20, 2011 regarding the Statement of Tax Benefits.
- 15. Consents of the Book Running Lead Manager, the Syndicate Member(s), the Registrar to the Issue, the Bankers to Our Company, the Bankers to the Issue and Escrow Collection Bank(s), the Legal Advisor to the Issue, the IPO Grading Agency, the Directors of Our Company, the Company Secretary & Compliance Officer, the Statutory Auditor of Our Company and the Underwriter(s) to include their names in the Offer Document to act in their respective capacities.
- 16. No Objection Certificate, to carry on the proposed public issue from State Bank of India, Indore dated September 7, 2010 and Madhya Pradesh Financial Corporation dated September 30, 2010.
- 17. IPO Grading Report dated [•] issued by [•].
- 18. Initial listing applications dated [•] filed with BSE.
- 19. In principle listing approval from BSE vide their letter dated [•].
- 20. Due Diligence Certificate dated January 20, 2011 to SEBI from Ashika Capital Limited, the Book Running Lead Manager.
- 21. Copy of resolution passed at the meeting of Board of Directors held on January 20, 2011 for approving this DRHP.
- 22. SEBI observation letter no. [•] SEBI dated [•].

Any of the contracts or documents mentioned in this DRHP may be amended or modified at any time if so required in the interest of Our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## SECTION XII - DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, and the guidelines issued by the Government of India or the guidelines and regulations issued by SEBI, applicable, as the case may be, have been complied with and no statement made in this DRHP is contrary to the provisions of the Companies Act, the SEBI Act or the rules made or regulations issued there under, as the case may be, and that all approvals and permissions required to carry on the business of Our Company have been obtained, are currently valid and have been complied with.

We, the Directors of Our Company, hereby declare and confirm that no information/ material likely to have a bearing on the decision of the investors in respect of the Equity Shares issued in terms of this DRHP has been suppressed/ withheld and/ or incorporated in the manner that would amount to misstatement/ misrepresentation. We further certify that all the statements in this DRHP are true and correct.

## Signed by the Directors of Our Company:

**Rita R. Gajra** Whole Time Director

Raj D. Kirtani Managing Director

Mahendra Kumar Shah Director

Chandrakant Khushaldas Additional Director

Signed by Senior Manager-Accounts & Finance

Rishabh Kumar Jain

## Signed by Company Secretary & Compliance Officer

Deepak Upadhyay

Place: Indore Date: January 20, 2011