#### DRAFT RED HERRING PROSPECTUS

Dated: [•], 2010

Please read Section 60 B of the Companies Act, 1956

(The Draft Red Herring Prospectus will be updated upon filing with RoC)

100% Book Building Issue



(Our Company was originally incorporated as 'Varun Management Services Private Limited' on December 2, 1991 under the Companies Act, 1956 at Bhavnagar vide Certificate of incorporation bearing Registration Number 04-16714 of 1991-92 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli ('ROC'). The name of our Company was changed to 'VMS Industries Private Limited' vide fresh Certificate of Incorporation dated May 22, 2007. Subsequently our Company was converted into a public limited company and its name was changed to 'VMS Industries Limited' vide fresh Certificate of Incorporation dated January 29, 2010. For further details of change in the name and registered office of our Company, please refer the section titled 'History and Certain Corporate Matters' beginning on page 87 of this Draft Red Herring Prospectus.)

Registered Office: 2<sup>nd</sup> Floor, Jain House, Opp. Vitthalwadi, Bhavnagar-364 003, Gujarat, India. Tel.: +91-278-2432371; Fax: +91-278-2428352

Corporate Office: 405, Aditya Plaza, Vivekanand Nagar, Jodhpur Gam Road, Satellite, Ahmedabad-380 015, Gujarat, India.

Tel.: +91-79-4032 0481-84; Fax: +91-79-2692 0195; website: www.vmsil.com; Email: info@vmsil.com

Contact Person: Mr. Hemal Patel, Company Secretary & Compliance Officer

The Promoters of our Company are Mr. Ajit Kumar Jain, Mr. Manoj Kumar Jain and Mrs. Sangeeta Jain

PUBLIC ISSUE OF [•] EQUITY SHARES OF RS. 10/- EACH OF VMS INDUSTRIES LIMITED (THE 'COMPANY' OR THE 'ISSUER') FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE, INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE, AGGREGATING TO RS. 2400.00 LACS (THE 'ISSUE'). THE ISSUE WOULD CONSTITUTE [•]% OF THE FULLY DILUTED POST-ISSUE PAID UP CAPITAL OF THE COMPANY.

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

### THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/-. THE FLOOR PRICE IS [•] TIMES THE FACE VALUE AND THE CAP PRICE IS [•] TIMES THE FACE VALUE

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ('BSE'), by issuing a press release and also by indicating the change on the website of the Book Running Lead Manager and the terminals of the member(s) of the Syndicate.

This Issue is being made in terms of Regulation 26 (1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and 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 our Equity Shares. The face value of the Equity Share is Rs. 10/- and the Floor Price is [•] times of the face value and Cap Price is [•] times of the face value. The Price Band (as determined and justified by our Company and the Book Running Lead Manager as stated under section titled 'Basis for Issue Price' on page 59 of this Draft Red Herring Prospectus) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active 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 RISK

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of 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 invited to the section titled 'Risk Factors' beginning on page 12 of the Draft Red Herring Prospectus.

#### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Draft Red Herring Prospectus contains all information with regard the Issuer and this 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 respects 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 of such information or the expression of any such opinions or intentions misleading in any material respect.

#### IPO GRADING

This Issue has been graded by ICRA Limited and has been assigned the 'IPO Grade [•]', indicating [•] through its letter dated [•]. For more information on IPO grading, please refer to the section titled 'General Information' on page 30 of the Draft Red Herring Prospectus.

#### LISTING

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

### BOOK RUNNING LEAD MANAGER

#### 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

Email: mbd@ashikagroup.com; Website: www.ashikadirect.com SEBI Regn No: INM 000010536

Contact Person: Mr. Narendra Gamini / Ms. Anshu Jain



### CAMEO CORPORATE SERVICES LIMITED

202, Pawan Flats, 7, Anand Nagar Society, Mesonic Hall Cross Road, Jetalpur Road,

REGISTRAR TO THE ISSUE

Alkapuri, Vadodara - 390 007.

Tel.: +91-265-2341105 / 3025993; Fax: +91-265-2341105

E-mail: vmsipo@cameoindia.com Website: www.cameoindia.com SEBI Regn. No.: INR 000003753

Contact Person: Mr. Jaydeep Mehta / Mr. Binodkumar Rai

#### BID/ISSUE PROGRAMME

#### BID/ISSUE OPENS ON : [●]

#### BID/ISSUE CLOSES ON: [•]

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#### **SECTION I – GENERAL**

#### **DEFINITIONS AND ABBREVIATIONS**

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Draft Red Herring Prospectus, and references to any statute or regulations or policies shall include amendments thereto, from time to time:

Term	Description
	Unless the context otherwise require, refers to VMS Industries Limited, a company incorporated under the Companies Act, 1956

#### **Conventional / General Terms**

Term	Description
Act/ Companies Act	The Companies Act, 1956, as amended
Equity Shares	The Equity Shares of face value of Rs. 10/- each of VMS Industries Limited
Indian GAAP	Generally Accepted Accounting Principles in India
Non Resident	A person who is not an NRI, FII and is not a person resident in India
NRI/ Non-Resident	A person resident outside India, as defined under FEMA and who is a citizen of
Indian	India or a Person of Indian Origin as defined under FEMA (Transfer or Issue of
Illulali	Security by a Person Resident Outside India) Regulations, 2000, as amended
Quarter	A period of three continuous months
RBI Act	The Reserve Bank of India Act, 1934
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended
SEBI (ICDR)	The regulations for Issue of Capital and Disclosure Requirements issued by
Regulations, 2009 /	Securities and Exchange Board of India, constituted in exercise of powers conferred
SEBI (ICDR)	by Section 30 of the Securities and Exchange Board of India Act, 1992 (as
Regulations / SEBI	amended), called Securities and Exchange Board of India (Issue of Capital and
Regulations	Disclosure Requirements) Regulations, 2009
Stock Exchange / BSE	Bombay Stock Exchange Limited

#### **Abbreviations**

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BIFR	Board for Industrial & Financial Reconstruction
BPLR	Benchmark Prime Lending Rate of the relevant bank
BSE	Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CIN	Corporate Identity Number
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, 1996
DP ID	Depository Participant's Identity

EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EPS	Unless otherwise specified, Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended, read with rules and regulations issued there under
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and amendments thereto
FI	Financial Institution
FII (s)	Foreign Institutional Investors [as defined under SEBI (Foreign Institutional Investor) Regulations, 1995, as amended] registered with SEBI under applicable laws in India
Financial Year/ Fiscal Year / FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI/Government	Government of India
HNI	High Net worth Individual
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
INR/ Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India
IPO	Initial Public Offering
IT Act / Income Tax Act	The Income Tax Act, 1961, as amended from time to time
MODVAT	Modified Value Added Tax
MoU	Memorandum of Understanding
N. A.	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (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
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non Resident
NRE Account	Non Resident External Account
NRI / Non Resident Indian	A person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NRO Account NSDL	National Securities Depository Limited
NSDL p.a.	National Securities Depository Limited per annum
NSDL p.a. P/E Ratio	National Securities Depository Limited per annum Price/Earnings Ratio
NSDL p.a. P/E Ratio PAN	National Securities Depository Limited per annum Price/Earnings Ratio Permanent Account Number allotted under the Income Tax Act, 1961
NSDL p.a. P/E Ratio	National Securities Depository Limited per annum Price/Earnings Ratio

PIO	Person of Indian Origin
QIBs	Qualified Institutional Buyers as defined in SEBI (ICDR) Regulations
QIP	Qualified Institutional Placement
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
RoC	The Registrar of Companies, Gujarat, Dadra & Nagar Haveli located at Ahmedabad
RONW	Return on Net Worth
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCSB	Self Certified Syndicate Bank
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Regulations / SEBI	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as
(ICDR) Regulations	amended from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
Sec.	Section
Securities Act	US Securities Act, 1933, as amended
SIA	Secretariat for Industrial Assistance
SICA	Sick Industrial Companies (Special Provisions) Act
Stamp Act	The Indian Stamp Act, 1899
State Government	The Government of State of India
Stock Exchange	Bombay Stock Exchange Limited
TAN	Tax Deduction Account Number
TIN	Tax payer Identification Number
UIN	Unique Identification Number
VCFs	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time
WDV	Written Down Value
w.e.f.	With effect from

### **Issue Related Terms**

Term	Description
Allotment/Allotment of Equity	Unless the context otherwise requires, the allotment of Equity Shares to
Shares	the successful bidders, pursuant to this Issue
Allottee	A successful Bidder to whom the Equity Shares are being/have been
Allottee	allotted
Application Supported by Blocked Amount / ASBA	An application for subscribing to a public issue alongwith an authorization to Self Certified Syndicate Bank to block the application money in a Bank account maintained with the Self Certified Syndicate Bank
ASBA Bidder	Any Bidder who/which intends to apply through ASBA and is applying through blocking of funds in a bank account with an SCSB
ASBA Bid cum Application Form / ASBA Form	The 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
Banker(s) to the Issue /Escrow Collection Bank(s)	HDFC Bank Limited and Axis Bank Limited

Basis of Allotment/Allocation	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure - Basis of Allocation" on page 188 of this Draft Red Herring Prospectus
Bid	An indication to make an offer made during the Bidding Period by a Bidder pursuant to submission of a Bid cum Application Form to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
	For the purposes of ASBA Bidders, bid means an indication to make an offer during the biding period by any Bidder pursuant to the submission of an ASBA Bid cum Application Form to subscribe to the Equity Shares of our Company
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and which is payable by the Bidder on submission of the Bid for the Issue
Bid/Issue Closing Date	The date after which the members of the Syndicate and SCSBs will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper
Bid /Issue Opening Date	The date on which the members of the Syndicate and SCSBs shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper
Bid cum Application Form / Bid form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder
Bidding/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids, including any revisions thereof
Book Building Process/ Method	Book building process as provided in Schedule XI of the SEBI (ICDR) Regulations, 2009, in terms of which this Issue is being made
BRLM/Book Running Lead Manager	Book Running Lead Manager to this Issue, in this case being Ashika Capital Limited
CAN/Confirmation of Allocation Note	Note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Issue Price finalized by our Company in consultation with the BRLM, which shall be any price within the Price Band. Only Retail Individual Bidders, who's Bid Amount does not exceed Rs. 100,000 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	Such branches of the SCSB which coordinate with the BRLM, the Registrar to the Issue and the Stock Exchanges and a list of which is available on www.sebi.gov.in
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act Depository Participant	The Depositories Act, 1996, as amended from time to time A Depository Participant as defined under the Depositories Act
Designated Branches	Such branches of SCSBs which shall collect the ASBA form used by the ASBA bidders and a list of which is available on www.sebi.gov.in

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Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Stock Exendinge	The Draft Red Herring Prospectus issued in accordance with Section 60B
Draft Red Herring Prospectus or DRHP	of the Companies Act and filed with SEBI, which does not contain complete particulars on the price at which the Equity Shares are offered and size of the Issue. It will become Red Herring Prospectus issued in accordance with the Section 60B of the Companies Act after filing 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
Electronic ASBA Application / Bid	Submission of ASBA Bib cum Application Form electronically by an ASBA Bidder through the Internet Banking facility offered by the SCSBs
Eligible NRI	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein
Equity Shares	Equity Shares of our Company of Rs. 10/- each unless otherwise specified
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by our Company, the Registrar to the Issue, the Book Running Lead Manager, 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 the ASBA Bidders) on the terms and conditions thereof
Escrow Collection Bank(s)	The banks that are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account(s) will be opened and in this case being [•]
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application 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
Indian National	As used in the context of a citizen of India's defined under the Indian Citizenship Act, 1955, as amended, who is not a NRI
Issue	Public Issue of [●] Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] each aggregating to Rs. 2400.00 Lacs
Issue Period	The Issue period shall be [●] being the Bid /Issue Opening Date to [●] being Bid / Issue closing Date
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date
Issue Proceeds	The proceeds of the Issue that are available to the Company
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	The portion of the Issue, being 5% of the QIB Portion or [●] Equity Shares, available for allocation on proportionate basis to Mutual Funds only, out of the QIB Portion
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000/- (but not including NRIs other than eligible NRIs)

Non-Institutional Portion	The portion of the Issue, being not less than 15% of the Issue consisting of [●] Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders on proportionate basis, subject to receipts of valid bids at or above the Issue Price
Non-Residents / NR	A person resident outside India, as defined under FEMA, including Eligible NRIs, FIIs and FVCIs
Non-Resident Indian / NRI	A person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Overseas Corporate Bodies / OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including oversees 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
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Price Band	Price Band of a minimum price (floor price of the price band) of Rs. [●] and the maximum price (cap price of the price band) of Rs. [●] and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the Book Running Lead Manager finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Portion	The portion of the Issue upto 50% of the Issue consisting of [•] Equity Shares of Rs. 10/- each available for allocation on proportionate basis to QIBs, of which 5% shall be available for allocation on proportionate basis to Mutual Funds only, subject to receipts of valid bids at or above the Issue Price
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, FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, 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 IRDA, provident fund with minimum corpus of Rs. 25 Crores, pension fund with minimum corpus of Rs. 25 Crores, National Investment Fund set up by Government of India and Insurance funds set up and managed by Army, Navy or Air Force of the Union of India.
Red Herring Prospectus or RHP	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
Refund Account	The non-lien account maintained by the Refund Bank to which surplus money shall be transferred on the Designated Date
Refund Banker	[•]
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit or RTGS as applicable

Registrar / Registrar to the Issue	Cameo Corporate Services Ltd.
Resident Retail Individual Investor(s)/ Resident Retail Individual Bidder(s)	A Retail Individual Bidder who is a "person resident in India" (as defined in Foreign Exchange Management Act, 1999)
Retail Individual Bidder(s)	Individual Bidders (including HUFs applying through their Karta and eligible NRI's) who have not Bid for Equity Shares for an amount more than Rs. 1,00,000/- in any of the bidding options in the issue
Retail Portion	The portion of the Issue being not less than 35% of the Issue, being [•] Equity Shares of Rs. 10/- each, available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders, excluding bidders applying through ASBA, to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Self Certified Syndicate Bank or SCSB	The Banks which are registered with SEBI under SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on www.sebi.gov.in
Stock Exchange	Bombay Stock Exchange Limited, Mumbai
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between our Company, the BRLM and the Syndicate Members in relation to the collection of Bids in this Issue
Syndicate Member(s)	Ashika Stock Broking Limited
Transaction Registration Slip / TRS	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
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriters and our Company to be entered into on or after the Pricing Date
Working Day	All days other than a Sunday or a public holiday (except during the Bid/Issue Period where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

### **Issuer Related Terms**

Term	Description
Articles / Articles of Association / AoA	Articles of Association of our Company, as amended from time to time
Auditors	The Statutory Auditors of our Company, namely, M/s. K. Solanki & Co., Chartered Accountants
Board / Board of Directors / Directors	Board of Directors of our Company, unless otherwise specified or a committee constituted thereof
Corporate Office	405, Aditya Plaza, Vivekanand Nagar, Jodhpur Gam Road, Satellite, Amedabad-380 015, Gujarat, India
Equity Shares	Equity shares of our Company of Rs. 10/- each fully paid-up
Memorandum / Memorandum of	Memorandum of Association of our Company, as amended from time to
Association / MoA	time
Promoter(s)	Mr. Ajit Kumar Jain, Mr. Manoj Kumar Jain and Mrs. Sangeeta Jain
Promoter Group	Includes such persons and companies / entities as defined under Regulation 2(zb) of the SEBI (ICDR) Regulations, 2009
Registered Office	2 <sup>nd</sup> Floor, Jain House, Opp. Vitthalwadi, Bhavnagar-364 003, Gujarat, India
RoC	Registrar of Companies, Gujarat, Dadra and Nagar Haveli at Ahmedabad

### **Industry Related Terms**

Term	Description		
ABI	Automated Broking Interface		
AT	American Terms (Marine Insurance)		
B/B	Break Bulk Cargo		
CFS	Container Freight Station		
DDP	Delivered Duty Paid		
DDU	Delivered Duty Unpaid		
DEQ	Delivered Ex Quay/ Duty		
DF	Dead Freight		
DWT	Dead Weight Tonnage		
FAS	Free Alongside Ship		
FEU	Forty-Foot Equivalent Unit		
FI	Free In		
FIO	Free In and Out		
FO	Free Out		
FOB	Free On Board		
GCR	General Cargo Rate		
GIDC	Gujarat Industrial Development Corporation		
CMD	Gujarat Maritime Board, an authority constituted by the Government of		
GMB	Gujarat pursuant to the Gujarat Maritime Board Act, 1981		
GRT	Gross Registered Tonnage		
GR Wt./ GW	Gross Weight		
GSA	General Sales Agent		
ICTF	Intermodal Container Transfer Facility		
IMO	International Maritime Organization		
Kgf	Kilogram Force		
LASH	Lighter Aboard Ship		
LDT	Light Displacement Tonnage		
Lo/Lo	Lift-on, Lift-off		
LTL	Less Than Truckload		
MOU	Memorandum of Understanding		
MT	Metric Ton (It is a unit of weight, which is equal to 1,000 kilograms or		
MT	2,204.6 pounds)		
NMFC	National Motor Freight Classification		
NRT	Net Registered Tonnage		
Sqm	Square Meters		
TBP	Ton Bullard Pull		
ULCC	Ultra Large Crude Carrier		
VLCC	Very Large Crude Carrier		
WPA	With Particular Average		

#### 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 as of and for the financial years ended March 31, 2006, 2007, 2008 2009 and 2010 prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations 2009 and included in this Draft Red Herring Prospectus under the section titled 'Financial Statements' beginning on page 110.

Our fiscal year commences on April 1 and ends on March 31 of the next year. All references to a particular fiscal year unless otherwise indicated, are to the 12 month period ended March 31 of that year. In this 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, IFRS 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 Regulations. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Regulations on the financial disclosures presented in the 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, internal company reports 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. Similarly, internal company reports and data, while believed by us to be reliable, have not been verified by any independent agencies.

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.

#### NOTICE TO INVESTORS

The Equity Shares have not been recommended by any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs", for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Draft Red Herring Prospectus as "QIBs") in transactions exempt from the registration requirements of the Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

This Draft Red Herring Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which is the subject of the placement contemplated in this Draft Red Herring Prospectus should only do so in circumstances in which no obligation arises for the Company or any of the Underwriters to produce a prospectus for such offer. None of the Company and the Underwriters has authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Underwriters which constitute the final placement of Equity Shares contemplated in this Draft Red Herring Prospectus.

#### 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 sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 12 and 131 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, the 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 the 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 the 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 the 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:

- a) Some events may not be material individually, but may be found material collectively.
- b) Some events may have material impact qualitatively instead of quantitatively.
- c) 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.

#### PROJECT RELATED RISKS:

1. The funds requirement and the deployment thereof is based on management estimates and have not been appraised by any bank or financial institution.

The funds requirement and deployment thereof is based primarily on management estimates and has not been appraised by any bank or financial institution.

Further, we may have to revise our management estimates from time to time and consequently, our funds requirement and the deployment thereof may also change. This may result in the rescheduling of our plans and an increase or decrease in our proposed expenditure.

2. The deployment of funds is entirely at our discretion and no independent agency has been appointed to monitor its deployment.

As per SEBI (ICDR) Regulations, 2009 appointment of monitoring agency is required only for Issue size above Rs. 50,000 Lacs. Our issue size is below Rs. 50,000 Lacs and it is not mandatory for us to appoint monitoring agency, hence we have not appointed any monitoring agency to monitor the utilization of Issue proceeds.

The deployment of the funds towards the objects of the Issue is entirely at the discretion of our Board of Directors and is not subject to monitoring by external independent agency. 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, the deployment of funds towards the object of the Issue

will be monitored by our audit committee and the Company shall inform about material deviations in the utilization of issue proceeds, if any, to the stock exchange and provide the details in the Balance Sheet about the same.

3. We have not placed the orders for the entire equipments required at our Ship Recycling Plot aggregating to Rs. 520.00 Lacs. Any delay in placing the orders or supply of the equipments may result in time and cost overruns, and may effect our operations and profitability.

We propose to purchase the equipments at our Ship Recycling Plot aggregating to Rs. 520.00 Lacs, which is approximately 21.67% of the Issue Proceeds. We have not yet placed the order for the said equipments. We are subject to risk on account of inflation in the price. We have received the necessary quotations from the vendors for the supply of the equipments and orders will be placed at an appropriate time. Any delay in placing of orders and procurement of the same will delay the schedule of implementation which may have an adverse effect on the operations and profitability of our Company. There may also be a possibility of delay at the suppliers' end in providing timely delivery of these equipments, which inturn may delay the schedule of implementation.

4. The setting-up of Corporate Office at Ahmedabad is at a preliminary stage. Any delay in setting up may result in time and cost overruns, and may effect our operations and profitability.

The company proposes to deploy an amount aggregating to Rs. 110.00 lacs towards Office Premises and Furniture & Fixtures for setting up of Corporate Office at Ahmedabad. We have already booked the premises at Unit no. 808/A, Pinnacle, Corporate Road, Prahalad Nagar, Ahmedabad, ad-measuring 1549 Sq. Fts. by paying an initial amount of Rs. 1,00,000/- on 20.12.2009 and a further sum of Rs.5,00,000/- was paid on 12.06.2010 as an advance., We have received the necessary quotation from the interior designer to carryout necessary work and the same will be commenced at an appropriate time.

5. We have not yet tied-up for funding of balance working capital requirements, any delay or failure in arranging the same may adversely impact on the results of operations.

The net working capital requirement has been estimated at Rs.3672.87 Lacs for Financial Year 2011, of which Rs. 1582.00 Lacs would be funded out of the Issue Proceeds, whereas the balance amount i.e. Rs. 2090.87 Lacs would be arranged by way of either funding through own funds or borrowings from Banks. However, as on date no arrangement for the same has been finalized by our Company. Our failure to renew existing funding or to obtain additional financing on acceptable terms and in a timely manner could materially and adversely affect our business, financial condition and results of operations.

6. Our proposed business plan 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 proposed business plan is dependent on performance of external agencies, like civil contractors, equipment suppliers who are responsible for construction of buildings, installation, commissioning and testing of equipments. We cannot assure that the performance of these 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 to replace these external agencies even, which could result in incremental cost and time overruns of the proposed business plan, and in turn could adversely affect our business operations and profitability.

7. The schedule of implementation may be delayed and as a result thereof, we may face operational delays. This may have an adverse affect on our business operations and our return on investments.

As per the proposed schedule of implementation the completion date is March, 2011 and is subject to delays and other risks, including, among other things, contractor performance shortfalls, unforeseen engineering or technical problems, delays in procuring equipments, disputes with workers, force majeure events, unanticipated cost increases or changes in scope and delays in obtaining certain property rights and government approvals and consents, any of which could give rise to delays, cost overruns or the termination of the Project and/or a breach

of the financial covenants imposed by our lenders. While we may seek to minimize the risks from any unanticipated events, we cannot ensure that all potential delays can be mitigated and that we will be able to prevent any cost over-runs and any loss of profits resulting from such delays, shortfalls and disruptions.

#### INTERNAL RISKS PERTAINING TO OUR COMPANY AND BUSINESS

8. We are operating our ship recycling activities on a leasehold plot and any delay in the renewal or non-renewal of this lease may adversely affect our operation.

We are operating our Ship Recycling activities from our ship recycling plot situated at Alang-Sosiya. We have entered into an agreement with the Gujarat Maritime Board (GMB) and obtained the permission to utilize the said plot for a period of 5 years i.e. from 17.3.2007 to 16.3.2012. The permission by GMB shall automatically come to an end, unless the permission is renewed within three months prior to the date of expiry of permission period. Any delay in renewal or non-renewal of the permission may adversely affect our operations.

Based on our experience and the nature of the industry we are confident and don't foresee any difficulty for the renewal of the permission from the GMB.

9. We have negative cash flows from our operating activities.

For the financial year ending March 31 2010, the company had a negative cash flow from operating activity to the tune of Rs. 757.20 lacs on account of increase in Inventories and Trade & Other Receivables. Any negative cash flows in future could affect the results of operations and financial conditions. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations.

10. We operate under certain regulatory licences, permits and approvals and any delay or inability to obtain, maintain or renew these statutory and regulatory licenses, permits and approvals may adversely affect our business and operations.

We require various statutory and regulatory licenses, permits and approvals to operate our business. Many of these licenses, permits and approvals are granted for a fixed period of time and need renewal from time to time. There can be no assurance that we will receive or renew such licenses, permits and approvals in the expected time frame anticipated by us or at all. We may also be faced with investigations and inquiries from various governmental authorities for not obtaining the approvals, if any. 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 "Government Approvals" beginning on page 144 of the Draft Red Herring Prospectus.

11. We have entered into related party transactions aggregating Rs. 45.07 Lacs for the year ended March 31, 2010. Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on our Company.

We have in the course of business entered into certain transactions with related parties, including our Promoters, Promoter Group and Directors aggregating Rs. 45.07 lacs, the details of which are as under:

	(Rs. in Lacs)
Particulars	As on 31.03.2010
Purchase of Fixed Assets	2.50
Director Salary-(Key Management Personnel)	2.48
Interest on Un-secured Loan-(K.M.P and their Relatives)	0.27
Investment in Partnership Firm where the Company is Partner (Associates)	39.82

Total	45.07
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Such transactions or any future transactions with related parties may potentially 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. While we believe that all such transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties.

For detailed information about the related party transactions entered into by us, please refer to Annexure – XV of our restated financial statements in the section 'Financial Statements' on page 128 of the Draft Red Herring Prospectus.

# 12. We have contingent liabilities not provided for to the extent of Rs. 229.46 lacs, and if these liabilities crystallize, they could materially and adversely affect our financial condition.

As per our Restated Financial Statements, our contingent liabilities as on March 31, 2010 are as follows:

(Rs. in Lacs)

	(
Particulars	As on 31.03.2010
Bank Guarantee	63.62
Corporate Guarantee to Banks for Bank Limits Granted to Partnership	165.84
Firm where Company is partner	
Total	229.46

If any of these contingent liabilities materialise, fully or partly, our financial condition could be materially and adversely affected. For further details on Contingent Liabilities, please refer to Annexure - VII of our restated financial statements in the section 'Financial Statements' beginning on Page 123 of the Draft Red Herring Prospectus.

# 13. The Company does not own presently the premises/plots for ship recycling, registered office and corporate office, which may affect our operations.

Our ship recycling plot on which we are presently operating our ship recycling operations is not owned by us. We have entered into an agreement with the Gujarat Maritime Board ('GMB') to utilize the said plot for a period of 5 years up to 16.03.2012. Upon the expiry of the aforesaid time limit, the permission shall automatically come to an end, unless it is renewed within three months prior to the date of expiry of the permission. Failure by our Company to renew the same with GMB may result in the interruption of our Company's operations and may have a material impact on our business. Based on our experience and the nature of the industry we are confident and don't foresee any difficulty for the renewal of the permission from the GMB.

Further, the Company does not currently own the premises of its Registered Office and Corporate Office. The Registered Office is taken on lease from Mrs. Sangeeta Jain, for a period of not more than 3 (three) years with effect from April 1, 2010 for a consideration of Rs. 10,000/- per month and the Corporate Office is taken on lease from Mrs. Krupaben Thakkar, for a period of 11 months with effect from January 16, 2010 for a consideration of Rs. 10,000/- per month. These lease agreements are renewable on mutual consent. If any of the owners of these premises do not renew the agreements or renew such agreements on terms and conditions that are unfavourable to us, we may suffer a disruption in our operations which could have an adverse effect on our business, financial conditions.

14. Our ship recycling operations are geographically concentrated at Sosiya Ship Breaking Yard. Any localised unrest, political disturbances or natural calamities in this area could disrupt our operations and adversely affect our results of operations. Any prolonged business interruption at our unit could have a material adverse effect on our business.

Our ship recycling unit is located at Sosiya Ship Breaking Yard, in Sosiya Village, Bhavnagar District, Gujarat and any significant social, political or geological disruption in this area, or changes in the state or local governments, even on a short term basis, could impair our operational ability which could have an adverse effect on our business and results of operations.

Further, any breakdown or failure of our equipment can disrupt our operations, resulting in performance being below expected levels. In addition, our operations may be disrupted for reasons that are beyond our control, including explosions, fires, earthquakes, tsunamis and other natural disasters, breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, accidents, operational problems, other environmental risks, etc.

# 15. We may be subject to industrial unrest, slowdowns and increased labour costs which may materially and adversely impact our operations and financial condition.

Our operations are labour intensive in nature. While we consider our current labour relations to be satisfactory, there can be no assurance that we will not experience future disruptions to our operations due to disputes including strikes, work stoppages or increased wage demands by our employees or other problems with our work force, which may adversely affect our business and results of operations.

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. Our employees are currently not unionised and if we experience unrest or slowdowns, it may become difficult for us to maintain flexible labour policies and we may experience increased wage costs and employee numbers and adversely impact our operations and financial condition.

#### 16. Our inability to manage growth could disrupt our business and reduce our profitability.

A principal component of our strategy is to continue to grow by expanding the size and scope of our existing business. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. An inability to manage such growth could disrupt our business prospects and adversely affect our results of operations.

# 17. There are certain restrictive covenants in financing agreements entered by us which could adversely affect our ability to conduct business, financial condition and results of operations.

We have entered into various agreements with the banks and financial institutions for short-term loans and working capital requirements and there are certain restrictive covenants, please refer to Financial Indebtedness in the section 'Financial Statements' on page 110 of the Draft Red Herring Prospectus. These restrictive covenants, include but are not limited to, that no change should be made in capital structure without consent in writing, not to make any investments in any group concern or anywhere else without prior permission, changes, if any, in the constitution of the company or changes in Directors, proposals for merger /takeover, etc. Any delay or non receipt of such consents may restrict our operations or ability to expand and may adversely affect our business.

Further, the Company has created a charge in favour of the lending bankers against the fixed assets of the Company. In case of default by the Company in repayment of the loans, these bankers may exercise their rights over the security, which may be detrimental to the interest of the Company.

## 18. We have unsecured loans that are re-payable on demand and if we are not able to replace these facilities on terms feasible to us, it may adversely impact our operations and financial performance.

As on March 31, 2010, our Company has obtained unsecured loans of Rs 66.07 Lacs from others who are not in any manner related to the promoters, directors or the promoter group. This amount is repayable on demand. In the event that the lenders recalled these loans, we cannot provide any assurance that we will be able to replace these facilities on similar or commercially reasonable terms, or at all. If we are unable to repay or refinance the unsecured debt, or if we are unable to obtain additional financings on terms acceptable to us, our business, financial condition and results of operations may be adversely affected.

# 19. We are subject to risks arising from interest rate fluctuations and foreign exchange which could adversely affect our business, financial condition and results of operations

We are exposed to interest rate risk but we do not currently enter into any swap or interest rate hedging transactions in connection with our loan agreements. We may enter into interest hedging contracts or other financial arrangements in the future to minimize our exposure to interest rate fluctuations. We cannot assure you, however, that we will be able to do so on commercially reasonable terms or any of such agreements we enter into will protect us fully against our interest rate risk. Any increase in interest expense due to factors beyond our control, such as governmental, monetary and tax policies and domestic and international economic and political conditions, may have an adverse effect on our business prospects, financial condition and results of operations.

The Company had, and will in the future have, substantial exposure to foreign exchange-related risks, as a substantial portion of its expenses are denominated in foreign currencies, especially U.S. dollars, while the cost of sales is denominated primarily in Indian rupees. Any appreciation or depreciation of the Indian rupee against these currencies could impact the cost of sales and profitability. However, there can be no assurance that any forward contracts or other hedging mechanisms will enable the Company to effectively manage the exposure to foreign exchange and currency translation risks. Any of these developments could have a material adverse effect on the Company's business, financial condition and results of operations.

## 20. We are dependent on the expertise of our senior management and key managerial personnel and the loss of any key team member may have an adverse effect on our results of operations.

Our success was dependent largely on the skills and efforts of our management who have the experience within our industry. Our success also depends in large part upon our ability to attract and retain our senior management. We face significant competition in attracting and retaining personnel who possess the skill sets that we seek. Any loss of the members of our senior management or key personnel or the inability to recruit further senior managers or other key personnel could adversely affect our business.

# 21. The insurance policies obtained by us may not be adequate to protect us against certain risks and we may be subject to losses that might not be covered in whole or in part by existing insurance coverage.

We have various types of insurance policies covering the stocks, furniture & fixtures, etc, but we cannot assure that the level of insurance maintained by us is adequate to cover all normal risks associated with the operation of our business, or that we have obtained sufficient insurance (either in amount or in terms of risks covered) to cover all material losses. Any damage suffered by us in respect of uninsured events or for which our insurance is inadequate, the effect of such losses, would be bear by us. We cannot assure you that any claim under the insurance policies maintained by us will be honoured fully or on time. Any payments we make to cover any losses, damages or liabilities or any delays we experience in receiving appropriate payments from our insurers could have an adverse effect on our business, financial condition and results of operations. For further details regarding the insurance policies taken by us, please refer to the section 'Insurance Policies' on Page 82 of the Draft Red Herring Prospectus.

### 22. We have, during the last 12 months from the date of filing of the Draft Red Herring Prospectus, made certain issuances of equity shares at a price that may be lower than the issue price.

Date of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment
26.12.2009	46,62,582	10	-	Bonus Issue	Bonus in the ratio of 1:1

30.12.2009	3,55,000	10	40	Cash	Further Allotment to Others
20.01.2010	3,55,000	10	-	Bonus Issue	Bonus in the ratio of 1:1

The Issue Price will be determined by us in consultation with the Book Running Lead Manager on the Pricing Date. We have issued above Equity Shares in the last 12 months at a price that may be lower than the Issue Price. For further details, see the section titled "Capital Structure" on page 39 of this Draft Red Herring Prospectus.

# 23. We have made an application for registration of the Trade Mark with our logo 'van' and the same is pending for registration.

As of the date of this Draft Red Herring Prospectus, our logo 'Vine' is not registered. We made an application on March 30, 2010 for the registration of the same with the Registrar of Trade Marks and registration is pending.

In absence of any statutory right, we may be restrained from using the trademark. In the event our trademark are subject to any challenge or not registered for any reason, or there is a delay in registration, our business and results of operations may be affected adversely.

We await receipt of written communication from the Patents and Trademark Registry and the grounds for the objection, if any. However, in the event the objection raised has not been responded by us to the satisfaction of the Registrar of Trade Marks, we may not be able to obtain the registration over the trademark 'will', which may force us to look for an alternative. We also can not assure you that such objections will not be received in future from Registrar of Trade Marks.

# 24. We operate in a competitive business environment, both globally and domestically. Competition from existing players and new entrants and consequent pricing pressures may adversely affect our business, financial condition and results of operations.

Several of our competitors are larger international and national companies and have access to greater resources or may be able to develop or acquire technology or partner with innovators or customers at terms which are not presently feasible for us, due to our current scale of operations. Any failure to keep abreast with technological advancements might place our competitors at an advantageous position in terms of cost, efficiency and timely services. We may not be able to maintain our growth rate and revenues and our profitability may decline. Any of these factors may have a material adverse effect on our business and prospects.

#### EXTERNAL RISK FACTORS

#### 1. Any changes in the regulatory framework could adversely affect our operations and growth prospects

We are subject to various regulations and policies. For details see section titled "Key Industry Regulations" beginning on page 83 of this DRHP. Our business and prospects could be materially adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will not be raised in respect of our operations, either of which could have a material adverse affect on our business, financial condition and results of operations.

### 2. 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.

# 3. Political instability or changes in the Government could adversely affect economic conditions in India generally and our business in particular.

We are incorporated in India, derive our revenues from operations in India and all of our assets are located in India. Consequently, our performance and the market price of the Equity Shares may be affected by the Indian market, which in turn may be affected by foreign exchange rates and controls, interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments affecting India.

The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. The current government has announced that its general intention is to continue India's current economic and financial sector liberalization and deregulation policies. However, there can be no assurance that such policies will be continued, and a significant change in the government's policies could affect business and economic conditions in India, and could also adversely affect our financial condition and results of operations.

### 4. Instability in Indian financial markets could adversely affect the 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, 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. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material and adverse effect on the Company's business, operations, financial condition, profitability and price of its Shares. Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities.

5. Force Majeure events such as terrorist attacks, war, natural disaster or other catastrophic events may disrupt or otherwise adversely affect the markets, result in loss of client confidence, and adversely affect our business, financial condition and results of operations.

Our business may be adversely affected by, terrorist attacks, war, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. In recent times, terrorist attacks in India have become more prevalent. Such attacks may have a material adverse effect on the Indian and global financial markets. Any deterioration in relations of India with its neighboring countries may result in actual or perceived regional instability. Events of this nature in the future could have a material adverse effect on our ability to develop our operations. As a result, our business, prospects, results of operations and financial condition could be materially adversely affected by any such events.

6. Any changes in the labour laws or other industry standards, in the jurisdictions in which we operate, applicable to us, our operations and the profitability may be adversely affected.

We are subject to a number of labour laws related to the levels of employment. 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 financial obligations on employers upon retrenchment. Our employees may also in the future form unions. If labour laws become more stringent or are more strictly enforced or if our employees unionize, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have an adverse effect on our business, results of operations, financial condition and cash flows.

7. There may not be an active or liquid market for our Equity Shares, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.

You may be unable to resell your Equity Shares at or above the issue price and, as a result, you may lose all or part of your investment. The price at which the Equity Shares will trade after this listing of the Issue will be determined by the marketplace and may be influenced by many factors, including:

- our financial results and the financial results of the companies in the businesses we operate in;
- the history of, and the prospects for, our business and the sectors and industries in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures;
- the present state of our development; and
- the valuation of publicly traded companies that are engaged in business activities similar to ours.

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

#### PROMINENT NOTES

- 1. Investors may contact the BRLM or the Compliance officer for any complaint/clarification/information pertaining to the issue. For contact details of the BRLM and the Compliance Officer, please refer to Chapter titled "General Information" beginning on page 30 of the Draft Red Herring Prospectus.
- 2. Public Issue of [•] Equity Shares of Rs. 10/-each, for cash at a price of Rs. [•] per Equity Share aggregating to Rs. 2400.00 Lacs (hereinafter referred to as the "Issue"). The Issue would constitute [•]% of the Post Issue Paid-Up capital of our Company.
- 3. Pre-issue net worth of our Company as on March 31, 2010 was Rs. 2038.85 Lacs.
- 4. Book value per Equity Share of Rs.10/- of our Company as on March 31, 2010 was Rs. 20.32.
- 5. The average cost of acquisition of Equity Shares after considering the sales, if any, by our Promoters is as follows:
  - a. Mr. Ajit Kumar Jain is Rs. 0.16 per Equity Share;
  - b. Mr. Manoj Kumar Jain is Rs. 0.58 per Equity Share;
  - c. Mrs. Sangeeta Jain is Rs. 1.41 per Equity Share.
- 6. For details on Related Party Transactions, refer to the section titled "Related Party Transactions" page 128 of this DRHP.
- 7. For details of the 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, refer notes to the section 'Capital Structure' on page 39 of this DRHP.
- 8. There are no financing arrangements, directly or indirectly, whereby persons forming part of the Promoter Group, the Directors of our Company and their relatives have financed the purchase by any other person of equity shares of our company during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.
- 9. Except as stated under the notes to the section 'Capital Structure' on Page 39 of this DRHP, our Company has not issued any shares for consideration other than cash.
- 10. For details on lien and hypothecation of moveable and immoveable property, please refer to Annexure V of under Section "Auditors' Report" beginning on Page 110 of this DRHP
- 11. Trading in equity shares of our Company for all the investors shall be in dematerialised form only.
- 12. 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.
- 13. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 59 of this DRHP before making an investment in this Issue.
- 14. This Issue is being made in terms of regulation 26 (1) of the SEBI Regulations and through a 100% Book Building process wherein up to 50% of the Issue shall be allocated on proportionate basis to Qualified Institutional Buyers ('QIBs'), 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 QIBs, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. 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.
- 15. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIBs, Non-Institutional Bidders and Retail Individual Bidders. For details, refer to the chapter titled "Issue Procedure" on page 163 of this DRHP.
- 16. Under-subscription in the Issue, if any, in any category will be met by spill over from other categories at the discretion of the Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders.
- 17. Investors are advised to go through the paragraph on "Basis of Allotment" beginning on page 188 of this DRHP.
- 18. Our Company and the BRLM will update the Offer Document in accordance with the Companies Act and the SEBI (ICDR) Regulations 2009 and will keep the public informed of any material changes relating to us till the listing of our shares on the stock exchanges.
- 19. No loans and advances have been made to any person(s) / companies in which Directors are interested except as stated in the Section Auditors Report on page 110 of this DRHP.

#### **SECTION III - INTRODUCTION**

#### SUMMARY OF INDUSTRY

#### Overview

Ship breaking is a type of disposal of ship involving the breaking up of ships for scrap recycling, with the hulls being discarded in ship graveyards. Ship breaking is a typical activity, which adds value through a 'demolition' process. Most ships have a lifespan of a few decades before there is so much wear that refitting and repair becomes uneconomical. When a ship goes uneconomic / unsafe as per standards of safety to operate, it is sent for demolition to ship breaking yards. Ship breaking allows materials from the ship, especially steel, to be reused. Equipment on board of the vessel can also be reused. The contribution of the ship breaking yards is to generate value out of unusable ships by segregating it into various components that have their own economic value by subjecting it to a systematic demolishing process.

Until the late 20th century, ship breaking took place in port cities of industrialized countries such as the United Kingdom and the United States. Today, most ship breaking yards are in Pakistan, Bangladesh, and India. Turkey performs just a handful of demolitions each year. Though western countries have developed superior technologies, which result into high productivity, Asian countries have come up a low cost proposition for two reasons. One, relatively the manpower is very cheap in these countries. So even at a lower productivity rate, operations in these countries prove to be relatively cheaper. Second, western countries have very high standards of safety, which calls for costly measures for ensuring safety.

The reasons behind ship breaking/recycling being carried out in these countries are as follows:

- (1) Cheap and abundant labour;
- (2) Vast coastal area with good and favorable tidal impact; and
- (3) Management ability.

Primarily India occupied the first position in the world, but with the passage of time the same was replaced by China.

#### **Global Scenario**

At present, the global economic integration continues to accelerate and promote international trade. With the shipping industry booming and the continuous growth in global fleets, the number of retired vessels have considerably increased. UNCTAD, "World Ocean Assessment Report", issued in 2008 points out that in 2007 the world's shipping volume reached a record of more than 80 million tons. As of January 2008, the global registration of 100 gross tonnage and above, the total number of merchant shipping 97481, with a total capacity of 11.2 million dwt, 100 every year and have been dismantling decommissioned ships.

China is one of the world's major ship-breaking industry. Since the 20th century, the emergence of organized 60 years of ship-breaking activities began; China's ship-breaking industry has gone through a 40 year course of development. China's ship-breaking enterprises to actively advocated scrapping the green, in the dismantling of production activities, basically the safety, environmental protection, health, some enterprises have passed the international environmental management system and occupational safety and health management system certification; Some enterprises have already or will be included in national and local development of circular economy pilot projects, and has become internationally influential first-class ship-breaking business, and environmental protection in developed countries has been a strong sense of the favor of international ship owners in recent years.

(Source: www.eckhardt-marine.com)

The phase-out means that many tankers will have to be taken out of service Extra in the coming years. Roughly 2,200 single hull oil tankers from the 4,000 crude oil tankers and oil products tankers (over 5,000 dwt). Together these tankers have a dwt of 175 million.

(Source: E.A. Gibson Shipbrokers).

According to newer figures from Clarkson's, a total of 590 ships were scrapped from the beginning of the year and until the end of August 2008. These vessels represent a total capacity of 18.1 million tons, while their average age is also quite younger than the relevant ships scrapped last year. In fact, during the whole of 2008 the number of ships demolished had reached just 385 units with a capacity of 13.6 million tonnes.

The average vessel age of each ship scrapped last year was 30.5 years during 2008, while this year this number has dropped at 29 years (for all ship types). For 2009, the average age is at just 25.3 years for tankers and 30.5 years for dry bulk carriers. The increase of scrapping activity comes as no surprise to most industry analysts, as this was expected regardless of the state of the freight market. With the world order book for most ship types near record levels, it was obvious that older ships would have to leave the market eventually. The collapse of the freight market, which commenced about a year ago, simply speeded things up.

(Source: Hellenic Shipping News)

#### Ship Breaking Industry in India

Ship Recycling is not new to India for we know of this activity ever since 1912 in Kolkata and Mumbai. The ship recycling activity in those days was a part of the larger colonial economy like plantations and mining. Steel scrap was worthwhile even then and countries that had yards to recycle ships were often considered to be economically fortunate. Indeed, ship recycling became very important at the end of the two World Wars, especially after the World War II. Further, after the oil boom in the Middle East, oil became a much transported commodity and large oil tankers added to the fleet. Refrigeration techniques that grew around the early 1950's, too led to the emergence of the large refrigeration vessels. All of these started to age by the middle of 1970's and the ship recycling activity reached new heights in the Western countries. When the first economic recession came around 1984 and the fleet owners thought that it was better to scrap ships than to maintain them, there was a huge backlog of ships to be demolished. With the recession on, labour appeared to be far too costly and steel scrap yielding far less prices, ships had to look for cheaper labour elsewhere. India, stepped in at this juncture.

One of the reasons why the ship recycling activity became a boon for India was that, the middle of 1980's was a time of the rise of electric arc furnace and a rise in demand for steel melting scrap. The re-rolling mills were already facing an expansion around the middle of 1970's and they now grew up very fast in North and West India. The re-rolling mills were driven mainly by the boom in the construction sector in these parts that emerged as a result of rapid urbanization. Ship recycling became a source of steel scrap, whether for melting or directly re-rollable material in the re-rolling mills. In terms of price, ship-breaking scrap historically is more expensive than scrap from railways or other melting scrap, but it is cheaper than ingots from the electric arc furnaces and the billets and the semis from the integrated steel plants. Hence, ship-recycling scrap conventionally has proved to be a direct competitor of the integrated steel mills in their market for semis.

In the 1970s ship breaking was concentrated in Europe. Performed at docks, it was a highly mechanised industrial operation. But the costs of upholding environmental, health and safety standards increased. So the shipping industry moved to poorer Asian States.

#### SUMMARY OF OUR BUSINESS

Our company was incorporated on December 2, 1991with the object of carrying on the business of providing different kinds of consulting and information technology services. During 1992-1994, our company was engaged in computerization of land revenue records of Bhavnagar Municipal Corporation. Thereafter, in the year 1995-96 our Company undertook the assignment of computerization of Ration Cards and Ration Shops of Bhavnagar Municipal Corporation.

During the year 1994, our company also acquired a running Oxygen Plant operating in the name of "Varun Gases" in Sihor GIDC, Bhavnagar having an installed capacity of 65 cubic meters per hour. Our company was operating at full capacity and was supplying the gas produced at this unit to the various customers in and around Bhavnagar who are engaged in Ship Recycling Industry. The said plant was closed by the company in the year 1997 as it became unviable on account of slow down in the Ship Recycling Industry and advancement of technology in this area.

The Ship Breaking Industry was revived in the year 2003-04 and therefore we decided to diversify our activities. During the year 2004, Gujarat Maritime Board auctioned vacant plots and under open bid we have been allotted vacant Plot No. 160 at Alang-Sosiya Ship Breaking Yard admeasuring 1350 sq. meter on a lease basis. However, our company could not start ship breaking activities due to change in policy for ship recycling plant, requiring higher size (2700 sq meters) of plot and therefore we could not get permission for utilization of plot from GMB. Meanwhile, in the year 2007, the plot size was enlarged to 2700 sq. meter as per the instructions given by the Inter Ministerial Committee constituted by Hon. Supreme Court, by merging the adjoining Plot No. 159 and our company was permitted to use the merged Plot No. 160M for a period of 5 years with effect from 17.03.2007 to 16.03.2012 and subject to renewal thereafter.

In the year 2006-2007, our company also joined as a Partner with Ms. Sangeeta Jain in M/s Eternal Automobiles (dealer of Honda Motor Cycle and Scooter India Pvt. Ltd-Two Wheeler). The profit sharing ratio of our company is 25% and the balance 75% is with Ms. Sangeeta Jain, one of the promoters of our company. Due to wide scope in the Automobiles and reasonable profitability, we ventured into this business.

In the month of May 2008, our company had entered into the offshore business activities & supporting services. We obtained the required registration and undertook the following activities:-

- Purchased a Tug named ADINATH 8, and entered into a Charter Agreement on 16.07.2008 with GMB for a period of 12 months. Thereafter, we are operating the said Tug in the open market on a daily hire basis.
- Purchased a Speed Boat named KALPTARU, and entered into a Charter Agreement on 26.02.2009 with GMB for patrolling under ISPS Code at Magdalla Port for a period of 1 (one) year with an extension clause of One year and the same has been extended by GMB till 5th March, 2011.

#### **Business activities**

Our present business mainly consists of two business segments:

- 1. Ship Recycling Activities
- 2. Offshore business activities & supporting services

#### THE ISSUE

Equity Shares Offered:	
Public Issue of Equity Shares by our Company	[•] Equity Shares of Rs.10/- each for cash at a price of Rs [•] aggregating to Rs. 2400.00 Lacs.
Of which:	[•] Equity Shares of Rs.10/- each, constituting up to 50% of the Issue (allocation on proportionate basis) for cash at a price of Rs [•] aggregating Rs. 1200.00 Lacs.
A) Qualified Institutional Buyers (QIBs) Portion	Out of which 5% i.e. [•] Equity Shares of Rs.10/- each for cash at a price of Rs [•] aggregating Rs. 60.00 Lacs will be available for allocation to Mutual Funds only and the remaining QIB portion will be available for allocation to other QIBs, including Mutual Funds.
B) Non-Institutional Portion	[•] Equity Shares of Rs.10/- each, constituting not less than 15% of the Issue (allocation on proportionate basis), for cash at a price of Rs [•] aggregating Rs. 360.00 Lacs.
C) Retail Portion	[•] Equity Shares of Rs.10/- each, constituting not less than 35% of the Issue (allocation on proportionate basis), for cash at a price of Rs. [•] aggregating Rs. 840.00 Lacs.
<b>Equity Shares outstanding prior to the Issue</b>	1,00,35,164 Equity Shares of Rs.10/- each
<b>Equity Shares outstanding after the Issue</b>	[•] Equity Shares of Rs.10/- each
Objects of the Issue	Please refer to chapter titled "Objects of the Issue" on page 51 of this DRHP

Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other category or combination of categories at the sole discretion of our Company, in consultation with the BRLM and the designated Stock Exchange(s).

#### **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, 2006, 2007, 2008, 2009 and 2010. These restated financial statements have been prepared in accordance with the Indian GAAP, the Companies Act and the SEBI Regulations and are presented in the section titled "Financial Statements" on page 110 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 section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 131 of this Draft Red Herring Prospectus .

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

(Rs. in Lacs)

Doutionland	For the Year ended on				
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010
Fixed Assets (A)					
Gross Block	32.31	32.31	29.75	762.50	743.27
Less: Depreciation	10.76	10.94	8.56	31.63	76.81
Net Block	21.55	21.37	21.19	730.87	666.46
Investments (B)	609.63	1461.85	1427.81	1387.42	40.12
Current Assets Loans and Advances ( C )					
Inventories	0.15	0.15	0.15	0.15	698.56
Receivables / Sundry Debtors	3.86	0.55	1.14	24.64	515.39
Cash and Bank Balances	61.63	6.24	35.53	117.65	875.60
Loans and Advances/ Deposits	2.11	27.97	62.38	12.60	1015.22
Total (C)	67.75	34.91	99.20	155.04	3104.77
Total Assets (A+B+C)	698.93	1518.13	1548.20	2273.33	3811.35
Liabilities and Provisions (D)					
Secured Loans	0.00	0.00	25.02	649.88	1550.35
Unsecured Loans	0.00	0.00	0.00	0.00	66.07
Current Liabilities and Provision	13.67	8.47	7.97	33.66	153.83
Deferred Tax Liability	0.00	0.00	0.00	0.00	2.25
Total (D)	13.67	8.47	32.99	683.54	1772.50
Net Worth (A+B+C-D)=(E)	685.26	1509.66	1515.21	1589.79	2038.85
Represented By					
Share Capital	246.16	413.46	413.46	413.46	1003.52
Share Application Money	12.75	0.00	0.00	0.00	0.00
Reserve & Surplus	428.84	1100.64	1105.08	1178.55	1044.45
Less: Miscellaneous Expenditure Not Written Off	2.49	4.44	3.33	2.22	9.12
Net Worth	685.26	1509.66	1515.21	1589.79	2038.85

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

(Rs. in Lacs)

	For the Year ended on				
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010
Income	01/00/2000	01,00,200.	01/00/2000	01,00,200	01,00,2010
Operation Income from Business	2.85	5.27	10.92	143.67	2911.94
Other Income	0.00	1.33	2.87	2.52	2.05
Increase /(Decrease) in stock	0.00	0.00	0.00	0.00	695.15
Total Income	2.85	6.60	13.79	146.19	3609.14
Expenditure					
Purchase (Recycling of Ships)	0.00	0.00	0.00	0.00	2721.87
Manufacturing Exp.	0.00	0.00	0.00	0.81	139.76
Payments to & Provision for Staff and crew members	1.44	1.47	2.78	15.25	68.40
Administrative Expenses	0.10	0.16	2.86	21.05	192.42
Interest and Financial Charges	0.19	0.16	0.89	10.00	92.10
Depreciation	1.08	1.20	1.20	24.09	46.21
Preliminary Exp.	0.00	1.11	1.11	1.11	3.11
Total Expenditure	2.81	4.10	8.84	72.30	3263.87
Net Profit Before Tax and					
Extraordinary Items and Prior	0.04	2.50	4.95	73.88	345.27
Period Items					
Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00
Net Profit Before Tax and Prior Period Items	0.04	2.50	4.95	73.88	345.27
Provision for Taxation	0.29	0.92	1.49	1.30	82.30
Provision for Fringe Benefit Tax	0.00	0.00	0.02	0.14	0.00
Provision for Deferred Tax	0.00	0.00	0.00	0.00	2.25
Net Profit After Tax and					
Extraordinary Items but before	(0.25)	1.58	3.44	72.44	260.72
Prior Period Items					
Prior period items	0.02	0.00	0.02	0.00	0.57
Transfer to Tonnage Tax Reserve	0.00	0.00	0.00	14.26	21.41
Balance Carried Forward to Balance Sheet	(0.27)	1.58	3.42	58.18	238.74

### SUMMARY OF CASH FLOW STATEMENT, AS RESTATED (\*)

(Rs. in Lacs)

	(Ks. in Lacs)
	For the Year
Particulars	ended on
	31/03/2010
Cash Flow from Operative Activities	
Net Profit / (Loss) before Taxation & Extra Ordinary items	345.27
Adjustments for:	
Depreciation	46.21
Profit on sale of Investments	(0.50)
Profit on sale of Assets	0.00
Preliminary Exp. W/off	3.11
Operating Profit before Working Capital changes	394.09
Adjustments for:	
Taxes Paid	(15.38)
(Increase) / Decrease in Trade & Other Receivables	(490.75)
(Increase) / Decrease in Inventories	(698.41)
Increase / (Decrease) in Current Liabilities	53.25
Net Cash from Operative Activities (A)	(757.20)
Cash Flow from Investing Activities	
(Purchase) / sale of Fixed Assets	(19.05)
Investments	1347.30
Profit on sale of Investments	0.50
Preliminary / Misc. Exp. Capitalized	(10.01)
Net cash used in Investing Activities (B)	1318.74
Cash Flow from Financing Activities	
Proceeds from Unsecured Loans (net)	66.07
Proceeds from Bank Borrowings #	938.20
Issue of Equity Shares	590.06
Increase/ (Decrease) in Securities Premium	(395.29)
(Increase) / Decrease in Loans & Advances	(1002.62)
Net cash receipt /used in Financing Activities (C)	196.42
Net Increase/ (decrease) in Cash & Cash Equivalents (A+B+C)	757.96
Cash & cash equivalents as on beginning of year	117.65
Cash & cash equivalents as on end of year	875.61

<sup>(\*)</sup> Due to the restatement of Profit & Loss Account and Balance Sheet, the Cash Flow Statements have been also restated as compared to audited Cash Flow Statement.

<sup>#</sup> Includes an amount of Rs. 37 73 Lacs arised on account of foreign exchange fluctuation

#### **GENERAL INFORMATION**

Our Company was originally incorporated as 'Varun Management Services Private Limited' on December 2, 1991 under the Companies Act, 1956 at Bhavnagar with the Registrar of Companies, Gujarat, Dadra & Nagar Haveli ('ROC'). The name of the Company was changed to 'VMS Industries Private Limited' pursuant to a special resolution passed by the shareholders at the EGM held on March 12, 2007 and a fresh Certificate of Incorporation was obtained from ROC on May 22, 2007. Subsequently the Company became a public limited company and the name was changed 'VMS Industries Limited' pursuant to a special resolution passed by the shareholders at the EGM held on December 31, 2009 and a fresh Certificate of Incorporation was obtained from ROC on January 29, 2010. For further details of changes in the name and registered office of our Company, please refer the section titled 'History and Certain Corporate Matters' beginning on page 87 of this Draft Red Herring Prospectus.

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	2 <sup>nd</sup> Floor, Jain House, Opp. Vitthalwadi,
Registered Office	Bhavnagar-364 003, Gujarat, India.
	Tel.: +91-278-2432371; Fax: +91-278-2428352
	405, Aditya Plaza, Jodhpur Gam Road,
Corporate Office	Ahmedabad-380 015, Gujarat, India.
	Tel.: +91-79-4032 0481-84; Fax: +91-79-2692 0195
Wanta/IIa:4	Plot No. 160-M, Alang-Sosiya Ship Breaking Yard,
Works/Unit	Sosiya Village, Talaja Taluka, Bhavnagar Dist, Gujarat, India.
Registration Number	04-16714 of 1991-92
Corporate Identity Number (CIN)	U74140GJ1991PLC016714
	ROC Bhavan, Opp. Rupal Park Society,
Address of Registrar of	Behind Ankur Bus Stop,
Companies	Naranpura, Ahmedabad-380 013, Gujarat, India.
	Tel.: +91-79-27437597; Fax: +91-79-27438371
Website	www.vmsil.com
Email	info@vmsil.com

#### **Board of Directors**

Our Board of Directors comprises the following:

Name & Address of the Director	Designation	Status	Directors Identification Number (DIN)
Mr. Ajit Kumar Jain 1, Sangat Apartment, 2231/A, Waghawadi Road, Bhavnagar-364 002.	Managing Director	Executive & Non Independent	00114766
Mr. Manoj Kumar Jain B-404, Asavari Tower, Behind Fun Republic, Satellite, Ahmedabad-380 015.	Director	Non-Executive & Non Independent	02190018
Mrs. Sangeeta Jain B-404, Asavari Tower, Behind Fun Republic, Satellite, Ahmedabad-380 015.	Whole time Director	Executive & Non- Independent	00125273
Mr. Hitesh Loonia AF/22, Rushika Apartment, Opp. Sujata Flats, Shahibaug, Ahmedabad-380 004.	Director	Non-Executive & Independent	02906216
Mr. Pranav Kumar Parikh Parishram, 26/B/1, Virnagar Society, Nava Vadaj Road, Ahmedabad-380 013.	Director	Non-Executive & Independent	02906210
Mr. Bakul Mehta	Director	Non-Executive &	02902485

G/3, Samyak Flat, Diamond Chowk,	Independent	
Bhavnagar-364 001.		

For further details and profile of Our Directors, please refer to the section titled "Our Management" on page 90 respectively of this DRHP.

#### **Company Secretary & Compliance Officer**

Our Company Secretary and Compliance Officer is Mr. Hemal Patel. His contact details are as follows:

#### Mr. Hemal Patel

VMS Industries Limited, 405, Aditya Plaza, Vivekanand Nagar, Jodhpur Gam Road, Ahmedabad-380 015, Gujarat, India.

**Tel.:** +91-79-4032 0481-84 **Fax:** +91-79-2692 0195 **Website**: www.vmsil.com **Email**: info@vmsil.com

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 Equity Shares in the respective beneficiary account or refund orders.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

#### **Bankers to our Company**

Indian Overseas Bank	Allahabad Bank	
1&2, Advait, Complex,	5/6, Poonam Sagar Complex,	
1 1 1		
Near Sandesh Press,	Building No. 43/44,	
Bodakdev Branch,	Opp Sect 9,Shanti Nagar,	
Ahmedabad-380 054.	Mira Road (E), Dist Thane - 401 107.	
Tel.: +91-79-36760500	Telefax.: +91-22-28553399	
Fax: +91-79-26581392	E-Mail: br.mummiaroad@allahabadbank.in	
E-Mail: bodakdevbr@ahmsco.ibonet.co.in		
HDFC Bank Ltd.	Karnataka Bank Ltd.	
Ground Floor, Sterling Point,	Shop No. 1 &2, Shilp Corner,	
Waghawadi Road,	Subhash Chowk,	
Bhavnagar-364 002.	Gurukul Raod, Memnagar,	
<b>Tel.:</b> +91-278-2572173	Ahmedabad-380 052.	
Fax: +91-278-2568325	<b>Tel.:</b> +91-79-27461833	
E-Mail: himanshu.vyas@hdfcbank.com	Fax: +91-79-27474766	
	E-Mail: abad.memnagar@ktkbank.com	
Oriental Bank of Commerce	ICICI Bank Limited	
Plot No. 87-88, Ramnagar,	Ground Floor, Sarthik 2,	
Talaja Road,	Opp. Rajpath Club,	
Bhavnagar – 364 002	,Bodakdev, Ahmedabad-380 015	
<b>Tel.:</b> +91-278-2564337	<b>Tel.:</b> +91-79- 26870967	
Fax: +91-278-2560636	Fax: +91-79- 26870968	
E-Mail: bm0490@obc.co.in		

#### **Statutory Auditors to our Company**

### M/s. K. Solanki & Co.

**Chartered Accountants** 3<sup>rd</sup> Floor, Avishkar II, Nr. Patel Was

Ellisbridge, Ahmedabad -380 006.

**Tel:** +91-79-26576740, 32980195

**Fax:** +91-79-26576740

E-Mail: ksah2610@yahoo.co.in

#### ISSUE MANAGEMENT TEAM

#### **Book Running Lead Manager**

#### 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 Email: mbd@sshikagroup

Email: mbd@ashikagroup.com Website: www.ashikadirect.com SEBI Regn. No: INM 000010536

Contact Person: Mr. Narendra Gamini / Ms. Anshu Jain

#### Registrar to the Issue

#### **Cameo Corporate Services Limited**

202, Pawan Flats, 7, Anand Nagar Society, Mesonic Hall Cross Road, Jetalpur Road,

Alkapuri, Vadodara - 390 007. **Tel.:** +91-265-2341105 / 3025993

Fax: +91-265-2341105

E-mail: vmsipo@cameoindia.com Website: www.cameoindia.com SEBI Regn. No.: INR 000003753

Contact Person: Mr. Jaydeep Mehta / Mr. Binodkumar Rai

#### Legal Advisor to the Issue

#### Sudhir M. Mehta, Advocate

504, 5<sup>th</sup> Floor, Sarveshwar Tower,

BMW Parsoli Moters Lane, Behind Udgam School,

Opp. Auda Garden, Thaltej,

S.G. highway, Ahmedabad-380 054.

**Tel:** +91-79-2685 9488

E-Mail: sudhirmehtajasol@gmail.com; sudhirmehtajasol@yahoo.co.in

#### **Syndicate Member**

### **Ashika Stock Broking Limited**

1008, 10<sup>th</sup> Floor, Raheja Centre,

214, Nariman Point, Mumbai - 400 021

**Tel:** +91-22-6611 1706 **Fax:** +91-22-6611 1710 **Email:** ipo@ashikagroup.com Website: www.ashikadirect.com Contact Person: Mr. Dilip Minny

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

#### HDFC Bank Ltd.

Lodha, FIG-OPS Department, I Think Techno Campus, O-3 Level, Next to Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai -400 042.

Tel.: +91-22-3075 2928 Fax: +91-22-2579 9801 Contact Person: Deepak Rane

E-mail ID: deepak.rane@hdfcbank.com

#### Axis Bank Ltd.

4<sup>th</sup> Floor, "Shivalik Ishan", Near C. N. Vidyalaya Ambawadi Ahmedabad- 380 006

Gujarat, India

Tel.: +91-79 - 6613 5431 Fax: +91-79 - 6613 5408 Contact Person: Mr. Pratik Shah E-mail ID: pratik.shah@axisbank.com

#### **Refund Banker**

[•]

#### **Self Certified Syndicate Banks**

The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the SEBI Website, www.sebi.gov.in.

#### **Inter-se Allocation of Responsibilities**

Ashika Capital Limited is the sole Book Running Lead Manager to the Issue and shall be responsible for the following activities in relation to the Issue:

Sl. No.	Activity
1.	Capital Structuring with the relative components and formalities such as type of instruments, etc.
2.	Conducting a Due diligence of the 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 Regulations and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.
4.	Assist the company in appointment of the Registrars to the Issue, Bankers to the Issue and other intermediaries viz., printers and advertising agency, etc.
5.	Primary co-ordination of drafting/proofing of the design of the Red Herring Prospectus / Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.  Due diligence of our Company's operations / management / business plans / legal etc. Drafting and design of the Draft Red Herring Prospectus / Red Herring Prospectus and statutory advertisement including memorandum containing salient features of the Prospectus ensuring the compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing of the same.
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.
7.	<ul> <li>Marketing of the Issue, which will cover inter alia:</li> <li>Formulating marketing strategies, preparation of publicity budget,</li> <li>Finalising media &amp; public relations strategy,</li> <li>Finalising centers for holding conferences for press and brokers etc,</li> </ul>

	<u> </u>		
	<ul> <li>Finalising collection centers,</li> </ul>		
	• Following-up on distribution of publicity and Issue material including form, prospectus and		
	deciding on the quantum of the Issue material,		
	<ul> <li>Preparing all road show presentations,</li> </ul>		
	<ul> <li>Appointment of brokers to the issue, and</li> </ul>		
	<ul> <li>Appointment of underwriters and entering into underwriting agreement.</li> </ul>		
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional		
	allocation in consultation with the Company		
9.	Finalising the Prospectus and RoC filing		
10.	Co-ordinating post bidding activities including management of Escrow accounts, coordinating		
	with registrar and dispatch of refunds to Bidders, etc.		
11.	Follow-up with the bankers to the issue to get quick estimates of collection and advising the		
	issuer about closure of the issue, based on the correct figures.		
12.	The Post-Issue activities for the Issue will involve essential follow up steps, which include		
	finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and		
	dispatch of certificates and dematerialized delivery of shares with the various agencies connected		
	with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling		
	refund business.		
	The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable		
	it to discharge this responsibility through suitable agreements with the Company.		

#### **Brokers to the Issue**

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

#### **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 ICRA Limited, a SEBI-registered credit rating agency, vide their letter dated [●] as [●], indicating [●] fundamentals. The IPO grading is assigned on a five point scale from 1 to 5 with an 'IPO Grade 5' indicating strong fundamentals and an 'IPO Grade 1' indicating poor fundamentals. Pursuant to SEBI Regulations, the rationale/description furnished by the credit rating agency will be updated at the time of filing the Red Herring Prospectus with the RoC.

#### **Trustees**

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

#### **Appraisal and Monitoring Agency**

The objects of the Issue have not been appraised by an independent agency. As the size of the Issue is less than Rs. 500 Crores, the appointment of Monitoring Agency is not mandatory as per Regulation 16 of the SEBI (ICDR) Regulations, 2009.

However, as per the Clause 49 of the Listing Agreement to be entered into with the stock exchanges upon listing of the equity shares and the Corporate Governance Requirements, the Audit Committee of our company, would be monitoring the utilization of the proceeds of the issue.

#### **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 finalized after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- (1) Our Company;
- (2) Book Running Lead Manager, in this case being Ashika Capital Limited
- (3) Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with BSE/ NSE and eligible to act as underwriters, in this case being Ashika Stock Broking Limited
- (4) Registrar to the Issue, in this case being Cameo Corporate Services Limited
- (5) Escrow Collection Bank; and
- (6) SCSBs.

This Issue is being made in terms of Regulation 26 (1) of the SEBI Regulations and through the 100% Book Building process wherein up to 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.

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 full 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 section "Terms of the Issue" on page 156 of this Red Herring Prospectus.

Our Company shall comply with the SEBI ICDR Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the 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.

# 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)

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60/- to Rs. 72/- per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price will be made available at the websites of the BSE (www.bseindia.com) during the Bidding/ Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of our Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

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.66 in the above example. Our Company, in consultation with the BRLM, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

Bids and any revision in Bids will only be accepted between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bid/ Issue period as mentioned above at the bidding centres mentioned in the Bid cum Application Form except that on the Bid/Issue Closing Date, Bids and any revision in Bids will only be accepted between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) until such time as permitted by the BSE, in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on working days, i.e. Monday to Friday (excluding any public holiday).

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

The Company in consultation with BRLM reserve the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations 2009 provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down up to a maximum of 20% of the Floor Price advertised at least one day before the Bid/Issue Programme.

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

# Steps to be taken by the Bidders for Bidding

- 1. Check eligibility for making a Bid (see section titled "Issue Procedure Who Can Bid?" on page 164 of this Red Herring Prospectus);
- 2. Ensure that you have a dematerialized account and the dematerialized account details are correctly mentioned in the Bid cum Application Form:
- 3. Ensure that you have mentioned your PAN (see "Issue Procedure PAN" on page 183 of this Red Herring Prospectus); and
- 4. Ensure that the Bid cum Application Form/ASBA Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form/ASBA Form;

## Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

If the Company 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, it shall file a fresh draft red herring prospectus with the SEBI.

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

## **Bid/Issue Program**

#### Bid/Issue Period

BID/ISSUE OPENS ON : [•] BID/ISSUE CLOSES ON : [•]

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bid/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, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) until 5.00 p.m. in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Manager to the Stock Exchanges within half an hour of such closure. Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under this Issue. Bids will only be accepted on Working Days.

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.

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

The Price Bane will be decided by us in consultation with the BRLM. The announcement of the Price Band shall also be made available in the websites of the BRLM and at the terminals of the member(s) of the Syndicate.

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.

## **Underwriting Agreement**

After the determination of the Issue Price and allocation of the Equity Shares, but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfil their underwriting obligations. The underwriting shall be to the extent of the Bids

uploaded by the Underwriters including through its Syndicate/Sub Syndicate. The Underwriting Agreement is dated [•]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lacs )	
Ashika Capital Limited 1008, 10 <sup>th</sup> Floor, Raheja Centre, 214, Nariman Point, Mumbai – 400 021.	[•]	[•]	
Ashika Stock Broking Limited 1008, 10 <sup>th</sup> Floor, Raheja Centre, 214, Nariman Point, Mumbai – 400 021.	[•]	[•]	

The above-mentioned amount is indicative and would be finalized after determination of Issue Price and finalisation of 'Basis of Allocation'.

In the opinion of the Board of Directors of our Company (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full,. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. Our Board, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

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

The underwriting agreements mentioned above shall not apply to the subscriptions by the ASBA bidders in this offer.

# **CAPITAL STRUCTURE**

The share capital of our Company, as of the date of this Draft Red Herring Prospectus, is set forth below:

Particulars	Aggregate Value Nominal Value (Rs.)	Aggregate Value at Issue Price (Rs.)
A) AUTHORISED CAPITAL 2,00,00,000 Equity Shares of Rs. 10/- each	20,00,00,000	
B) ISSUED SUBSCRIBED AND PAID-UP CAPITAL 1,00,35,164 Equity Shares of Rs. 10/- each	10,03,51,640	
C) PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS  [•] Equity Shares of Rs. 10/- each *	[•]	24,00,00,000
<ul> <li>Of which:#</li> <li>i. QIB portion of upto [•] equity shares of Rs. 10/- each</li> <li>ii. Non Institutional Portion not less than [•] equity shares of Rs. 10/- each</li> <li>iii. Retail portion of not less than [•] equity shares of Rs. 10/- each</li> </ul>	[•]	12,00,00,000 3,60,00,000 8,40,00,000
D) PAID-UP EQUITY CAPITAL AFTER THE ISSUE  [•] Equity Shares of Rs. 10/- each	[•]	[•]
E) SHARE PREMIUM ACCOUNT Before the Issue After the Issue	-	6,98,81,680 [•]

<sup>\*</sup>The Issue has been authorized by a resolution of our Board dated January 04, 2010 and by a special resolution passed pursuant to section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on February 03, 2010.

#Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other category or combination of categories at the sole discretion of our Company, in consultation with the BRLM and the designated Stock Exchange(s).

# **Changes in the Authorised Capital**

Our Company was incorporated on December 2, 1991 with an initial Authorised Capital of Rs.10,000 divided into 1,000 Equity shares of Rs.10/- each. The subsequent changes are stated below:

Date of Resolution	Increased from	Increased to	AGM/EGM
24.10.1994	Rs. 10,000 divided into 1,000 Equity Shares of Rs. 10/- each	Rs. 20,00,000 divided into 2,00,000 Equity Shares of Rs. 10/- each	AGM
05.04.2004	Rs. 20,00,000 divided into 2,00,000 Equity Shares of Rs. 10/- each	Rs. 50,00,000 divided into 5,00,000 Equity Shares of Rs. 10/- each	EGM
05.05.2004	Rs. 50,00,000 divided into 5,00,000 Equity Shares of Rs. 10/- each	Rs. 3,00,00,000 divided into 30,00,000 Equity Shares of Rs. 10/- each	EGM
12.03.2007	Rs. 3,00,00,000 divided into 30,00,000 Equity Shares of Rs. 10/-each	Rs. 5,00,00,000 divided into 50,00,000 Equity Shares of Rs. 10/- each	EGM
25.11.2009	Rs. 5,00,00,000 divided into 50,00,000 Equity Shares of Rs. 10/-each	Rs. 20,00,00,000 divided into 2,00,00,000 Equity Shares of Rs. 10/- each	EGM

# **Notes to the Capital Structure**

# 1. Share Capital History of Our Company

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Conside ration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Share Capital (Rs.)	Cumulative Share Premium (Rs.)
05.12.1991	20	10	10	Cash	Subscription to the Memorandum	20	200	Nil
10.11.1994	1,35,700	10	10	Cash	Further Allotment to Promoters, Promoter Group and Others	1,35,720	13,57,200	Nil
24.12.1994	19,140	10	10	Cash	Further Allotment to Promoters, Promoter Group	1,54,860	15,48,600	Nil
04.10.1995	30,972	10	-	Bonus Issue <sup>(1)</sup>	Bonus Issue in the ratio of 1:5	1,85,832	18,58,320	Nil
31.05.2004	25,00,000	10	25	Cash	Further Allotment to Others	26,85,832	2,68,58,320	3,75,00,000
07.06.2004	2,75,000	10	25	Cash	Further Allotment to Others	29,60,832	2,96,08,320	4,16,25,000
14.12.2004	28,750	10	40	Cash	Further Allotment to Others	29,89,582	2,98,95,820	4,24,87,500
28.03.2007	16,73,000	10	50	Cash	Further Allotment to Others	46,62,582	4,66,25,820	10,94,07,500
26.12.2009	46,62,582	10	-	Bonus Issue <sup>(2)</sup>	Bonus Issue in the ratio of 1 :1	93,25,164	9,32,51,640	6,27,81,680
30.12.2009	3,55,000	10	40	Cash	Further Allotment to Others	96,80,164	9,68,01,640	7,34,31,680
20.01.2010	3,55,000	10	-	Bonus Issue <sup>(3)</sup>	Bonus Issue in the ratio of 1:1	1,00,35,164	10,03,51,640	6,98,81,680

<sup>(1)</sup> Pursuant to AGM held on 25.09.1995, our company has issued 30,972 Bonus Shares in the ratio of 1 equity share for every 5 equity shares held to all the Shareholders, by capitalization of the surplus in the profit & loss account.

<sup>(2)</sup> Pursuant to Shareholders' approval at EGM held on 24.12.2009, our company has issued 46,62,582 Bonus Shares in the ratio of 1 equity share for every 1 equity share held to all the Shareholders, by way of capitalization of Share Premium Account.

<sup>(3)</sup> Pursuant to Shareholders' approval at EGM held on 24.12.2009, our company has issued 3,55,000 Bonus Shares in the ratio of 1 equity share for every 1 equity share held to the shareholders, who have been allotted the shares on 30.12.2009, by way of capitalization of Share Premium Account.

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

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Allotment	Benefits accrued to the company
04.10.1995	30,972	10	-	Bonus Issue in the ratio of 1 equity share for every 5 equity shares held*	Nil
26.12.2009	46,62,582	10	ı	Bonus Issue in the ratio of 1 equity share for every 1 equity share held#	Nil
20.01.2010	3,55,000	10	-	Bonus Issue in the ratio of 1 equity share for every 1 equity share held##	Nil

<sup>\*</sup>Pursuant to AGM held on 25.09.1995, our company has issued 30,972 Bonus Shares in the ratio of 1 equity share for every 5 equity shares held to all the Shareholders, by capitalization of the surplus in the profit & loss account.

- 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:

Sr. No.	Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Allotment
1.	26.12.2009	46, 62,582	10	-	Bonus Issue in the ratio of 1 equity share for every 1 equity share held
2.	30.12.2009	3, 55,000	10	40	Further Allotment to Others
3.	20.01.2010	3, 55,000	10	-	Bonus Issue in the ratio of 1 equity share for every 1 equity share held to the shareholders, who have been allotted the shares on 30.12.2009

- 6. Our Company does not have any Employee Stock Option Scheme /Employee Stock Purchase Plan for our employees and we do not intend to allot any shares to our employees under Employee Stock Option Scheme / Employee Stock Purchase Plan from the proposed issue. As and when, options are granted to our employees under the Employee Stock Option Scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
- 7. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. Additionally, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider using our Equity Shares as currency for acquisitions or participation in such joint ventures. We may enter into and/or we may raise additional capital to fund accelerated growth, subject to the compliance with the relevant regulations etc.

<sup>\*\*</sup>Pursuant to EGM held on 24.12.2009, our company has issued 46,62,582 Bonus Shares in the ratio of 1 equity share for every 1 equity share held to all the Shareholders, by way of capitalization of Share Premium Account. \*\*\*

\*\*Pursuant to EGM held on 24.12.2009, our company has issued 3,55,000 Bonus Shares in the ratio of 1 equity share for every 1 equity share held to the shareholders, who have been allotted the shares on 30.12.2009, by way of capitalization of Share Premium Account.

# 8. Promoter shareholding Build-up

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

Date of Allotment / Transfer	Nature of Consideration	Number of Equity Shares	Face Value (Rs.)	Issue/ Transfer Price per Share (Rs.)	Reason for Allotment / Transfer
	mar Jain (A)		r		
10.11.1994	Cash	17,200	10	10	Allotment
04.10.1995	Bonus (1:5)	3,440	10	-	Bonus Issue
06.05.2002	Cash	(20,640)	10	10	Transfer to Pantime Finance Company Private Limited
12.12.2007	Cash	50,000	10	1	Transfer from Aamit Fin- Trade Limited
26.12.2009	Bonus (1:1)	50,000	10	_	Bonus Issue
	Sub Total (A)	1,00,000			
	Kumar Jain (B)				
10.11.1994	Cash	6,500	10	10	Allotment
04.10.1995	Bonus (1:5)	1,300	10	-	Bonus Issue
06.05.2002	Cash	(7,800)	10	10	Transfer to Pantime Finance Company Private Limited
09.11.2006	Cash	5,00,000	10	2	Transfer from Softouch Cosmetics (Marketing) Private Limited
04.10.2007	Cash	2,00,000	10	1	Transfer from Innovision E- Commerce Limited
12.12.2007	Cash	1,26,000	10	1	Transfer from Sakira Finance Private Limited-38,000 shares , Samrajya Agro Farm Pvt. Ltd- 48,000 shares and Rishabh Finstock and Consultancy Pvt. Limited- 40,000 shares
20.12.2008	Cash	22,58,050	10	1	Transfer from Manoj Kumar Jain (HUF)
26.12.2009	Bonus (1:1)	30,84,050	10	-	Bonus Issue
	Sub Total (B)	61,68,100			
Mrs. Sangee	eta Jain (C)				
05.12.1991	Cash	10	10	10	Subscribers to Memorandum
10.11.1994	Cash	31,500	10	10	Allotment
04.10.1995	Bonus (1:5)	6,302	10	-	Bonus Issue
06.05.2002	Cash	(37,812)	10	10	Transfer to Pantime Finance Company Private Limited
10.03.2004	Cash	1,53,720	10	14	Transfer from Eternal Steels Pvt. Ltd.
10.03.2004	Cash	29,712	10	10	Shri Bhajanlal Jain-15,900 shares, Master Namit Jain- 13,800 shares and Smt. Salini Jain-12 shares

09.11.2006	Cash	5,00,000	10	2	Transfer from Softouch Cosmetics (Marketing) Pvt. Ltd.
04.10.2007	Cash	3,46,700	10	1	Transfer from Maars Software International Ltd.
12.12.2007	Cash	1,16,000	10	1	Transfer from TPL Finance Ltd 66,000 shares and Vohera Securities Pvt. Ltd 50,000 shares
26.12.2009	Bonus (1:1)	11,46,132	10	ı	Bonus Issue
	Sub Total (C)				
Grand Total (A+B+C)		85,60,364			

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

- 9. During the past six months, there are no transactions in our Equity Shares, which have been purchased/(sold) by our Promoters, their relatives and associates, persons in promoter group (as defined under sub-clause (zb) sub-regulation (1) Regulation 2 of the SEBI (ICDR) Regulations, 2009) or the Directors of the Company.
- 10. 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 Draft Red Herring Prospectus.

## 11. Promoters' Contribution and locked-in for three years:

Pursuant to SEBI Regulations, an aggregate of 20% of the post-issue shareholding of Promoters shall be locked-in for a period of three years. The details of such lock-in are given below:

Name of the Promoter	Date of Allotment /Transfer	Nature of Allotment/ Transfer	Nature of payment or consideration	Number of Equity Shares	Face Value (Rs.)	Issue/ Transfer Price (Rs.)	% of Post Issue Paid Up Capital
Mr. Ajit Kumar Jain	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Mr. Manoj Kumar Jain	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Mrs. Sangeeta Jain	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total	•						20.00

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

# In this Issue since the issue size of Rs. 2,400 Lacs is fixed, the number of Equity Shares to be allotted under the Issue would be determined after the determination of issue price after the completion of book building

process. Currently, the post issue capital is not determined and hence we are unable to determine the % of post issue capital. Further, the number of Equity Shares of Promoters to be locked in for 3 years (i.e. 20% of post issue capital) and one year shall be determined once post issue capital is known. Accordingly, we have disclosed all the shares which are eligible for three years lock-in and the exact lock-in period will be disclosed after the determination of post issue capital of our Company.

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

Our Promoters have, by a written undertaking dated May 31<sup>st</sup>, 2010, given consent to include such number of Equity Shares held by them, as may constitute 20% of post-issue equity share capital of our Company, as determined after the book-building process, to be considered towards Promoters' contribution and locked-in for a period of three years from the date of Allotment ('Promoters' Contribution').

The Promoters have pursuant to their undertaking dated May 31st, 2010, agreed not to sell or transfer or pledge or otherwise dispose of in any manner, the Equity Shares forming part of the Promoters' Contribution from the date of filing of this Draft Red Herring Prospectus until the commencement of the lock-in period specified above.

12. The Promoters' Contribution has been brought in to the extent of not less than the specified minimum amount and from persons defined as promoters under the SEBI Regulations. All Equity Shares which are to be locked-in as Promoters' Contribution are eligible for computation of promoters' contribution in accordance with the SEBI Regulations. In relation to this, we confirm:

The Equity Shares to be considered as the Promoters' Contribution:

- a) have not been acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets and have not been issued against shares, which are otherwise ineligible for promoters' contribution:
- are not resulting from a bonus issue, out of revaluation of reserves or reserves created without accrual of cash resources or against equity shares which are otherwise ineligible for computation of promoters' contribution;
- c) are not subject to any pledge or any other encumbrance; and
- d) are not arising out of securities acquired during the preceding year, at a price lower than the Issue Price
- e) have not been made by private placement made by solicitation of subscription from unrelated persons either directly or indirectly through an intermediary.
- f) Are not issued to our Promoters on conversion of partnership firms into limited company.
- g) Have been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under SEBI (ICDR) Regulations, 2009.
- h) Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoter's contribution subject to lock-in.
- 13. As per the SEBI Regulations, the Equity Shares towards the Promoters' Contribution during the lock-in period can be pledged only with scheduled commercial banks or public financial institutions as collateral security for loans granted by and the pledge of the Equity Shares is one of the terms of the sanction of such loans. Further such a loan should have been granted for the purpose of financing one or more of the objectives of this Issue.

# 14. History of the Equity Shares held by the Promoter Group:

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

Date of Allotment / Transfer	Nature of Consideration	Number of Equity Shares	Face Value (Rs.)	Issue/ Transfer Price per Share (Rs.)	Reason for Allotment / Transfer
Mr. Varun Ja	<u>in</u>				
10.11.1994	Cash	2,000	10	10	Allotment
04.10.1995	Bonus (1:5)	4,00	10	ı	Bonus Issue
04.10.2007	Cash	2,60,000	10	1	Transfer from Akshar Elecmech Network Pvt. Ltd. (presently known as Haryana Pulp & Paper Traders Private Ltd.)1,30,000 shares and Dukaas Fabrics Pvt. Ltd 1,30,000 shares
12.12.2007	Cash	50,000	10	1	Transfer from Kajal Agro Farms Pvt. Ltd.
26.12.2009	Bonus (1:1)	3,12,400	10	-	Bonus Issue
	Sub Total	6,24,800			
Mrs. Sushma	<u>Jain</u>				
12.12.2007	Cash	50,000	10	1	Transfer from Data Innovation (India) Pvt. Ltd.
26.12.2009	Bonus (1:1)	50,000	10	-	Bonus Issue
	Sub Total	1,00,000			
Mr. Vaibhav	<u>Jain</u>				
12.12.2007	Cash	20,000	10	1	Transfer from Eagle Travels Ltd.
26.12.2009	Bonus (1:1)	20,000	10	-	Bonus Issue
	Sub Total	40,000			
	<b>Grand Total</b>	7,64,800			

- 15. In addition to the Equity Shares proposed to be locked-in as part of the Promoters' Contribution as stated above, the entire pre-Issue equity share capital of the Company consisting of [●] Equity Shares will be locked-in for a period of one year from the date of Allotment in the Issue.
- 16. The Equity Shares held by persons other than the Promoters, prior to the Issue, which are locked-in for a period one year from the date of Allotment as mentioned above may be transferred to any other person holding the Equity Shares which are similarly locked-in for one year, subject to continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Takeover Code, as applicable.

Further, Equity Shares held by the Promoters, which are locked-in as per the Regulation 40 of the SEBI Regulations, may be transferred to and amongst the Promoters/Promoter Group or to a new Promoter or persons in control of our Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Furthermore, the Equity Shares subject to lock-in will be transferable, subject to compliance with the SEBI Regulations, including the provisions for lock-in, as amended from time to time.

- 17. There is no transaction of purchase and sale of securities by our Promoters, their relatives and associates or the Promoter Group (as defined under sub-clause (zb) sub-regulation(1), Regulation 2 of the SEBI (ICDR) Regulations, 2009) or the Directors of the Company, during a period of six months preceding the date of this DRHP.
- 18. The Pre-Issue & Post-Issue shareholding pattern of our Promoter & Promoter Group is as under:

6		Pre-Is	ssue	Post-Issue		
Sr. No.	Particulars	No. of	%	No. of	%	
110.		Shares	Holding	Shares	Holding	
a.	Promoter					
	Mr. Ajit Kumar Jain	1,00,000	1.00	1,00,000	[•]	
	Mr. Manoj Kumar Jain	61,68,100	61.47	61,68,100	[•]	
	Mrs Sangeeta Jain	22,92,264	22.84	22,92,264	[•]	
b.	Immediate Relatives of the Promoter					
	Mr. Varun Jain	6,24,800	6.23	6,24,800	[•]	
	Mrs, Sushma Jain	1,00,000	1.00	1,00,000	[•]	
	Mr. Vaibhav Jain	40,000	0.40	40,000	[•]	
c.	Companies in which 10% or more of the share capital is held by the Promoter / an immediate relative of the Promoter / a firm or HUF in which the Promoter or any one or more of their immediate relatives is a member					
d.	Companies in which Company mentioned in c. above holds 10% or more of the share capital		1	1		
e.	HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total					
f.	All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoter Group".					
	Total Promoter and Promoter Group Holding	93,25,164	92.93	93,25,164	[•]	

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

19. The Pre-Issue & Post-Issue shareholding patter		Pre Issue		Post Iss	ue
Category of shareholders	No. of shareholders	Number of Shares	%	Number of Shares	%
A. Shareholding of Promoter and Promoter					
Group					
1.Indian	_				
Individuals/ Hindu Undivided Family	6	93,25,164	92.93	93,25,164	[•]
Central Government/ State Government(s)	-	-	-	-	-
Bodies Corporate	-	-	-	-	•
Financial Institutions/ Banks	-	-	-	-	-
Any Others	-	-	-	-	-
Sub Total(A)(1)	6	93,25,164	92.93	93,25,164	[•]
2. Foreign					
Individuals (Non-Residents Individuals/Foreign	_	_	-	_	_
Individuals)					
Bodies Corporate	-	-	-	-	-
Institutions	-	-	-	-	-
Any Others(Specify)	-	-	-	-	-
Sub Total(A)(2)	-	-	-	-	-
Total Shareholding of Promoter and Promoter	6	93,25,164	92.93	93,25,164	[•]
Group $(A) = (A)(1) + (A)(2)$	Ü	75,25,104	72.75	75,25,104	[-]
B. Public shareholding					
1. Institutions	-	-	-	-	-
Mutual Funds/ UTI	-	-	-	-	-
Financial Institutions <sup>1</sup> Banks	-	-	-	-	-
Central Government/ State Government(s)	-	-	-	-	-
Venture Capital Funds	-	-	-	-	-
Insurance Companies	-	-	-	-	-
Foreign Institutional Investors	-	-	-	-	-
Foreign Venture Capital Investors	-	-	•	-	-
Any Other (specify)	-	-	•	-	-
Sub-Total (B)(1)	-	-	•	-	•
2. Non-institutions					
Bodies Corporate	-	•		-	
Individuals					
i. Individual shareholders holding nominal share	13	105000	1.05	[6]	[_]
capital up to Rs 1 Lac	13	105000		[•]	[•]
ii. Individual shareholders holding nominal share	16	605000	6.03	[6]	[_1
capital in excess of Rs. 1 Lac.	10	005000	0.03	[•]	[•]
Any Other (specify)					
Public Issue	-			[•]	
Sub-Total (B)(2)	29	7,10,000	7.08	[•]	[•]
Total Public Shareholding (B)=(B)(1)+(B)(2)		7,10,000	7.08	[•]	[•]
TOTAL (A)+(B)		1,00,35,164	100.00	[•]	[•]
Shares held by custodians and against which				_	_
Depository Receipts have been issued (C)	-	-	-		
GRAND TOTAL (A)+(B)+(C)	35	1,00,35,164	100.00	[•]	[•]

# 20. Top Ten Shareholders

The particulars of top ten shareholders of the Company and the number of Equity Shares held by them are as under:

i) Top ten shareholders as on the date of filing of this DRHP

Sr. No	Name of the Shareholder	No. of shares	%
1.	Mr. Manoj Jain	61,68,100	61.46
2.	Mrs. Sangeeta Jain	22,92,264	22.84
3.	Mr. Varun Jain	6,24,800	6.23
4.	Ms. Neha Agrawal	2,00,000	1.99
5.	Mr. Ajit Jain	1,00,000	1.00
6.	Mrs. Sushma Jain	1,00,000	1.00
7.	Mr. Kaushikbhai Kansara	75,000	0.75
8.	Mr. Vaibhav Jain	40,000	0.40
9.	Mr. Bharatbhai Shah	40,000	0.40
10.	Mr. Deepak Mehta	40,000	0.40
11.	Mr. Roshan Sanghvi	30,000	0.30
12.	Mr. Satish Mehta	30,000	0.30
13.	Mr. Manoj Rathod	25,000	0.25
14.	Mrs. Rajashri Shah	25,000	0.25
15.	Mr. Harshvadan Shah	20,000	0.20
16.	Mr. Amrutlal Mehta	20,000	0.20
17.	Mr. Manish Sanghvi	20,000	0.20
18.	Mr. Poonamchand Sanghvi	20,000	0.20
	Total	98,70,164	98.37

# ii) Top ten shareholders as on 10 days prior to the date of filing of this DRHP

Sr. No	Name of the Shareholder	No. of shares	%
1.	Mr. Manoj Jain	61,68,100	61.46
2.	Mrs. Sangeeta Jain	22,92,264	22.84
3.	Mr. Varun Jain	6,24,800	6.23
4.	Ms. Neha Agrawal	2,00,000	1.99
5.	Mr. Vicky Jhaveri	1,60,000	1.59
6.	Mr. Harsha Jhaveri	1,50,000	1.49
7.	Mr. Ajit Jain	1,00,000	1.00
8.	Mrs. Sushma Jain	1,00,000	1.00
9.	Mr. Kaushikbhai Kansara	75,000	0.75
10.	Mr. Vaibhav Jain	40,000	0.40
11.	Mr. Bharatbhai Shah	40,000	0.40
	Total	99,50,164	99.15

# iii) Top shareholders as on two years prior to the date of filing of this DRHP

Sr. No	Name of the Shareholder	No. of shares	%
•	Manoj Kumar Jain HUF	22,58,050	48.43%
•	Mrs. Sangeeta Jain	11,46,132	24.58%
•	Mr. Manoj Jain	8,26,000	17.72%
•	Mr. Varun Jain	3,12,400	6.70%
•	Mr. Ajit Jain	50,000	1.07%
•	Mrs. Sushma Jain	50,000	1.07%
•	Mr. Vaibhav Jain	20,000	0.43%
	Total	46,62,582	100.00%

- 21. Our Company, our Promoters, our Directors, our Promoter Group and the Book Running Lead Manager have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.
- 22. 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 finalizing 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 postissue paid up capital after the Issue would also increase by the excess amount of allotment so made. The number of Equity Shares proposed to be locked-in as part of the Promoters' Contribution will be determined after finalization of Issue Price.
- 23. Since the entire money of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is being called on application, all the successful applicants will be issued fully paid-up shares only.
- 24. The securities which are subject to lock-in shall carry the inscription "non-transferable" and the non-transferability details shall be informed to the depositories. The details of lock-in shall be provided to the Stock Exchanges where the shares are to be listed, before listing of the securities.
- 25. In the case of over-subscription in all categories, up to 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB Portion would be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds; 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.
- 26. 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 159 of this Draft Red Herring Prospectus.
- 27. Our Company has not raised any bridge loan against the proceeds of the Issue.
- 28. As of the date of this DRHP, there are no outstanding financial instruments or warrants or any other right that would entitle the existing Promoter or Shareholders, or any other person any option to receive Equity Shares after the offering.
- 29. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued through the Prospectus are listed or application moneys refunded on account of failure of Issue.
- 30. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such accounting and disclosure norms as specified by SEBI from time to time.
- 31. No single applicant can make an application for number of shares, which exceeds the number of shares offered, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- 32. The total number of members of our Company as on the date of filing DRHP is 35.
- 33. Our promoters and members of the promoter group will not participate in this issue.
- 34. As on date of filing of this Draft Red Herring Prospectus with SEBI, the entire Issued Share Capital of our Company is fully paid-up.

- 35. We confirm that our BRLM, Ashika Capital Limited does not hold any shares in our company.
- 36. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our promoters to the persons who receive allotments, if any, in this issue.
- 37. A bidder can not make a bid for more than the number of Equity Shares offered through the offer subject to the maximum limit of investment prescribed under relevant laws applicable to each category of bidder.

# **SECTION IV - PARTICULARS OF THE ISSUE**

## **OBJECTS OF THE ISSUE**

The objects of the Issue are primarily to raise capital for the following business and operational requirements of the company:

- Purchase of Machineries to be installed at our existing Ship Recycling Plot.
- Setting up of Corporate Office at Ahmedabad.
- Meeting Long-term Working Capital Requirement.
- Meeting the Issue Expenses.

The main Objects Clause of Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through this Issue.

## **Requirement of Funds:**

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

(Rs. in Lacs)

Sr. No.	Particulars	Amount	Amount
1.	Purchase of Machineries		558.00
2.	Setting up of Corporate Office at Ahmedabad		
	- Office Premises	45.00	
	- Furniture and Fixtures	65.00	110.00
3.	Long-term Working Capital Requirement		1582.00
4.	Issue Expenses		168.00
	TOTAL		2418.00

#### Means of Finance:

(Rs. in Lacs)

Sr. No.	Particulars	Amount
1.	Proceeds from Initial Public Offer	2400.00
2.	Internal Accruals	18.00
	TOTAL	2418.00

The funds requirement and deployment thereof are based on management's internal estimates and have not been appraised by any bank or financial institution or any independent entity. These are based on current circumstances of our business and are subject to change in light of a number of variables, which may not be within the control of our management, including external circumstances, possible cost availability of working capital finance, among others.

We, in response to the competitive and dynamic nature of the industry, may have the discretion to revise our business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling, revising or cancelling the proposed expenditure and funds requirement and increasing or decreasing expenditure for a particular object at the discretion of our management. In addition, the estimated dates of completion of the Objects of the Issue as described herein are based on management's current expectations and are subject to change due to various factors including those described above, some of which may not be in our control.

In case of any variations in the actual utilization of funds earmarked for the objects set forth above, increased fund requirement for a particular object may be met with by surplus funds, if any available in respect of the other object for which the funds are being raised in the Issue, subject to applicable law, and/or our Company's internal accruals,

and/ or the term loans/working capital loans that may be availed from the Banks/ Financial Institutions. In the event of any shortfall in the Issue proceeds, the requirement shall be satisfied from internal accruals.

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

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

# 1. Purchase of Machineries

We propose to purchase the additional Machineries for our Ship Recycling Plot, the details of which are as under:

(Rs. in Lacs)

Sr. No.	Particulars	Amount
1.	High Pressure Seamless Gas Cylinders	200.00
2.	Steel Wire Ropes	20.00
3.	Crawler Crane of 35 MT (Second Hand)	65.00
4.	P & H Crane of 70 MT (Second Hand)	105.00
5.	Winch of 100 MT (Second Hand)	130.00
6.	Contingencies	38.00
	TOTAL	558.00

# 1. High Pressure Seamless Gas Cylinders:

(Rs. in Lacs)

Particulars		No. of Units	Rate per unit	Amount
Thickness Water Capacity Gas Steel Grades Filling Pressure Test Pressure Outsider diameter Length Tare Weight Internal Thread Painting Valve	: 5.2 mm : 46.7 Ltrs (7cum) : Oxygen Cylinders : Manganese Steel (Mn) : 150 kgf/cm.sq. : 250 kgf/cm/sq. : 232 : 1370 mm : 50-52 kgs : 28mm as per IS 3224-2002 : Black : With valve	2500	0.80	200.00

# 2. Steel Wire Ropes:

(Rs. in Lacs)

Particulars	Quantity (Mtrs.)	Rate per Metre	Amount
Ungalvanised Wire Rope & 35MM [1770 N/mm2]	4000	0.005	20.00

# 3. Crawler Crane of 35 MT (Second Hand):

(Rs. in Lacs)

Particulars	Unit	Rate	Amount
Crawler Crane and make TATA 320 & 35 MT with Boom Engine and all Accessories	1	65.00	65.00

# 4. P & H Crane of 70 MT (Second Hand):

(Rs. in Lacs)

Particulars	Unit	Rate	Amount
P & H Crane 70 MT with Boom Engine and all Accessories	1	105.00	105.00

## 5. Winch of 100 MT (Second Hand):

(Rs. in Lacs)

Particulars	Unit	Rate	Amount
Winch of 100 MT Capacity with Engine foundation plate and Anchor with chains of 10 MT approx.	2	65.00	130.00
Total			130.00

We have relied upon the Quotations dated 19.03.2010 obtained from Lippi Systems Limited having office at 3<sup>rd</sup> Floor, Satya Complex, Opp. IOC Petrol Pump, Nr. Ashwmegh-IV, 132Sft Ring Road, Satellite, Ahmedabad-380015 for the supply of above Machineries.

We have considered the above quotation for the budgetary estimates and have not placed order for any of the above Machineries till date.

All the above machineries are indigenous. Accordingly, there is no foreign exchange outgo and foreign exchange fluctuation that would impact us for the same. The Machinery supplier is not related to our Company and promoters.

## 2. Office premises at Ahmedabad:

## a. Office Space:

At present, we are operating from our Registered Office at Bhavnagar and Corporate Office at Ahmedabad, both are occupied on lease / rent basis. Now, we propose to set up our own Corporate Office at Ahmedabad and operate from the same. We have identified the premise for the proposed Office at Prahalad Nagar, Ahmedabad.

We have entered into a booking agreement with Pinnacle on 20.12.2009 for purchase of premise located at Unit no. 808/A, Pinnacle, Corporate Road, Prahalad Nagar, Ahmedabad, ad-measuring 1549 Sq. Fts. for an aggregate amount of Rs 45 Lacs and has paid an initial amount of Rs. 1,00,000/- on 20<sup>th</sup> December 2009 and Rs.5,00,000/- on 12<sup>th</sup> June, 2010.

#### b. Furniture and Fixtures

The estimated cost of the Furniture and Fixtures (including Computer Systems and Software) to be provided and the Furnishing work and installation to be carried at the above mentioned office space is Rs. 65.00 Lacs, as per the details given below:

(Rs. in Lacs)

Sr. No	Particulars	Amount
1.	Communication, Office Automations and Security Systems (Lumpsum)	20.50
2.	Computer Systems (Servers & Workstations) with necessary Software, Printers, Networking, etc.	22.50
3.	Cabin units for 15 members and other Furniture & Fittings	13.00
4.	Other Misc. Office Equipments	9.00
	Total	65.00

We have relied upon the quotation dated 06.04.2010 obtained from the Mrs. Komal Rao, Interior Designer having office at 23, Summit Flats, Near Amrapalash Bunglows, Behind Fun Republic, Satellite, Amedabad-380 015, for the work relating to installation of Office Equipments and carrying out the Furnishing work.

## 3. Long-term Working Capital Requirement

Considering the existing growth rate the net working capital requirement of our Company, as assessed based on the internal workings of our Company, for the financial year 2010-2011 is expected to reach Rs. 3672.87 Lakhs. We are proposing to meet our net working capital requirements to the extent of Rs. 1582.00 Lakhs, from the proceeds of the Issue and the balance will be met from own funds at an appropriate time as per the requirement.

Our existing and proposed Working Capital requirement and funding for the same is given hereunder: (Rs. in Lakhs)

Particulars	2009-10 (Actuals)	2010-11 (Estimated)
Current Assets		
Inventory	698.56	1655.11
Sundry Debtors	515.39	1772.32
Cash and Bank Balance	875.60	1260.00
Loans and Advances including Advance Taxes	1015.22	1064.70
Total Current Assets (A)	3104.77	5752.13
Less: Current Liabilities & Provisions (B)	153.83	459.26
Gross Working Capital (A)-(B)	2950.94	5292.87
Less: Existing Bank Borrowings Sanctioned	974.31	1620.00
Net Working Capital	1976.63	3672.87
Funding through		
- Own Funds	1910.56	2090.87
- Other Borrowings	66.07	-
- Issue Proceeds	-	1582.00

Based on our past experience, the assumptions for Inventory, Debtors, Creditors, etc. for our business are disclosed as under:

Particulars	No. of Days
Inventory	88
Sundry Debtors	77
Cash and Bank Balance	79
Loans and Advances including Advance Taxes	67
Sundry Creditors for trade and expenses	24

# 4. Issue Expenses

The Issue related expenses include, among others, BRLM Fees, Underwriting & Brokerage, Printing and Distribution Expenses, Advertisement and Marketing Expenses and Registrars Fees, Legal Advisor's Fees, Auditor's Fees, etc. The estimated Issue expenses are as follows:

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of Issue Expenses	% of Issue Size
1.	BRLM Fees, Underwriting & Brokerage	[•]	[•]	[•]
2.	Printing & Distribution of Stationary	[•]	[•]	[•]
3.	Advertisement and Marketing Expenses	[•]	[•]	[•]
4.	Miscellaneous Expenses (Registrars Fees, Legal Advisor's Fees Auditors Fees, SEBI Fees, Listing Fees, etc.)	[•]	[•]	[•]
	TOTAL	168.00	100.00	7.00

## **Schedule of Implementation**

Sr. No.	Activity	Expected Month of Commencement	Expected Month of Completion
1.	Purchase of Machineries :		
	-Placement of Orders	-	October 2010
	-Delivery & Installation	November 2010	December 2010
2.	Setting up of Corporate Office at		
	Ahmedabad		
<i>a</i> .	Office Space	December 2009	December 2010
<b>b</b> .	Furniture & Fixtures		
	-Placement of Work Order	-	January 2011
	- Delivery and Installation	February 2011	March 2011

# **Deployment of Funds in the Project**

We have incurred an amount of Rs.10.15 Lacs towards the Objects of the Issue till June 30, 2010. The same has been certified by M/s. Ashok Dhariwal & Co., Chartered Accountants vide their certificate dated June 30, 2010 and the details are as under.

(Rs. in Lacs)

Sr. No.	Particulars	Amount
1.	Fees to the Book Running Lead Manager	2.50
2.	Fees to Credit Rating Agency	1.65
3.	Advance towards the Corporate Office	6.00
	Total	10.15

The sources of funds for the above mentioned deployment are as follows:

## **Sources of Funds**

(Rs. in Lacs)

Sr. No	Particulars	Amount
1.	Internal Accruals	10.15
	Total	10.15

## Year Wise break up of Deployment of Funds

The entire proceeds of the Issue will be deployed on or before March 2011 and hence no year wise break has been given.

# **Interim Use of Funds**

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, the Company intends to temporarily invest the funds in interest or dividend bearing liquid instruments including deposits with banks and investment in mutual funds and other financial products such as principle protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments and rated debentures. Such investments would be in accordance with any investment criteria approved by the Board of Directors from time to time.

# **Monitoring of Utilization of Funds**

As our Issue size is less than 500 Crores, we have not appointed any monitoring agency to monitor the utilization of issue proceeds, as the same is not required as per SEBI Guidelines. Our Board of Directors will monitor the utilization of proceeds of this Issue on a regular basis.

We will disclose the utilization of the proceeds raised through this Issue under a separate head in our financial statements clearly specifying the purpose for which such proceeds have been utilized. As per the requirements of Clause 49 of the Listing Agreement, we will disclose to the Audit Committee the uses/applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilised for purposes other than those stated in this DRHP and place it before the Audit Committee. The said disclosure shall be made till such time that the full proceeds raised through the Fresh Issue have been fully spent. The statement shall be certified by our Statutory Auditors. Further, in terms of Clause 43A of the Listing Agreement, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the Objects stated in the Red Herring Prospectus. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the Listing Agreement and be published in the newspapers simultaneously with the interim or annual financial results, after placing it before the Audit Committee in terms of Clause 49.

No part of this Issue proceeds will be paid by us as consideration to our Promoter, Directors, key managerial personnel or entities promoted by our Promoter, 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**

The Board of Directors have, pursuant to a resolution passed at its meeting held on January 4, 2010, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act.

The Issue of Equity Shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Extra Ordinary General Meeting of the shareholders held on February 3, 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 Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors.

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

# **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Issue including devolvement of the members of the Syndicate if any within 60 days from the Bid 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 shall pay interest prescribed under Section 73 of the Companies Act 1956.

## **BASIS FOR ISSUE PRICE**

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.

Investors should read the following summary with the Risk Factors starting from page 12 and the details about Our Company and its financial statements included in this DRHP on page110. 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.

## **Qualitative Factors**

- > Promoters experience in the Industry and Business
- > Strategic Location of the Unit
- ➤ ISO 9001:2008, 14001:2004 & 30000-2009 and OHSAS 18001:2007 certified company

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 75 and 12 respectively.

#### **Quantitative Factors**

Presented in this section is derived from our Company's restated, consolidated 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 Earning Per Share (EPS) weighted

Year ended	EPS (Rs.)	Weight
31 <sup>st</sup> March 2008	0.04	1
31 <sup>st</sup> March 2009	0.88	2
31 <sup>st</sup> March 2010	2.77	3
Weighted average EPS	1.6	9

#### **Notes:**

- 1. EPS represents adjusted 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 financial information of the 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 Earning 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. 2.77	Rs. [•]
Based on weighted average EPS of Rs. 1.69	Rs. [•]

## 3) Return on Net worth

Year ended	RONW (%)	Weight
31 <sup>st</sup> March 2008	0.23	1
31 <sup>st</sup> March 2009	4.56	2
31 <sup>st</sup> March 2010	12.79	3
Weighted Average RONW	7.95	

The average return on net worth has been computed on the basis of the restated profits 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 period 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. 20.32
b)	Issue Price	[•]
c)	Post Issue	[•]

# 6) Comparison with Industry Peers and Industry average

We can not be compared with other listed companies, as we do not have any direct competitor in the same segment, in which we operate.

## 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 "Restated Financial Information" on page 12 and 110 respectively, to have a more informed view. The trading price of the Equity Shares of the 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,
VMS Industries Limited,
2<sup>nd</sup> Floor, "Jain House"
Opp. Vitthalwadi,
Bhavnagar- 364 003,
Gujarat, India.

Dear Sirs,

## **Sub.**: Statement of possible Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to VMS Industries Limited (the 'Company') and its shareholders under the provisions of the Income tax Act, 1961 and other direct tax laws presently in force. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of VMS Industries Limited. We shall not be liable to VMS Industries Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

For Ashok Dhariwal & Co Chartered Accountants

Ashok Dhariwal Proprietor Membership No. 36452 Firm Reg. No. : 100648W

Place: Ahmedabad Date: May 28, 2010

# STATEMENT OF POSSIBLE TAX BENEFITS UNDER THE INCOME TAX ACT, 1961 ("THE ACT") AVAILABLE TO VMS INDUSTRIES LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

#### A. TO COMPANY

#### I. SPECIAL TAX BENEFITS AVAILABLE TO VMS INDUSTRIES LIMITED

The company will be eligible for the benefits available under the Tonnage Tax Scheme as specified under the provisions of Section 115 VP to 115 VX of the Income Tax Act, 1961. However, the benefit is available subject to fulfillment of conditions prescribed under the provisions of Section 115 VP to 115 VX of the Income Tax Act, 1961.

## II. GENERAL TAX BENEFITS

- 1. As per Section 10(34) of the Act, income earned by the Company by way of dividend income from another domestic company referred to in section 115-O of the act is exempt from tax.
- 2. As per section 10(35) of the Acts, the following income will be exempt from tax in the hands of the Company:
  - a. Income received in respect of the units of a Mutual Fund specified under section 10(23D); or
  - b. Income received in respect of units from the Administrator of the specified undertaking; or
  - c. Income received in respect of units from the specified company:
- 3. Long term capital gains on listed securities under Section 10 (38) of the Act Long term capital gain arising from sale of listed Equity Shares or units of an equity oriented fund through a recognized stock exchange will not be subject to capital gains tax, provided the applicable Securities Transaction Tax i.e. at the rate of 0.025 % on the transaction value is paid by the Company and the transaction of such sale is entered into on or after October 01, 2004.
- 4. Under section 32 of the Act, the Company is entitled to claim depreciation subject to the conditions specified therein, at the prescribed rates on its specified assets used for its business.
- 5. Deduction of preliminary expenses under section 35D of the Act The Company will be entitled to a deduction of one fifth of the preliminary expenses incurred for the issue of shares for a period of five years beginning with the year in which the Company expands its current industrial undertaking. The amount of deduction is limited to five percent of the cost of the project/ capital employed in the business.
- 6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees. Fifty lacs in a year.
- 7. Short term capital gains on Equity Shares under section 111A Any short term capital gains arising to the company from the sale of equity share in a company or unit of an equity oriented fund on a recognized stock exchange will be subject to tax only at a rate of 15% (plus applicable surcharge & education cess) provided the applicable Securities Transaction Tax i.e. at the rate of 0.025 % on the transaction value is paid by the Company. Other short term capital gains would be taxed at the rate of 30 % (plus applicable surcharge & education cess).
- 8. Long term capital gains under section 112 of the Act Long term capital gains arising from the sale of an asset to the Company shall be subject to tax 20 % (plus applicable surcharge/ education cess). In case of long term capital gains on transfer of listed securities outside the stock exchange, tax shall be calculated @ 20 % (plus applicable Surcharge & education cess) on gain after indexation benefit as provided in the second proviso to Section 48. The amount of such tax should however be limited to 10 % (plus applicable Surcharge & education cess) without indexation, at the option of the Share holder. For this purpose, Indexation Benefit would mean the 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.

9. The amount of tax paid under section 115 JB by the Company for any assessment year beginning on or after 1st April, 2010 will be available as credit to the extent specified in section 115 JAA for ten years succeeding the assessment year in which MAT credit becomes allowable in accordance with the provisions of Section 115 JAA.

#### **B. TO MEMBERS**

## I. SPECIAL TAX BENEFITS

There are no special benefits accruing to the members.

#### II. GENERAL TAX BENEFITS

#### (A) Resident Members

- 1. As per section 10(34) of the Act, income earned by the resident member by way of dividend income from the domestic company referred to in section 115-O of the act is exempt from tax.
- 2. As per section 10(38) of the Act, long term capital gains arising to the resident member from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of such members.
- 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 tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.
- 4. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.

#### (B) Non-Resident Indian Members

- 1. As per section 10(34) of the Act, income earned by way of dividend income from the domestic company referred to in section 115-O of the act is exempt from tax.
- 2. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt.
- 3. As per section 111AE of the Act, short term capital gains arising from the sale of equity—shares or units of an equity oriented mutual—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%.
- 4. Capital Gains Tax-options available under the Act A non resident has the option to be governed by the special provisions of Chapter XII-A of the Act or the normal provisions of the Act. The normal provisions of the Act for the capital gains in relation to sections 111A, 112 and 10(38) as discussed in clause (h) to (j) under section A of "Company" apply to the non residents also. Further, proviso to section 48 of the Act provides that where a non resident purchases shares or debentures of an Indian Company in foreign currency, the capital gains would be computed in such foreign currency and will then be reconverted into Indian currency and be taxed @ 10% (plus applicable surcharge & education cess).

As mentioned above a non resident may opt for the special provisions described in chapter XII-A (sections 115C to 115H) of the Act for computing his/her capital gains tax liability. These provisions are discretionary for the non resident and a non resident may elect not to be governed by them. The benefits available under this chapter to a non resident are set out below:

- As per the provision of Section 115D read with Section 115E of the Act, long term capital gains arising on transfer of an Indian company's shares will be subject to tax at the rate of 10% (plus applicable surcharge & education cess), without indexation benefit.
- As per the provisions of Section 115F of the Act, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within six months in any specified asset or savings certificates referred to in Section 10 (4B) of the Act. However, the specified asset or the savings certificate in which the investment has been made should not be transferred for a period of three years from the date of investment otherwise the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, non-resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income.
- 5. As per the first proviso to section 48 of the Act, in case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, will be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. Cost indexation benefit will not be available in such a case.
- 6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.
- 7. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.
- 8. In accordance with section 115E, income from investment or income from long- term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20%. Income by way of long term capital gains in respect of a specified asset (as defined in section 115C (f) of the act), shall be chargeable at 10%.
- 9. In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gain arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified asset.
- 10. In accordance with section 115G, it is not necessary for a Non resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or income by way of long term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act.
- 11. In accordance with section 115-I, where a Non Resident Indian opts not to be governed by the provision of chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the company) will be computed and tax will be charged according to the other

provisions of the Income-tax Act.

- 12. As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- 13. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

## (C) Foreign Institutional Investors (FII's)

- 1. As per section 10(34) of the Act, income earned by way of dividend income from the domestic company referred to in section 115-O of the act is exempt from tax.
- 2. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt.
- 3. As per section 115AD read with section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company 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%.
- 4. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the provisions of section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains (other than referred to in section 111A)	30

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

- 5. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.
- 6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer, subject to the limit of Rupees Fifty lacs in a year.

## (D) Mutual Funds

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

## (E) Venture Capital Companies / Funds

As per section 10(23FB) of the Act, all Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on their entire income, including income from sale of shares of the company. However, under section 115U of the Act, income received by a person out of investment made in a venture capital company or in a venture capital fund will be chargeable to tax in the hands of such person.

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

"Asset" as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

# **UNDER THE GIFT TAX ACT, 1958**

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

#### **NOTES:**

- (i) In the above statement only basic tax rates have been enumerated and the same is subject to surcharge and education cess, wherever applicable.
- (ii) The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.
- (iii) All the above benefits are as per the current tax laws (including amendments made by the Finance Act, 2010), legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the benefits listed above. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above.
- (iv) Several of these benefits are dependent on the company and its shareholders fulfilling the conditions prescribed under the provisions of the relevant sections under the relevant tax laws.
- (v) This statement is only extended to provide general information to the investors and is neither designed nor intended to be a substitute for Professional Tax Advice. In view of the individual nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its investments in the shares of the Company.
- (vi) All the above tax benefits will be available only to the sole / first named holder in case the shares are held by joint holders.

# **SECTION V - 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 the 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.

## SHIP BREAKING INDUSTRY

#### Overview

Ship breaking is a type of disposal of ship involving the breaking up of ships for scrap recycling, with the hulls being discarded in ship graveyards. Ship breaking is a typical activity, which adds value through a 'demolition' process. Most ships have a lifespan of a few decades before there is so much wear that refitting and repair becomes uneconomical. When a ship goes uneconomic / unsafe as per standards of safety to operate, it is sent for demolition to ship breaking yards. Ship breaking allows materials from the ship, especially steel, to be reused. Equipment on board of the vessel can also be reused. The contribution of the ship breaking yards is to generate value out of unusable ships by segregating it into various components that have their own economic value by subjecting it to a systematic demolishing process.

Until the late 20<sup>th</sup> century, ship breaking took place in port cities of industrialized countries such as the United Kingdom and the United States. Today, most ship breaking yards are in Pakistan, Bangladesh, and India. Turkey performs just a handful of demolitions each year. Though western countries have developed superior technologies, which result into high productivity, Asian countries have come up a low cost proposition for two reasons. One, relatively the manpower is very cheap in these countries. So even at a lower productivity rate, operations in these countries prove to be relatively cheaper. Second, western countries have very high standards of safety, which calls for costly measures for ensuring safety.

The reasons behind ship breaking/ recycling being carried out in these countries are as follows:

- (1) Cheap and abundant labour;
- (2) Vast coastal area with good and favorable tidal impact; and
- (3) Management ability.

Primarily India occupied the first position in the world, but with the passage of time the same was replaced by China

# **Ship Recycling Process**

Ship Recycling is the process of dismantling a vessel's structure for scrapping or disposal and is generally carried out at a beach, pier, dry dock or dismantling slip. It includes a wide range of activities, from removing all gear and equipment to cutting down and recycling the ship's infrastructure.

The ship recycling process is an environment and eco-friendly industrial activity which not only generates rerollable steel, but also helps society by providing direct and indirect employment.

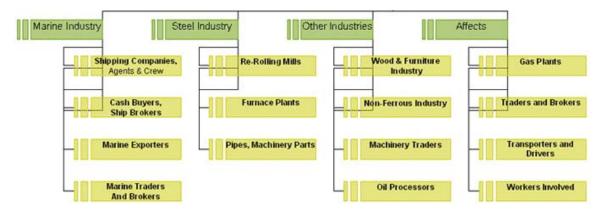
Old ships are no longer capable of plying and they have such high maintenance costs that it is more economical to scrap them are usually sold to ship-recyclers. These vessels incur expenses such as port charges, crew salaries and oil consumption cost. Thus they become a burden to the shipping companies. And the only safe and economic way of getting rid of such vessels is a systematic recycling. Thus the need of reducing unnecessary ship-traffic in a safe and economic way gave birth to the massive industry called ship-recycling.

(Source: www.sriaindia.com)

After 25-30 years ships are at the end of their sailing life. These 'End of Life Vessels' are sold and dismantled to recover the valuable steel. About 95% of the ship consists of steel. But the ships also contain large amounts of hazardous materials.

## **Major Consumers**

The Industry wise consumption is enumerated hereunder:-



#### **Global Scenario**

At present, the global economic integration continues to accelerate and promote international trade. With the shipping industry booming and the continuous growth in global fleets, the number of retired vessels have considerably increased. UNCTAD, "World Ocean Assessment Report", issued in 2008 points out that in 2007 the world's shipping volume reached a record of more than 80 million tons. As of January 2008, the global registration of 100 gross tonnage and above, the total number of merchant shipping 97481, with a total capacity of 11.2 million dwt, 100 every year and have been dismantling decommissioned ships.

China is one of the world's major ship-breaking industry. Since the 20<sup>th</sup> century, the emergence of organized 60 years of ship-breaking activities began; China's ship-breaking industry has gone through a 40 year course of development. China's ship-breaking enterprises to actively advocated scrapping the green, in the dismantling of production activities, basically the safety, environmental protection, health, some enterprises have passed the international environmental management system and occupational safety and health management system certification; Some enterprises have already or will be included in national and local development of circular economy pilot projects, and has become internationally influential first-class ship-breaking business, and environmental protection in developed countries has been a strong sense of the favour of international ship owners in recent years.

(Source: www.eckhardt-marine.com)

The phase-out means that many tankers will have to be taken out of service Extra in the coming years. Roughly 2,200 single hull oil tankers from the 4,000 crude oil tankers and oil products tankers (over 5,000 dwt). Together these tankers have a dwt of 175 million.

(Source: E.A. Gibson Shipbrokers).

According to newer figures from Clarksons, a total of 590 ships were scrapped from the beginning of the year and until the end of August 2008. These vessels represent a total capacity of 18.1 million tons, while their average age is also quite younger than the relevant ships scrapped last year. In fact, during the whole of 2008 the number of ships demolished had reached just 385 units with a capacity of 13.6 million tonnes.

The average vessel age of each ship scrapped last year was 30.5 years during 2008, while this year this number has dropped at 29 years (for all ship types). For 2009, the average age is at just 25.3 years for tankers and 30.5 years for dry bulk carriers. The increase of scrapping activity comes as no surprise to most industry analysts, as this was expected regardless of the state of the freight market. With the world order book for most ship types near record levels, it was obvious that older ships would have to leave the market eventually. The collapse of the freight market, which commenced about a year ago, simply speeded things up.

(Source: Hellenic Shipping News)

# **DEMOLITION STATISTICS FOR 2009**

		number	dwt	ldt		number	dwt	ldt	T	EU	
DRY BULK Average age: 30,32				CONTAINER SHIP				Average a	ne: 27.91		
< 19,999		16	260.220	78.463	< 999 TEU	18	240.198	112.606		.612	
20,000 -	59,999 dwt	85	2.769.192	663.061	1,000 - 2,499 TEU	30	796.846	334.704	47	.682	
60,000 -	79,999 dwt	20	1.327.642	274.858	2.500 - 4.499 TEU	9	435.759	164.897	29	.329	
> 80,000	dwt	6	977.522	140.889	> 4,500 TEU	0	0	0		0	
Total		127	5.334.576	1.157.271	Total	57	1.248.337	612.207	87	.623	
TANKER Average age: 27,03				REEFER				Average a	ge: 26,57		
< 29,999	dwt	12	198.585	63.121	Total	7	81.481	48.261			
30,000 -	0,000 – 44,999 dwt 10 377.803 115.405										
45,000 -	59,999 dwt	4	199.053	56.958	GENERAL CARGO, MP	GENERAL CARGO, MPP Average age: 31,43					
60,000 -	74,999 dwt	2	128.372	28.714	Total	90	1.557.924	555.141			
75,000 -	124,999 dwt	3	288.868	47.991							
125,000 -	- 149,999 dwt	0	0	0	RORO Average age: 28,46						
> 150,000	0 dwt	2	411.198	56.116	Total	38	418.003	311.069			
Total		33	1.603.879	368.305							
					PASSENGER				Average a	ge: 41,18	
COMBINATION Average age: 27,39			Total	3	19.289	34.341					
Total		1	77.673	15.956							
				MISCELLANEOUS Average age: 31,83							
					Total	2	318.360	49.100			
			NUMBER	DINT	107			AVEDAGE	805	1	
ODANO TOTAL		NUMBER	DWT	LDT	TE	_	AVERAGE				
GRAND TOTAL		358	10.883.988	3.151.651	87.6	23	27,75				

These statistics include ships sold for demolition and effectively beached. "Average age" reflects the average age of the ship type at the date of sale for demolition.

(Source: www.eckhardt-marine.com)

# Ship Breaking Industry in India

Ship Recycling is not new to India for we know of this activity ever since 1912 in Kolkata and Mumbai. The ship recycling activity in those days was a part of the larger colonial economy like plantations and mining. Steel scrap was worthwhile even then and countries that had yards to recycle ships were often considered to be economically fortunate. Indeed, ship recycling became very important at the end of the two World Wars, especially after the World War II. Further, after the oil boom in the Middle East, oil became a much transported commodity and large oil tankers added to the fleet. Refrigeration techniques that grew around the early 1950's, too led to the emergence of the large refrigeration vessels. All of these started to age by the middle of 1970's and the ship recycling activity reached new heights in the Western countries. When the first economic recession came around 1984 and the fleet owners thought that it was better to scrap ships than to maintain them, there was a huge backlog of ships to be demolished. With the recession on, labour appeared to be far too costly and steel scrap yielding far less prices, ships had to look for cheaper labour elsewhere. India, stepped in at this juncture.

One of the reasons why the ship recycling activity became a boon for India was that, the middle of 1980's was a time of the rise of electric arc furnace and a rise in demand for steel melting scrap. The re-rolling mills were already facing an expansion around the middle of 1970's and they now grew up very fast in North and West India. The re-rolling mills were driven mainly by the boom in the construction sector in these parts that emerged as a result of rapid urbanization. Ship recycling became a source of steel scrap, whether for melting or directly re-rollable material in the re-rolling mills. In terms of price, ship-breaking scrap historically is more expensive than scrap from railways or other melting scrap, but it is cheaper than ingots from the electric arc furnaces and the billets and the semis from the integrated steel plants. Hence, ship-recycling scrap conventionally has proved to be a direct competitor of the integrated steel mills in their market for semis.

In the 1970s ship breaking was concentrated in Europe. Performed at docks, it was a highly mechanised industrial operation. But the costs of upholding environmental, health and safety standards increased. So the shipping industry moved to poorer Asian States.

# Ship Recycling At Alang, Bhavnagar (Gujarat)

- Alang has a very high inter-tidal gradient. This enables the ship to beach right at the shore during high tide
  and when the tide recedes the ship stands almost at a dry-dock. This not only makes work easy but also
  makes easy in terms of collecting the valuables and the waste items from the sand. Usually heavy items are
  dropped into the sea-water during high tide and this minimizes damage.
- Due to high tidal gradient, larger ships can come straight into the shore. This reduces the total working time on each ship.
- Since the beach is sandy, the heavy items do not sink in the mud and similarly the hazardous waste matter such as paint and other heavy metal and other deposits do not leach into the soil.
- At Alang, due to the fact that ships are beached just on the threshold of the plot, dismantling takes place in controlled conditions.
- The rainfall is mild and work can be carried out throughout the year.
- Due to the relatively moderate rainfall and shelter from strong tides and winds and also because of the absence of rocks around the area, the Alang yard can recycle smaller ships easily. Therefore, the numbers of ships that can come to this yard are many. In contrast, Gaddani in Pakistan and Chittagong in Bangladesh have strong winds and strong tides respectively and hence they can only demolish very large vessels. Chinese seacoast has typhoons all through the monsoon season and hence ship recycling cannot go throughout the year in an uninterrupted manner.

(Source: www.sriaindia.com)

Alang had received more than 125 ships in the three months of 2009 alone, compared to 136 ships in all of 2007 and 2008.

Currently, there are about  $6{,}000$  labour engaged in ship recycling through direct employment, with the indirect beneficiaries amounting to as much as 1-1.5 Lac.

Besides, the steel generated from ship recycling contributes nearly 1-2 per cent of the country's demand, in the process saving a substantial amount of natural resources and investment (see table)

Comparison of natural resource consumption in production of 2 million tones/year steel in steel plant and that from ship recycling:

Natural Resources	Requirement for steel plant	Requirement for ship recycling Industry
Iron ore	3508000 t	0
Fuel	3094000 t	0
Process chemicals	80610 t	0
Water	50-120 Mm3	1825 m3
Solid waste aspect	878967 t	12500 t
Cost aspect	>Rs. 1000 Crore	<rs. 100="" crore<="" td=""></rs.>

All of these positive aspects of ship recycling are reflected in India at Gujarat Maritime Board's (GMB) Alang Sosia Ship Recycling Yard. Established in 1982 in the Bhavnagar district of the State, it has the distinction of being one of the largest ship recycling yards in the world operated by the beaching method.

Alang has capacity to recycle about 400 ships per year, which generated more than 3.5 million tones of re-rollable steel. It has a total of 173 plots available for ship recycling, spread over a 10 km stretch along the coast aligned from the NE to SW direction.

#### Facilities Provided at Alang:-

#### • Location:

Alang is the largest ship recycling yard in the world. Approximately 10 kms long sea front on the western coast of the Gulf of Cambay adjoining to Alang – Sosiya village is developed as ship recycling yard. By road it is about 50 kms from Bhavnagar. It is also well connected by road.

#### Anchorage:

Vessels up to 12 meters draught and DWA anchorage. The holding ground, stiff mud and sand is good, while at anchor at DWA due care must be exercised, especially during spring tide.

### • Marine Features:

- (1) Current: Current is of the order of 3.5 knots.
- (2) Waves: No significant wave disturbance has been observed near the shore.
- (3) Nature of beaching Ground: Firm and Sandy.

## • Road infrastructure:

The ship breaking yard has 171 plots that have been developed along the coast in a stretch of about 10 km. The yard is connected to Highways by two separate approach roads. The main approach road connected to Alang yard is four-lane while the one connecting Sosiya is two-lane.

#### Plots:

At present, total 171 plots exists at ship recycling yard and of these 10 plots are of 6000 sqm. area earmarked for breaking VLCCs/ ULCCs

Total ship recycling plot area of Alang and Sosiya is:

Shipyard	No. of Plots	Plot Area
Alang	92	219617 Sqm.
Sosiya	79	169575 Sqm.

#### • Water Supply:

GMB has developed water supply scheme on Mahi Pariage pipeline based permanent water supply scheme in the Alang - Sosiya ship recycling yard. Every plot gets about 5000 ltrs. It is available every day. Total 21 stand posts are created throughout the yard, which supplies water to the labours and workers working in the yard.

### • Fire Fighting:

Fire fighting arrangement in the yard is being looked after by GMB. They are equipped with following equipments like Multi Purpose fire, Foam Tender, Water Tender, Trailer Fire Pump, Water Tankers, Ambulance van, etc

(Source: http://gmbports.org)

#### Scrap Market

The reasons of the growth of the scrap market are twofold. The risk of single-hull vessels increase when it grows 25-30 years old. In case of collapse, the probability of heavy oil leakage and coast pollution increases.

The work load at Alang is increasing, to such an extent that the yards can hardly meet demands, from January to March 2009 alone 125 ships arrived in port. 136 in all docked in the years 2007 and 2008. A 2010 study by the European Commission into global ship demolition estimated 18 million tons of ships are awaiting disposal. Most of these have set sail for Asia.

Every year around 600-700 larger sea vessels are taken out of service and brought to Asia for scrap. In the 1990s they had an aggregate tonnage of around 15 million dwt a year. However, the scrap market increases and will increase substantially the following years. In 2001 the total number of vessels (608) sold for scrap already totalled a figure of 28 million dwt. This marks a year on year growth of nearly 25%.

The other reason for the growth of the scrap market is the increase of the world fleet (> 100 gt) during the last decades. In 1960 there were around 15,000 ships with an aggregate dwt of 84 million. In 2000 there were around 62,000 ships with an aggregate dwt of 828 million. (Source: Lloyd's Marine Intelligence Unit.) With the growth in the world fleet the need to replace old ships for new ships increases as well. The result: a larger tonnage that has to be scrapped.

(Source: E.A. Gibson Shipbrokers).

With as many as 130 ships being broken simultaneously, the Alang ship-breaking yard has already crossed the milestone of dismantling 5,000 ships before the end of the year 2009. Since its inception in 1982, the yard has recycled 35.61 Lac light displacement tonnage (LDT). The yard dismantled 4,970 ships up to the end of September 2009. With 20 and 29 ships recycled during October and November respectively, the yard has crossed an important milestone of breaking 5,000 ships since its inception. Till now 5,019 ships have been recycled at the yard. Till November 2009, the yard had dismantled 255 ships in the calendar year. "In fiscal 2008-09, 264 ships were dismantled at the yard. While 255 ships were recycled by the end of November 2009. The Alang yard recycled 1.94 million light displacement tonnage (LDT) during 2008-09,174 % more than the last fiscal. At present, all the ship-breaking units in the yard have their hands full. There has been a constant increase in the number of ships broken at the Alang yard as a result of the progressive policy of the state government during the last five years.

(Source: Economic Times Ahmedabad Edition, 29-12-2009)

### **Capacity of Ship Recycling Industry**

The industry is mainly concentrated in 30 shipyards comprising of 9 public sector and 21 private sector shipyards. It has approximately 17 docks consisting of 4 Dry-docks & Floating docks with shipyards and 13 Drydocks & Floating Docks with Ports. Among the private sector shipyard Alang is the largest.

Ship recycling in its new avatar in India found a perfect host in Gujarat's Alang. Ship breaking industry in India is mostly concentrated at Alang in Gujarat, which, is the world's largest ship breaking yard catering to nearly 90 per cent of India's ship breaking activity. However, sporadic activity also takes place in other locations like Sachana, Gujarat, Mumbai and Kolkata. The ship breaking activity at Alang includes a total of 170 yards of which 50-70 is operational and around 50,000 people are involved directly or indirectly in the business of scrapping. Since its inception in 1982, the yard has recycled 3.561 million LDT (Light Displacement Tonnage). Till January 2010, 5,019 ships have been recycled at the yard.

India, China, Pakistan and Bangladesh carry out 80 percent of the world's ship breaking business. Labour activists say this is largely because of cheap labour costs and lax safety standards that fail to protect workers who are exposed to toxic chemicals as they dismantle the scrapped vessels.

About 150-200 workers can break down a 10,000-tonne ship in three months, salvaging nearly every part.

The work load at Alang is increasing, to such an extent that the yards can hardly meet demands. From January to March 2009 alone 125 ships arrived in port, 136 in all docked in the years 2007 and 2008. A study conducted by the European Commission in the current year estimated 18 million tons of ships awaiting disposal. Most of these have set sail for Asia.

But there is a flip side. Activists fret that the booming business will encourage a disregard for safety and environment guidelines, which they say ship breakers are already flouting.

Stretched along the 11-km (7 mile) coastline, beached oil tankers and cargo carriers lie in various stages of disembowelment. Peculiar tide patterns that bring high tide in only twice a month enable the beaching of ships right up to the yards.

About 80 percent of a ship's steel is "reusable steel", cheaper than primary steel and used mostly in construction.

#### **Growth Driver**

Ship repair is generally considered as an evergreen industry, due to the requirement of regular inspection and maintenance of machinery, hull and machinery surveys, dry-docking etc. However, shipbuilding is often prone to the pulls and pressures of market forces and cyclic change. During normal times, even profit margins are much better from ship repair business compared to ship building business. Also, in general it is easier for shipbuilding yards to take on ship repairs than vice versa. The demand for ship recycling arises under the following circumstances:

- Due to increasing pressure from various international organizations, governments and port authorities to curtail the operation of older, single-hull ships. It is believed that there is a significant latent replacement demand for aging ships, especially tankers.
- When freight rates are high and freight demand is strong, ship owners typically delay the scrapping of older vessels in favour of repairing and maintaining such vessels to international standards, in order to maximize revenues.

### Measures for making the industry globally recognized

- Delivery Time: The ship repair industry is highly competitive and in the prevailing market scenario, the level at
  which the time charter and freight earnings are set, the lay-up time for repairs is critical and completion of
  repairs on time is of paramount importance.
- Competitive pricing: the repair cost for ship owner is an important factor; hence a yard giving competitive pricing will be able to attract the ship owners.
- Quality; In this regard, the adoption of quality management system for the ship repair yard is a step to demonstrate the serious concern with which the shipyard views the quality of its products and services. Ship owners will prefer to send their ships to a repair yard where quality management systems are in place.
- Infrastructure: Ship owners will also like to see the availability of infrastructure i.e. dry-dock, wet berths, carnage, other facilities inside the yard, connectivity by rail, road and air, specialist services, various subcontractors and various suppliers etc.

#### Outlook

The ship recycling activities create economic opportunities for thousands of labourers and contribute to the economic growth of regions. The average life of a ship is about 27 years. Once a ship loses its economic life, it has to be replaced with a new one. Practically 100% of the ship is recycled. Ship breaking can be claimed to be a sound sustainable industrial activity. Ship demolition remove large volumes of obsolete tonnage from fleets which otherwise require to huge monetary consideration to manage if not dismantled. As per the 2007 report of working group for ship repair industry for 11th Five Year Plan (2007-2012), the industry has the potential of Rs. 2440-2790 crore per year.

Type of Ships	Repair potential (Rs Crs)
Foreign Ships on overseas trade visiting Indian Ports	1150-1400
Domestic ships on overseas trade	200
Coastal / Service Vessels	190
Offshore Rig Repairs	300-400
Navy and Coast Guard vessels	100
Other Merchant Vessels in the Region	500
Total Repair Potential Per Year (Rs Cr)	2440-2790

Source: Report of working group for shipbuilding and ship repair industry for the 11th Five Year Plan (2007-2012)

Indian ship recycling industry is well poised to grow, given the easy availability of skilled labour the advantage of being situated along the major shipping lanes between the East and West.

### **Problems faced by the Industry**

- *Deadly poisons*: Ships, especially those built before the 1980's, have been constructed with many deadly materials. The Basel convention has laid down regulations that say that ships constructed using toxic substances are considered hazardous waste, and cannot be exported for dismantling without stripping them of the dangerous substances. But in blatant violation of Basel, ship owners transport their toxic vessels to be broken down in Asian yards, releasing terrible poisons into the environment and playing havoc with the health of the people and all living creature in the ecosystem. The pollution caused is both acute and long term.
- Hazards to lives and livelihoods: The toxic chemicals released by ship breaking pollute the soil, rivers and seas in the vicinity. The land around the yards becomes unfit for agriculture. With aquatic life fleeing from the deadly poisons, fishing in the nearby waters is no longer possible. This erosion of their traditional livelihoods drives more and more impoverished people to the dangerous shipyards.
- No rules and Permanent Danger: Unlike in Western countries where there are stringent regulations on hazardous substances and health and safety measure, in third world nations there is hardly any waste management procedures. Rules and regulations, if they exist are rarely enforced. Hazardous waste is directly dumped into the sea, and left exposed on the land. For example in India though officially import of toxic ships for scrap is not allowed, sediments in Alang show greater levels of contamination than the most heavily industrialized port areas. Over 100,000 men and women work in ship breaking yards in Asia. They are mostly migrant labourers, living in inadequate makeshift facilities on or near the yard. There is a lack of basic minimum sanitation, medical or recreation facilities. Even access to safe drinking water is absent. All these factors compound worker's health problems further.
- Lack of use of ship breaking equipments and training: According to estimates only 10% of the 40,000 man and women in Alang have received any kind of training. Besides from being untrained and poor, their work involves very hard labour. They dismantle ships virtually with their bare hands, torch-cutting ship steel into small pieces using very little machinery. They face permanent and deadly dangers. There is a clear-cut shortage of PPE (personal Protective Equipments). They don't even have gumboot and helmets. There is no equipment for machine safety, fire safety, chemical safety and water safety. Whatever little equipment that exist, is poorly maintained
- Health and Environmental Risks: In addition to steel and other useful materials, however, ships (particularly older vessels) can contain many substances that are banned or considered dangerous in developed countries. Asbestos and polychlorinated biphenyls (PCBs) are typical examples. Asbestos was used heavily in ship construction until it was finally banned in most of the developed world in the mid 1980s. Currently, the costs associated with removing asbestos, along with the potentially expensive insurance and health risks, have meant that ship-breaking in most developed countries is no longer economically viable. Removing the metal for scrap can potentially cost more than the scrap value of the metal itself. In the developing world, however, shipyards can operate without the risk of personal injury lawsuits or workers' health claims, meaning many of these shipyards may operate with high health risks. Protective equipment is sometimes absent or inadequate. Dangerous vapors and fumes from burning materials can be inhaled, and dusty asbestos-laden areas are commonplace. Other than the health of the yard workers, in recent years, ship breaking has also become an issue of major environmental concern. Many ship breaking yards in developing nations have lax or no environmental law, enabling large quantities of highly toxic materials to escape into the environment and causing serious health problems among ship breakers, the local population and wildlife.

### **BUSINESS OVERVIEW**

#### Overview

Our company was incorporated on December 2, 1991with the object of carrying on the business of providing different kinds of consulting and information technology services. During 1992-1994, our company was engaged in computerization of land revenue records of Bhavnagar Municipal Corporation. Thereafter, in the year 1995-96 our Company undertook the assignment of computerization of Ration Cards and Ration Shops of Bhavnagar Municipal Corporation.

During the year 1994, our company also acquired a running Oxygen Plant operating in the name of "Varun Gases" in Sihor GIDC, Bhavnagar having an installed capacity of 65 cubic meters per hour. Our company was operating at full capacity and was supplying the gas produced at this unit to the various customers in and around Bhavnagar. The said plant was closed by the company in the year 1997 as it became unviable on account of slow down in the Ship Recycling Industry and advancement of technology in this area.

The Ship Breaking Industry was revived in the year 2003-04 and therefore we decided to diversify our activities. During the year 2004, Gujarat Maritime Board auctioned vacant plots and under open bid we have been allotted vacant Plot No. 160 at Alang-Sosiya Ship Breaking Yard admeasuring 1350 sq. meter on a lease basis. However, our company could not start ship breaking activities due to change in policy for ship recycling plant, requiring higher size (2700 sq mtrs) of plot and therefore we could not get permission for utilization of plot from GMB. Meanwhile, in the year 2007, the plot size was enlarged to 2700 sq. meter as per the instructions given by the Inter Ministerial Committee constituted by Hon. Supreme Court, by merging the adjoining Plot No. 159 and our company was permitted to use the merged Plot No. 160M for a period of 5 years with effect from 17.03.2007 to 16.03.2012 and subject to renewal thereafter.

In the year 2006-2007, our company also joined as a Partner with Ms. Sangeeta Jain in M/s Eternal Automobiles (dealer of Honda Two Wheeler). The profit sharing ratio of our company is 25% and the balance 75% is with Ms. Sangeeta Jain, one of the promoters of our company. Due to wide scope in the Automobiles and reasonable profitability, we venture into this business

In the month of May 2008, our company had entered into the offshore business activities & supporting services. We obtained the required registration and undertook the following activities:-

- Purchased a Tug named ADINATH 8, and entered into a Charter Agreement on 16.07.2008 with GMB for a period of 12 months. Thereafter, we are operating the said Tug in the open market on a hire basis.
- Purchased a Speed Boat named KALPTARU, and entered into a Charter Agreement on 26.02.2009 with GMB for patrolling under ISPS Code at Magdalla Port for a period of 1 (one) year with an extension clause of One year and the same has been extended by GMB till 5<sup>th</sup> March, 2011.

In the past one year, the company has purchased the following ships for its ship recycling activity:-

Sr. No.	Name of the Ship	Weight (MT)
1.	Loretta D	6150
2.	Colomobo Star II	5850
3.	Madre	8150
4.	Venus Gas	3912
5.	Winco	2987
6.	MTMar	9653

Out of the above, we have already completed the dismantling process of three ships mentioned under Sr. No. 1 to 3 and the vessels named as Venus Gas, Winco and MTMar are still under dismantling process.

We are ISO 9001:2008, ISO14001:2004, ISO 30000-2009 & OHSAS18001:2007 certified company for the Ship Recycling and Offshore Business.

#### **Business activities**

Our present business mainly consists of two business segments:

- 1. Ship Recycling Activities
- 2. Offshore business activities & supporting services

### **Our Competitive Strengths**

We believe that our key competitive strengths include the following:

### • Experienced Promoters & Senior Management:

Our Promoters, having an operating track record of about two decades, are part of our senior management and actively involved in the day to day operations of the company. They have strong relationship with the suppliers and the customers. We have qualified, experienced and dedicated team and skilled workforce. Our promoters, senior management with their experience in business will enable us to execute our projects successfully.

## • Cordial Relationship between management and workers:

We enjoy cordial relations with our workers and there has been no labour union of workers. Further, there have been no strikes, lock-outs or any labour protest in the past.

#### • Diversified client base:

We cater to various clients based in different geographical locations, and are from different industries. Our strategy is to cater to a wider spectrum of customers, which insulates us from the risks associated with dependency on any particular class and or limited industrial customers.

### • Locational Advantage:

Our Ship Recycling plot is located at Alang-Sosiya Ship Breaking Yard, Sosiya Village, Bhavnagar. The location has a very high inter-tidal gradient. This enables the ship to beach right at the shore during high tide and when the tide recedes the ship stands almost at a dry-dock. This reduces the total working time on each ship. Our plot also enjoys the benefit of relatively moderate rainfall and shelter from strong tides and winds and also absence of rocks around the area. Well connectivity to the road and close proximity of Bhavnagar facilitate us the efficient movement of our products.

### • Tax Incentives:

Our shipping activities are covered under section 115V of Income Tax Act, 1961 of Tonnage Tax Scheme. Our Tug is being eligible for the benefits under section 115V of Income Tax Act, 1961. Under this section, per day deemed income will be calculated on the basis of net registered tonnage of vessel, irrespective of actual income. Thus the average Income tax rate under this section will be approximately 1/10th of the Income Tax rates prescribed under the Income Tax Rules.

### **Business Strategies**

Our motto is to be an efficient and cost-effective integrated yard for ship recycling and offshore business support activities, catering to customers in India and abroad whilst at the same time placing India on the world map as a major shipbuilding nation.

We are focusing our business growth strategy on the following elements:

# Expanding the scale of operations and consolidating our position

We are planning to expand our ship recycling activity and off-shore supporting services. Our strategy is to consolidate our position in Gujarat and penetrate across the country.

# **Human Resource Development**

Our Company will continue the policy of training of the work force with adequate product knowledge, market knowledge and above all the application of knowledge to the Industry. Our Company shall always focus on narrowing the hierarchy for free and transparent two-way communication between management and employees for better exchange of ideas, views and opinions for maintaining good competitive work atmosphere at all levels.

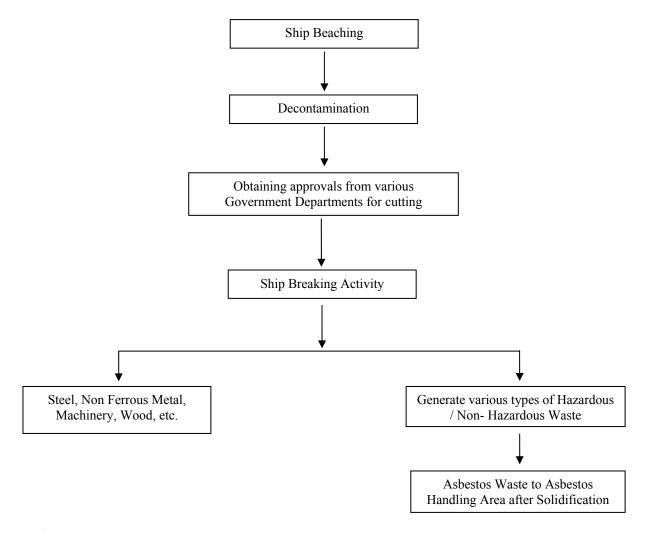
# **Our Products**

In the process of our ship recycling, we derive various type of materials like steel, copper, plastic, etc. Brief details of the same are as under:

S. No.	Size	Specifications	Grade	Applications
1	Different machines and motors	Main engine, generators, motors and other machines	Marine and can be used for industrial purposes	Actual users from all over India come to Alang and purchase as per their requirement. Some traders from Delhi and Mumbai are also regular buyers.
2	Different	Non Ferrous	Different gardes	Non ferrous retrieved from recycling, copper retrieved from wire and cables, and from propellers and machines.
3	Truck size	Profile and semi MS plate	Marine steel	Profile is the plate which look like new plates and used by fabricators, agriculture equipments, manufacturers, etc.
4	4mm to 30 mm, size 3-6 feet	MS plate	Marine steel	Rolling mills, fabricators and industrial users are using these plates for different purposes.
5	0.5 kg to 10kg	MS Scrap	Marine scrap	Scrap used by mini steel plant and foundries for making ingot etc.
6	Not Specified	Furniture, electrical etc (cabin)	Marine wood and furniture	Actual users are purchasing for their direct uses.

## **Ship Recycling Process**

The ship recycling process for a vessel/ship is typically divided into various stages:



## Location

At present, our Company is carrying the ship-recycling activities at Plot No. 160M, Sosiya Ship Breaking Yard, Sosiya Village, Talaja Taluka, Bhavnagar Dist, Gujarat, India. The said plot is suitable to accommodate ships weighing upto 40,000 MT per year.

We believe that the strategic location of our Plot at Alang- Sosiya will provide us with significant advantages and efficiencies, resulting in lower overheads and cost effectiveness.

The advantages of our Plot are as follows:

- Alang has a very high inter-tidal gradient. This enables the ship to beach right at the shore during high tide and when the tide recedes the ship stands almost at a dry-dock. This not only makes work easy but also makes easy in terms of collecting the valuables and the waste items from the sand. Usually heavy items are dropped into the sea-water during high tide and this minimizes damages.
- Due to high tidal gradient, larger ships can come straight into the shore. This reduces the total working time on each ship.

- Since the beach is sandy, the heavy items do not sink in the mud and similarly the hazardous waste matter such as paint and other heavy metal and other deposits do not leach into the soil.
- At Alang, due to the fact that ships are beached just on the threshold of the plot, dismantling takes place in controlled conditions.
- The rainfall is mild and work can be carried out throughout the year.
- Due to the relatively moderate rainfall and shelter from strong tides and winds and also because of the absence of rocks around the area, the Alang yard can recycle smaller ships easily. Therefore, the numbers of ships can be accommodated in this yard. In contrast, Gaddani in Pakistan and Chittagong in Bangladesh have strong winds and strong tides respectively and hence they can only demolish very large vessels. Chinese seacoast has typhoons all through the monsoon season and hence ship recycling cannot go throughout the year in an uninterrupted manner.

#### Utilities

#### **Raw Material**

The principal raw material for the ship recycling activity is either old ships that are no longer capable of plying or ships which have high maintenance costs.

The details of such ships are obtained from various brokers or agents residing in Bhavnagar / Mumbai and based upon the various parameters, the rates are negotiated.

## **Equipments**

We are having the following equipments at the Ship Recycling Plot:

S. No.	Particulars	No. s
1.	Crane of 20 MT	1
2.	Winch	2
3.	Chain Block	2 set
4.	Wire Rope & Pulling Chain	2 set

If need arise for heavy lift crane, forklift, etc., for the recycling activity, the same are easily available on rent basis and can be obtained as per the requirement. We further intend to purchase some more equipment for our activities amounting to Rs.520 lacs, the details of which are discussed under the head "Objects of the Issue" on Page 51 of this DRHP.

Towards the Offshore activity, we are having the Speedboats/Tugs, whose details are given as under:

S. No.	Particulars	No. s
1.	Adinath – 8 Tug	1
2.	Kalptaru Speed Boat	1

## **Fuel and Gas**

During the process of ship recycling, we require the LPG gas & Oxygen gas. LPG gives flame and Oxygen is used for pressure and force. Both mixes together give a sharp flame for cutting the steel. The requirement is met through the local dealers and suppliers.

### **Transportation**

Our Company's ship recycling plant location is well connected with all types of transportation and the brief details are as under:

National Highway	The site is on NH 8	
State Highway	The site is well connected with State Highways	
Railway Station	The site is 70 Kms away from the Bhavnagar Railway Station.	
Railway Siding	Bhavnagar	

Thus, the location of the site is advantageous to our company in transportation of our Products.

#### **Power**

The maximum power load (peak requirement) for plant and machinery and other ancillary activities is 7 KVA. Our company sources the power from the Gujarat Electricity Board and we also have a standby generator of 15 KVA for power back-up.

#### Water

The required water is available from GMB water supply and bore well, which is adequate to meet the requirement and also has provisions for overhead water tank and underground water reservoir for water storage. The Drinking water requirement is met through water tap connection. Additional requirement, if any, is met through Water Tankers.

#### **Environment Factors**

Our ship recycling process involves effluent like solid, liquid and air pollution. All treatment process is in place to keep the contents of effluent within the norms prescribed by GMB and valid consent letter are in possession. We are complying with the Pollution Control Guidelines for our ship recycling yard.

### Sales and Marketing

We believe that the experience of our promoters and management team will facilitate our marketing efforts. We plan to develop a customer base consisting of both Indian and foreign companies. We expect to develop our network of potential customers through various marketing efforts including sales visits, interaction with shipbrokers and existing customer base, advertising and attendance at conferences and industry exhibitions and other public relations activities.

## **Our Top Ten Customers includes:**

S. No.	Name of the Customer	% to total sales value
1	HANS INDUSTRIES PVT.LTD	3.59
2	K.C.TRADE LINK	3.20
3	AHMED STEEL	3.11
4	MARUTI METAL INDUSTRIES	2.76
5	SADAF STEEL (I) PVT.LTD	2.68
6	D.D.STEEL	2.45
7	SHREE SIDDHI INDUSTRIES	2.06
8	STEEL CAST LTD.	2.04
9	LAXMI SAGAR TRADE LINK PVT LTD	1.98
10	SHITAL ISPAT PVT.LTD.	1.92

## **Capacity and Capacity Utilization:**

The table below sets out our installed capacity and utilization for the last two years:

Products	2008-09	2009-10
Ship Breaking @		
Annual Capacity MT	40000	40000
Utilized Capacity MT	NA	20160
% of Installed capacity utilized	NA	67%
Off Shore: TUG \$		
Annual Installed Capacity (days)	190	360
Utilized Capacity (operational days)	187	229
% of Installed capacity utilized	98.42%	63.61%
Off Shore: Speed Boat *		
Annual Installed Capacity (days)	24	360
Utilized Capacity (operational days)	24	268
% of Installed capacity utilized	100%	74.44%

<sup>@</sup> GMB has given Possession and permission for utilization of plot from 3<sup>rd</sup> Dec, 2008. After possession, we developed the same plot and created required infrastructure and beached our first vessel in May, 2009 and got cutting permission in July, 2009.

\$ First tug has been Imported from Singapore in July, 2008, which reached India on 10<sup>th</sup> Sep, 2008 and put to use/hire after custom clearance etc from 20<sup>th</sup> Sep, 2008.

# **Competition and Future Prospects**

In ship breaking business, there are around 174 ship recycle plots. There is a minimum competition in purchasing the old vessels/ships and we do not face much competition in selling our products.

In off shore business, there are number of players in the market a and hence there is a competition in the chartering business.

### **Employees**

As on date, our Company has a total of 40 permanent employees.

While we consider our current labour relations to be good, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

In addition to a base salary and a performance linked variable pay, we provide a number of benefits to our employees, such as reimbursement of medical expenses, housing or rent assistance, healthcare and retirement benefits and uniform, etc.

<sup>\*</sup>Speed Boat Purchased in Oct, 2008 and put to use/hire to GMB from 6<sup>th</sup> March, 2009.

# **Properties**

The company is not having any freehold property and the details of leasehold properties are as under:-

Sr. No.	Particulars	Details of Agreement / Deed	Date of Agreement / Sale Deed	Agreement valid till	Rent
Regist	ered Office:				
1.	2 <sup>nd</sup> Floor, Jain House, Opp. Vitthalwadi, Bhavnagar-364 003, Gujarat, India.	Agreement of Lease between Mrs. Sangeeta Jain and the Company	April 1, 2010	March 31,2013	Rs. 10,000/- per Month
Corpo	rate Office:				
2.	405, Aditya Plaza, Vivekanand Nagar, Jodhpur Gam Road, Satellite, Ahmedabad-380 015, Gujarat, India.	Agreement of Lease between Smt. Krupaben Thakkar and the Company	January 16, 2010	Not more than 11 months	Rs. 10,000/- per Month
Ship R	Recycling Plot				
3.	Plot No. 160M, Alang- Sosiya Ship Breaking Yard,Sosiya Village, Talaja Taluka, Bhavnagar Dist,Gujarat, India.	Agreement to Utilize between GMB and the Company	December 3, 2008	March 16, 2012	Upset premium @ Rs. 2051/- per sq, mtr
Gas Division					
4.	Plot No.J- 328, Sihor-II Industrial Area/Estate of GIDC, Sihor,Bhavnagar Dist, Gujarat, India.	Lease Deed between GIDC and Varun Gases (unit of the Company)	August 24, 2000	Till the year 2085	GIDC lease Rs. 2000/- per annum

Note: Except Mrs. Sangeeta Jain , none of the Lessors are related to the Promoters/Directors of the Company.

## **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 the Company are as given below:

Sr.	Policy No	Description	Property	Expiry	Sum Insured	Premium
No.	1 oney No	Description	Insured	Date	(Rs.)	(Rs.)
1.	212000/22/09/01/0000	Marine Hull	Tug Adinath-8	21-07-2010	5,00,00,000	68,938 per
	0017	Policy				Quarter
2.	212000/22/09/01/0000	Marine Hull	Speed Boat-	04-03-2011	1,21,00,000	23,356 per
	0046	Policy	Kalptaru			Quarter
3.	212000/36/10/01/0000	Workmen	Workmen (No.	12-10-2010	10,00,000	77,840 for 6
	0042	Insurance	of Employee			months each
		Policy	125)			

## **Intellectual Property Rights**

As of the date of this Draft Red Herring Prospectus, our logo ' vis not registered. We have made an application for the registration of the same with the Registrar of Trade Marks and registration is pending.

## KEY INDUSTRIAL REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.

The Company is governed by various legislations as applicable to it. Some of the key regulations applicable to the Company are summarised hereunder:

### 1. Environment Regulations

The Company is subject to laws and regulations concerning environmental protection, in particular, the discharge of effluent water and solid particulate matter during the manufacturing processes. The principal environmental regulations applicable to industries in India are the Air (Prevention and Control of Pollution) Act, 1981, Water (Prevention and Control of Pollution) Act, 1974 and the Environment Protection Act, 1986.

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

Air (Prevention and Control of Pollution) Act, 1981 inter alia aims for the prevention, control and abatement of air pollution. It is mandated under Air (Prevention and Control of Pollution) Act, 1981 that no person can, without the previous consent of the concerned State Board, establish or operate any industrial plant in an air pollution control area.

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

Water (Prevention and Control of Pollution) Act, 1974 provides for the prevention and control of pollution and for maintenance or restoration of the wholesomeness of water in streams or wells. This legislation also provides for the constitution of a Central Pollution Control Board and respective State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board. The Central and State Pollution Control Boards constituted under the Water Pollution Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution.

## 1.3 Environment (Protection) Act, 1986 and Environment (Protection) Rules, 1986

Environment (Protection) Act, 1986 has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

# 1.4 Gas Cylinders Rules, 2004

The Ministry of Commerce and Industry (Department of Industrial Policy and Promotion) has notified Gas Cylinder Rules and as per provisions of said rules, the users of gas in cylinder have to comply various rules and regulations.

### 2. Industries (Development and Regulation) Act, 1951, (IDRA)

Industries (Development and Regulation) Act, 1951, (IDRA) has been enacted to implement the industrial policy. It provides for the development and regulation of major industries. IDRA envisages balanced industrial growth all over India and optimum use of resources and infrastructure. The Act is applicable to the whole of India. IDRA is

applicable to scheduled industries as given in the First Schedule to the Act. Section 29B (1) of IDRA authorizes Central Government to exempt any industry or class of industries from any provision of the IDRA. Presently, Central Government has exempted most of the industries from the provisions of licensing. There are only few industries, which require license. License is not required for any other industry. Those industries, which are not required to obtain license have to get themselves registered with SIA for Industrial Entrepreneurial Memorandum.

#### 3. Labour Related Laws

## 3.1 Industrial Disputes Act, 1947 and Industrial Dispute (Central) Rules, 1957

Industrial Dispute Act, 1947 provides for the investigation and settlement of industrial disputes. It also contains various provisions to prohibit strikes and lock-outs, declaration of strikes and lockouts as illegal and provisions relating to lay-off and retrenchment and closure, Conciliation and adjudication of industrial disputes by; Conciliation Officers, a Board of Conciliation, Courts of Inquiry, Labour Courts, Industrial Tribunals and a National Industrial Tribunal.

### 3.2 Workman Compensation Act, 1923,

Workmen's Compensation Act, 1923 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. This 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.

### 3.3 Payment of Wages Act, 1936

Payment of Wages Act, 1936 contains provisions as to the minimum wages that are to be fixed by the appropriate Governments for the employees, fixation and revision for the minimum wages of the employees, entitlement of bonus to the employees, fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.

## 3.4 Minimum Wages Act, 1948

The Minimum Wages Act, 1948 gives power to appropriate government (Central or State) to fix minimum wages to be paid to the persons employed in scheduled or non scheduled employment and the concerned employer is required to pay the minimum wages, fixed by the appropriate government. Such employer is also required to maintain registers and exhibits giving the particulars of wages paid to employees.

### 3.5 Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 imposes statutory liability upon the employers of every establishment covered under the Act to pay bonus to their employees. It further provides for payment of minimum and maximum bonus and linking the payment of bonus with the production and productivity.

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

It is applicable to the establishment employing more that 20 employees and as notified by the government from time to time. All the establishments under the Act are required to be registered with the appropriate Provident Fund Commissioner. Also, in accordance with the provisions of the

Act the employers are required to contribute to the employees' provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund. As per the provision of the Act, employers are to contribute 12% of the basic wages, dearness allowances and remaining allowances (if any) payable for the time being to the employees.

### 3.7 Employees' State Insurance Act, 1948

All the establishments to which the ESI Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act requires all the employees of the establishments to which the Act applies to be insured in the manner provided under the Act. Employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.

## 3.8 The Contract Labour (Regulation and Abolition) Act, 1970 (the "CLRA")

The CLRA requires establishments that employ or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour. The CLRA places an obligation on the principal employer of an establishment to which the CLRA applies to make an application for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. To ensure the welfare and health of contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, washing facilities, first aid facilities, and provision of drinking water and payment of wages. In the event that the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

### 3.9 Trade Union Act, 1926.

Provisions of the Trade Union Act, 1926 provides that any dispute between employers and workmen or between workmen and workmen, or between employers and employers which is connected with the employment, or non employment, or the terms of employment or the conditions of labour, of any person shall be treated as trade dispute. For every trade dispute a trade union has to be formed. For the purpose of Trade Union Act, 1926, Trade Union means combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive condition on the conduct of any trade or business etc.

## 4. Shops and Establishment Act

The respective State Governments have the power to make laws on the subject matter. In exercise of these powers, various State Governments have enacted the shops and establishments act which is applicable to the shops and commercial establishments within the respective states as may be specified by the Government. Each state has its own legislation on shops and establishments which lay down inter alia, guidelines for regulating the hours of work, payment of wages, leave holidays, terms of service, overtime and other conditions of work of persons employed in shops, commercial establishments etc. and to discourage the malpractices by employers towards their employees. The Gujarat Shops and Establishment Act, 1958 governs the company as the company is having its registered office in the State of Gujarat.

### 5. Tax Related Legislations

# 5.1 Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification. Steel products are classified under Chapter 72 of the Central Excise Tariff Act and presently attract an ad-valorem excise duty at the rate of 10 % and also an education cess of 2% over the duty element.

### 5.2 Value Added Tax

The levy of Sales Tax within the state is governed by the VAT Act and Rules of the respective states. VAT has resolved the problem of Cascading effect (double taxation) that were being levied under the hitherto system of sales tax. Under the current regime of VAT the trader of goods has to pay the tax (VAT) only on the Value added on the goods sold. Hence VAT is a multi-point levy on each of the entities in the supply chain with the facility of set-off of input tax- that is the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. Periodical returns are required to be filed with the VAT Department of the respective States by the Company.

### 5.3 Income Tax Act, 1961

Income Tax Act, 1961 is applicable to every Domestic / Foreign Company whose income is taxable under the provisions of this Act or Rules made under it depending upon its "Residential Status" and "Type of Income" involved. U/s 139(1) every Company is required to file its Income tax Return for every Previous Year by 31st October of the Assessment Year .Other compliances like those relating to Tax Deduction at Source, Fringe Benefit Tax, Advance Tax, Minimum Alternative Tax and like are also required to be complied by every Company.

## 5.4 Customs Act, 1962

The provisions of the Customs Act, 1962 and rules made there under are applicable at the time of import of goods i.e. bringing into India from a place outside India or at the time of export of goods i.e. taken out of India to a place outside India. Any Company requiring to import or export any goods is first required to get it registered and obtain an IEC (Importer Exporter Code).

#### 5.5 Central Sales Tax Act, 1956

In accordance with the Central Sales Tax Act, every dealer registered under the Act shall be required to furnish a return in Form I (Monthly/ Quarterly/ Annually) as required by the State sale Tax laws of the assessee authority together with treasury Challan or bank receipt in token of the payment of taxes due.

### 6. Indian Boiler Act, 1923

The Indian Boilers Act, 1923 was enacted with the objective to provide mainly for the safety of life and property of persons from the danger of explosions of steam boilers and for achieving uniformity in registration and inspection during operation and maintenance of boilers in India. "Steam Boiler" means any closed vessel exceeding 22.75 liters which is used exclusively for generating steam under pressure and includes any mountings and other fittings attached to such vessel which is wholly or partly under pressure when steam is shut off. Every boiler owner is required to make an application to the Chief Inspector of Boilers for the inspection of the boiler along with the treasury challan of the requisite fees as per requirements of Indian Boilers Act, 1923.

## 7. Factories Act, 1948

As per the applicable provisions of the Factories Act, 1948 ("Factories Act"), read along-with the Rules framed there under, no person can operate a factory till such time it has obtained a license from the designated authorities under the Factories Act. Generally, registration/license under the said Factories Act is issued on yearly basis and is required to be renewed annually. Factories Act, is a central law which primarily regulates working conditions of workers in factories and to ensure that basic minimum requirements for the safety, health and welfare of factory workers is provided. The Act also regulates the working hours, leave, holidays, overtime, employment of children, women and young person's etc. The Factories Act is applicable to all 'factories'.

### 8. Gujarat Maritime Board Act, 1981

The aforesaid State Act applies to the State of Gujarat and a Board names as Gujarat Maritime Board has been established under this Act to control and manage port related activities and ship recycling activities. The Board is empowered to issue regulation for operations of ship recycling activities.

## HISTORY AND CERTAIN CORPORATE MATTERS

## **History of our Company**

Our Company was originally incorporated as 'Varun Management Services Private Limited' on December 2, 1991 under the Companies Act, 1956 at Bhavnagar vide Certificate of incorporation bearing Registration Number 04-16714 of 1991-92 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli ('ROC'). The name of our Company was changed to 'VMS Industries Private Limited' vide fresh Certificate of Incorporation dated May 22, 2007. Subsequently our Company was converted into a public limited company and its name was changed to 'VMS Industries Limited' vide fresh Certificate of Incorporation dated January 29, 2010.

### **Changes in Registered Office of our Company**

Date	From	То
January 3, 2005	604-A, Sir Pattani Road, Near Crescent, Bhavnagar-364001, Gujarat.	Above Honda Activa Showroom, , Opp. Vitthalwadi, Bhavnagar-364003, Gujarat
October 1, 2005	Above Honda Activa Showroom, Opp. Vitthalwadi, Bhavnagar-364003, Gujarat	A-201, Premium House, Near Gandhigram Railway Station, Ellisbridge, Ahmedabad- 380006, Gujarat.
April 10, 2008	A-201, Premium House, Near Gandhigram Railway Station, Ellisbridge, Ahmedabad- 380006 Gujarat.	B-404, Ashwari Towers, Behind Wide Angle, Satellite, Ahmedabad-380015, Gujarat.
August 7, 2008	B-404, Ashwari Towers, Behind Wide Angle, Satellite, Ahmedabad- 380015, Gujarat.	2 <sup>nd</sup> Floor, Jain House, Opp. Vitthalwadi, Bhavnagar-364003, Gujarat.

### Major Events and Milestones of our Company

Year	Key Events
1991	Incorporation of the Company
2008	Acquisition of Plot in Alang- Sosiya through Auction from GMB
2008	Entered into a Charter Agreement with GMB for Tug named ADINATH – 8
2009	Entered into a Charter Agreement with GMB for Speed Boat named KALPTARU
2009	Commencement of Ship Recycling Activity
2010	Receipt of ISO 9001:2008 Certification, ISO 14001:2004 Certification & OHSAS 18001:2007
	Certification from URS Certification Limited

#### Main Objects of our Company:

The main objects of the company as contained in Memorandum of Association are:

- 1. To carry on the profession as consultants in all of its aspects in the areas of:
  - i) Engineering, electrical, electronics, technical and mechanical engineering, designing, drawing, planning construction, mining, pollution, automobiles, metallurgy, chemicals, aviation fabrication, food preservation, refrigeration and air-conditioning, valuation, softwares and turnkey projects.
  - ii) Standardisation, data collection, tabulations, analysis and interpretation, costing, cost controls, training and employment of manpower, employment of materials and machineries, marketing, advertising, publicity, organization methods and development and system development.
  - iii) Consultancy in the line of accountancy, taxation, excise, administration, legal, subsidies, grants, licences, quotas, permits, know-how, agreements, stock-broking and other areas such as financial management.
  - iv) Procurement and/or soliciting the business of Life/General Insurance and/or to act as an agent or Corporate Agent of any Life/General Insurance Company in India or elsewhere in the world.

- 2. To carry on the business of development of computer softwares and computer peripherals, hardware's, computer parts, and application thereof and to do the business of data processors.
- 3. To acquire and takeover any business or undertaking carried on, upon or in connection with/ without land or building which the company may desire to acquire as aforesaid or become interested in and the whole or any of the assets and liabilities of such business or undertaking and to carry on the same or to dispose or remove or put an end thereto.
- 4. To undertake and carry on the trade and business of shippers, ship owners, ship-breakers, shipping agents, ship managers, tug owners, loading brokers, freight contractors, barge owners, lighter-men, dredgers and forwarding agents, engineers, ship store merchants, ship husbands, stevedores, salvors, ship builders and ship repairers and to carry on business of breaking, cutting, dismantling of ship, streamers, trailers, stream launches, ocean going vessels, plying on water either by company itself or through other arrangements whether on contract or job work basis.
- 5. To carry on business as producers, manufacturers, processors, converters, refiners, makers, bottlers, stockiest, dealers, importers, retailers, agents, buyers or sellers of oxygen, acetylene, ammonia, carbon dioxide, nitrogen, hydrogen, helium and other types and kind of gases required for or used in industrial, agriculture, clinics, hospitals, refrigeration, aviation, transport, vehicles, space rockets and crafts, communication objects and media, power plants, domestic or public lighting, heating, cooling or cooking purpose, lighters, plants producing water chemicals or fuels, pesticide, defence or welfare establishments, horticulture, forest or plant protection and growth and other allied purposes and to service, repair, manufacture, market or deal in machineries, plant, spare, cylinders, containers, gadgets, appliances and accessories required for working or using or producing any of such gases and products

Amendments to our Memorandum / Articles of Association

The amendments in our Memorandum and Articles of Association, apart from the changes in the Authorised Share Capital of the company are as follows:

Sr. No.	Changes in Memorandum of Association of the Company	Date of General Meeting			
1.	Change in the Main Objects by considering the clause 1 & 2 of the	August 29, 1994			
	Objects Incidental or Ancillary to Attainment of the Main Objects and				
	Clause 9 of the Other Objects				
2.	Change in the Main Objects by substituting sub-clause (iii) of Clause	March 26, 2002			
	No. 1				
3.	Change in the Main Objects by substituting sub-clause (iii) of clause	February 23, 2004			
	No. 1 and inserting a new sub-clause No. (iv) to Clause No. 1				
4.	Change in the Main Objects by substituting Clause No. 4	January 3, 2005			
5.	Change of name of the Company from 'Varun Management Services	January 22, 2007			
	Private Limited' to 'VMS Industries Private Limited'	January 22, 2007			
6.	Change of name of the Company from 'VMS Industries Private	December 31, 2009			
	Limited' to 'VMS Industries Limited'	December 31, 2009			

### **Subsidiaries of the Company:**

As of the date of filing this Draft Red Herring Prospectus 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 Regulations.

### **Shareholders' Agreement**

There is no Shareholders' Agreement existing as on date of filing this Draft Red Herring Prospectus.

# **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**

There is no financial or strategic partner in our business.

### **OUR MANAGEMENT**

As per the Articles of Association, the number of Directors of the Company shall not be less than three and unless otherwise determined by the Company in General Meeting not more than twelve. Our Company is currently managed by the Board of Directors, comprising of 6 Directors. The Board of Directors who sets policy guidelines and the other Key Personnel are responsible for day to day management of the company.

The following table sets out the current details regarding our Board as on the date of the filing of this Draft Red Herring Prospectus:

Name, Father's Name, Age, Address, Occupation, Designation, Status, Nationality & DIN	Date of Appointment and period of appointment	Qualification	Other Directorships
Mr. Ajit Kumar Jain S/o Mr. Bhajanlal Jain Age: 76 Years Address: 1, Sangat Apartment, Plot No. 2231/A, Waghawadi Road, Bhavnagar-364002. Occupation: Business Designation: Managing Director Status: Executive & Non- Independent Director Nationality: Indian DIN: 00114766	September 5, 2005 Re-appointed as Managing Director for a period of five years from February 15, 2010 to February 14, 2015.	В. А.	-
Mr. Manoj Kumar Jain S/o Mr. Ajit Kumar Jain Age: 48 Years Address: B-404, Asavari Tower, Behind Fun Republic, SG Highway, Satellite, Ahmedabad-380015. Occupation: Business Designation: Director Status: Non-Executive & Non-Independent Director Nationality: Indian DIN: 02190018	April 1, 2008	Chartered Accountant	-
Mrs. Sangeeta Jain D/o of Mr. GirrajKishor Agrawal Age: 42 Years Address: B-404, Asavari Tower, Bhd. Fun Republic, SG Highway, Satellite, Ahmedabad-380015. Occupation: Business Designation: Whole Time Director Status: Executive & Non- Independent Director Nationality: Indian DIN: 00125273	December 2, 1991 Re-appointed as Whole- time Director for a period of five years from February 15, 2010 to February 14, 2015.	M. A.	_
Mr. Hitesh Loonia S/o Mr. Surendra Loonia Age: 26 Years Address: AF/22, Rushika Apartment, Opp. Sujata Flats,	December 30, 2009	Chartered Accountant, Cost Accountant, Company	-

Name, Father's Name, Age, Address, Occupation, Designation, Status, Nationality & DIN	Date of Appointment and period of appointment	Qualification	Other Directorships
Shahibaug, Ahmedabad-380004.		Secretary	
Occupation: Profession Designation: Director		(Executive)	
Status: Non Executive &			
Independent			
Nationality: Indian			
<b>DIN:</b> 02906216			
Mr. Pranav Parikh			
S/o Mr. Vinaykant Parikh			
Age: 50 Years			
Address: Parishram, 26/B/,			
Shreeji Virnagar Society, Nava Vadaj Road,		B.E. (Civil),	
Ahmedabad-380013.	December 30, 2009	M.I.E.	_
Occupation: Profession	<b>December</b> 30, 2003	141.1.2.	
<b>Designation:</b> Director			
Status: Non Executive &			
Independent			
Nationality: Indian			
<b>DIN</b> : 02906210			
Mr. Bakul Mehta			
S/o Mr. Kishanlal Mehta			
Age: 57 Years Address: G/3, Samyak Flat,			
Diamond Chowk,			
Bavnagar-364001, Gujarat.			
Occupation: Service	December 30, 2009	B. Com	-
<b>Designation:</b> Director			
Status: Non Executive &			
Independent			
Nationality: Indian			
<b>DIN:</b> 02902485			

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, suppliers or others, pursuant to which any of the above mentioned Directors was selected as director or member of the senior management.

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

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

*Mr. Ajit Kumar Jain (76 years,* is the Managing Director of the Company. He has completed his graduation in Arts faculty. He is having around 50 years of experience in various segments of the ship related activities, Automobiles and Transport. He started his business in the year 1958 by joining as partner in M/s Jain Roadways, Kanpur which was engaged in the Transportation activities. He has diversified his business activities in the year 1966 and entered into the manufacturing and trading of consumer items and supplied to various government and semi – government department. In the year 1994, he has shifted to Bhavnagar and set up one rolling mill and also joined the Company as a director. He was handling various activities of the company since 1994 in various capacities. Presently he is looking after day to day recycling activities carried out at Alang Recycling Plot

Mr. Manoj Kumar Jain (48 years) is the Director of the Company. He is a Member of ICAI. He is having over 10 years of experience in various fields such as finance, taxation consultancy and ship recycling and off shore Industrial and other business activities. He is also partner in M/s Jain Seth & Co., Chartered Accounts. He is examining and advising on Purchase of Old ships and finalises the deals with the suppliers. He is also guiding on off shore activities and is arranging finance for the business of the company. He plays a major role in providing strategic guidance to our Company. He will be supervising the functional heads and responsible for the overall operation and growth of our Company.

Mrs. Sangeeta Jain (42 years) is the Whole Time Director of the Company. She holds a Master degree in Arts from C.S.J.M. University, Kanpur. She is having around 19 years of experience in the areas of administration and marketing. She is associated with our Company since its incorporation. She is in-charge of administration and liaisoning functions. She is also partner in M/s Eternal Automobiles from July 2002 and is looking after overall activities of said partnership firm engaged as Dealer of Honda Motorcycle and Scooter India Pvt. Ltd.

Mr. Hitesh Loonia (26 years) has been on the Board of Directors of the company since December 30, 2009. He is a qualified Chartered Accountant, Cost & Work Accountant and Company Secretary (Executive). He is a having around 1 year of experience in the areas of Finance, Taxation, Accounts and Auditing. He has qualified his educational course of Chartered Accountancy in June 2009 and has started consulting activities.

*Mr. Pranav Parikh* (50 years) has been on the Board of Directors of the company since December 30, 2009. He is qualified B.E. (Civil) and M.I.E.. He is having around 22 years of experience in the field of Consultancy and Civil Engineering. He is doing his own profession activities as approved valuer and Chartered Engineers since 1999 and onwards. Prior to this, he was engaged in construction activity as engineer and consultant.

**Mr. Bakul Mehta** (57 years) has been on the Board of Directors of the company since December 30, 2009. He is having a Bachelor Degree from Saurashtra University and has over 25 years of experience in the field of Marketing. Prior to the year 2009, he was engaged with Shree Enterprise, Bhavnagar where he was looking at Human Resource Department, Process Department, etc.

### Relationship of our Directors with the Promoter/Promoter Group

Name of the Director	Relationship of Directors with the Promoter/ Promoter Group
Mr. Manoj Kumar Jain	Promoter, Son of Mr. Ajit Kumar Jain and Husband of Mrs.
Wir. Ivianoj Kumar Jam	Sangeeta Jain
Mus Consecto Ioin	Promoter, wife of Mr. Manoj Kumar Jain and Daughter in-law of Mr.
Mrs. Sangeeta Jain	Ajit Kumar Jain
Mr. A::4 I/ Ioin	Promoter, Father of Mr. Manoj Kumar Jain and Father-in-law of Mrs.
Mr. Ajit Kumar Jain	Sangeeta Jain

Except above, none of our Directors are related to each other.

### **Borrowing Powers of Board of Directors**

The borrowing powers of our Directors are regulated by Article of Association of the company.

The Board of Directors of our Company has power to borrow up to Rs. 250 crores as per the members' resolution passed in the EGM of our Company held on February 3, 2010. The extract of the resolution of our Company authorizing the Board's borrowing powers is given herein below:

"RESOLVED THAT pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956 (including any statutory modification and re-enactment thereof for the time being in force) and the Article of Association of the Company, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies, as may be considered fir for the business of the Company and on such terms and conditions as it may deem fit and expedient in the interest of the Company, notwithstanding that monies borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) provided that the maximum amount of monies so borrowed by the Company shall (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) and outstanding at any given point of time, not at any time exceed Rs. 250 Crores (Rupees Two Hundred Fifty Crores only)"

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

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

### Mr. Ajit Kumar Jain, Managing Director

Mr. Ajit Kumar has been appointed the Managing Director of the Company with effect from 15.02.2010 for a period of five years. The remuneration payable to him as a Managing Director determined as Rs. 25,000/- per month.

In addition to the salary, Mr. Ajit Kumar, shall be entitled to receive the following other perquisite or allowance or benefits:

- a) Reimbursement of travelling and out of pocket expenses in accordance with the rules of the Company.
- b) Entitled to use an automobile selected by the Company with driver when performing his duties as Managing Director of the Company as well as for private purpose in India. The cost associated with such automobile, including fuel and maintenance expense, shall be on the Company's account. Any income tax levied on the personal use of the Company car shall be born by him.
- c) Entitled to his annual leave during the course of employment as per the Rules of the Company. Generally, such annual leave must be taken within the current calendar year.
- d) In the event of be unable, due to sickness or accident or other incapacity, to discharge the duties being performed by him, leave of One month in a Calendar year shall be available to him.
- e) Entitled to enhancement, at the end of the tenure, of any earned leave not availed by him at the rate of last drawn salary.
- f) On the ending of the company, as per the Gratuity Act, be entitled to 15 days base salary for every year of service.

#### Mrs. Sangeeta Jain, Whole Time Director

Mrs. Sangeeta Jain has been appointed the Whole Time Director of the Company with effect from 15.02.2010 for a period of five years. The remuneration payable to her as a Whole Time Director determined as Rs. 1,00,000/- per month.

In addition to the salary, Mrs. Sangeeta Jain, shall be entitled to receive the following other perquisite or allowance or benefits:

- a) Reimbursement of travelling and out of pocket expenses in accordance with the rules of the Company.
- b) Entitled to use an automobile selected by the Company with driver when performing his duties as Whole Time Director of the Company as well as for private purpose in India. The cost associated with such automobile, including fuel and maintenance expense, shall be on the Company's account. Any income tax levied on the personal use of the Company car shall be born by her.
- c) Entitled to her annual leave during the course of employment as per the Rules of the Company. Generally, such annual leave must be taken within the current calendar year.
- d) In the event of be unable, due to sickness or accident or other incapacity, to discharge the duties being performed by him, leave of One month in a Calendar year shall be available to him.
- e) Entitled to enhancement, at the end of the tenure, of any earned leave not availed by him at the rate of last drawn salary.
- f) On the ending of the company, as per the Gratuity Act, be entitled to 15 days base salary for every year of service.

### b) Remuneration details of our non-executive and Independent Directors

We have not entered into any formal arrangements with our Non-Executive 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.

### **Shareholding of Directors in our Company**

Our Articles do not require the Directors to hold any qualification shares in our Company.

Save and except, as disclosed below, none of our Directors have any shareholding in our Company.

Name of the Director	No. of Equity Shares
Mr. Manoj Kumar Jain	61,68,100
Mrs. Sangeeta Jain	22,92,264
Mr. Ajit Kumar Jain	1,00,000
Mr. Hitesh Loonia	5,000

#### **Details of service contracts**

There are no service contracts entered into with any Directors for provision of benefits or payments of any amount upon termination of employment.

### **Interests of Directors (Other than the Promoter Directors)**

Except as stated in 'Related Party Transactions' on page 128 of this offer Document, 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 if any.

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 Draft Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them except in case of Executive 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.

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

The following are the changes in the Board of Directors of the Company in the last three years preceding the date of filing the Draft Red Herring Prospectus.

Sr. No.	Name	Date of Appointment	Date of Cessation	Remarks
1.	Mr. Amit Kumar Trivedi	January 17, 2008	October 14, 2008	Resigned due to pre- occupation
2.	Mr. Manoj Kumar Jain	April 1, 2008	-	Appointment as an Additional Director
3.	Mr. Dineshchand Jain	June 30, 2008	April 2, 2009	Resigned due to pre- occupation
4.	Mr. Vicky Jain	October 1, 2008	December 1, 2009	Resigned due to pre- occupation
5.	Mr. Hitesh Loonia	December 30, 2009	-	Appointment as an Additional Director
6.	Mr. Pranav Parikh	December 30, 2009	-	Appointment as an Additional Director
7.	Mr. Vijay Bhushan Gulati	December 30, 2009	February 15, 2010	Resigned and joined company as a CEO
8.	Mr. Bakul Mehta	December 30, 2009	-	Appointment as an Additional Director

### **CORPORATE GOVERNANCE**

The provisions of the Listing Agreement to be entered into with the Stock Exchange with respect to Corporate Governance and the SEBI (ICDR) Regulations, 2009 in respect of Corporate Governance, would become applicable to the Company at the time of seeking in-principle approval for listing of our Company's equity shares with the Stock Exchange. The Company has complied with such provisions, including with respect to the appointment of Independent Directors to the Board and the constitution of the committees of the Board such as the Audit Committee, the Remuneration Committee and the Shareholders/Investors Grievance Committee. The Company undertakes to take all necessary steps to comply with applicable 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.

#### **Committees of the Board of Directors**

The Board of Directors of our Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Our Board has 6 Directors, out of which 3 i.e. not less than 50% are Independent Directors in accordance with the Listing Agreement of the Stock Exchange.

Sr. No.	Name of the Director	Designation	Category
1.	Mr. Ajit kumar Jain	Managing Director	Executive & Non-Independent
2.	Mr. Manoj Jain	Director	Non-Executive & Non-Independent
3.	Mrs. Sangeeta Jain	Whole time Director	Executive & Non-Independent
4.	Mr. Hitesh Loonia	Director	Non-Executive & Independent
5.	Mr. Pranav Parikh	Director	Non-Executive & Independent
6.	Mr. Bakul Mehta	Director	Non-Executive & Independent

There is no service contract between our Company and its Non Executive Directors.

#### Audit Committee

The Audit Committee, pursuant to the provisions of Section 292A of the Companies Act, was constituted by the Board of Directors at a meeting held on 4<sup>th</sup> February, 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 Exchanges in due course.

The constitution of the Audit Committee is as follows:

Sr. No.	Name of the Director	Designation	Category
1	Mr. Hitesh Loonia	Chairman cum Member	Non-Executive & Independent
2	Mr. Ajit Kumar Jain	Member	Executive & Non Independent
3	Mr. Pranav kumar Parikh	Member	Non-Executive & Independent

The Company Secretary shall act as a Secretary of the Audit Committee.

#### Terms of Reference:

- i. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- iv. Appointment, removal and terms of remuneration of internal auditors
- v. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act 1956;
- Changes, if any, in accounting policies and practices and reasons for the same;
- Major accounting entries involving estimates based on the exercise of judgment by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements relating to the financial statements;
- Disclosure of any related party transactions;
- Qualifications in the draft audit report.
- vi. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- vii. To monitor the utilisation of proceeds of the proposed initial public offering of the Company and any other issue of shares of the Company, reviewing the report submitted by monitoring agency, if any, and to make appropriate recommendations to the Board in this regard.
- viii. Monitoring the use of the proceeds of the proposed initial public offering of the Company.
- ix. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- x. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- xi. Discussions with internal auditors on any significant findings and follow up thereon.
- xii. Reviewing internal audit reports and adequacy of the internal control systems.
- xiii. Reviewing management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- xiv. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- xv. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- xvi. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- xvii. To review the functioning of the whistle blower mechanism, when the same isadopted by the Company and is existing.
- xviii. Carrying out any other function as may be statutorily required to be carried out by the Audit Committee.

#### Remuneration Committee

The Remuneration Committee was constituted by the Board of Directors at a meeting held on 4<sup>th</sup> February, 2010.

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

The constitution of the Remuneration Committee is as follows:

Sr. No.	Name	Designation	Category
1.	Shri Hitesh Loonia	Chairman	Non - Executive & Independent
2.	Shri Bakul Mehta	Member	Non - Executive & Independent
3.	Shri Pranavkumar Parikh	Member	Non - Executive & Independent

The Company Secretary shall act as a Secretary of the Remuneration Committee.

## Terms of Reference

- i. To decide and approve the terms and conditions for appointment of Executive Directors and/ or Whole-time Directors and Remuneration payable to other Directors and matters related thereto.
- ii. To recommend to the Board, the remuneration packages of the Company's Managing/Joint Managing/ Deputy Managing/Whole time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits,

- details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.):
- iii. To be authorised at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Company's Managing/Joint Managing/ Deputy Managing/ Whole-time/ Executive Directors, including pension rights and any compensation payment;
- iv. To implement, supervise and administer any share or stock option scheme of the Company.

#### Shareholders / Investors Grievance Committee

The Shareholders' / Investors' Grievance Committee, in compliance with Clause 49 of the Listing Agreement, was constituted by the Board of Directors at the meeting held on 4<sup>th</sup> February, 2010.

The constitution of the Shareholders' / Investors' Grievance Committee is as follows:

Sr. No.	Name	Designation	Status
1.	Smt. Sangeeta Jain	Chairman	Executive and Non - Independent Director
2.	Shri Hitesh Loonia	Member	Non - Executive and Independent Director
3.	Shri Bakul Mehta	Member	Non - Executive and Independent Director

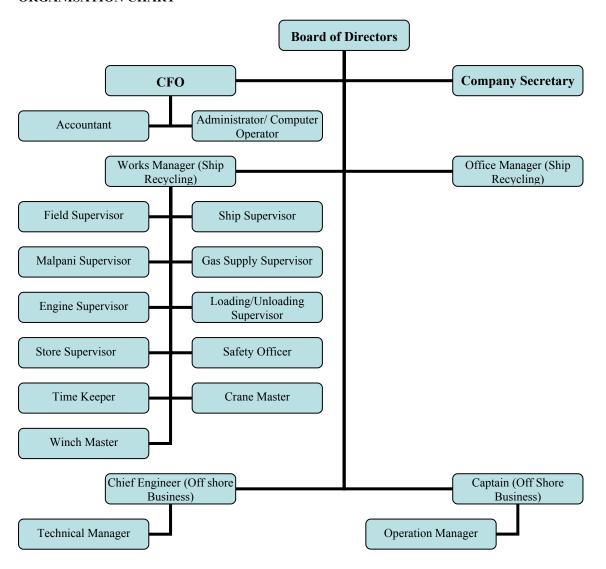
The Company Secretary shall act as a Secretary of the Shareholders' / Investors' Grievance Committee.

### Terms of Reference

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

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

# **ORGANISATION CHART**



# **KEY MANAGEMENT PERSONNEL:**

In addition to our Executive Directors below are details of the key managerial employees of the Company:

Sr. No	Name, Designation, Age	Qualification	Experience (Years)	Date of Joining	Compensation paid during the last financial year (Amount Rs.)	Functional Responsibility	Previous Employment
1.	Mr. Mahadev Prasad Birla, Chief Financial Officer, 27 years	B. Com., C. A.	4.5	05.02.2010	0.30 Lacs	Financial Management, Taxation Management, Finalisation of Accounts	Furnace Fabrica (India) Limited, Navi Mumbai
2.	Mr. Hemal Patel, Company Secretary 23 years	B. Com., C. S.	2	10.02.2010	0.25 Lacs	Company Secretary	KGN Industries Limited- Ahmedabad
3.	Mr. Shreekant Kumar, Technical Manager 30 Years	B. E. (Mechanical)	5	21.07.2009	2.50 Lacs	Technical work, Operational Work and Crew Management	Modest Infrastructure Limited- Bhavnagar
4.	Mr. V. N. Pandey, Manager 46 Years	B. A.	20	07.08.2009	1.20 Lacs	Administration and Sales Work	GMC Breaker- Bhavnagar
5.	Mr. Chandan Singh, Safety Manager 24 Years	B. Sc.	3	09.07.2009	1.08 Lacs	Safety Officer	GN ship Breaker- Bhavnagar
6.	Mr. Manik Chandra, Works Manager 40 Years	12 <sup>th</sup>	19	01.06.2009	1.6 Lacs	Ship Cutting and Breaking work	Diamond Industries Pvt. Ltd Bhavnagar
7.	Mr. Vijay Gulati, C.E.O., 66 years	Master Mariner	49	15-02- 2010	30000/-	C.E.O, Looks after Off shore Division	GMT Marine Management Pvt. Ltd

Brief Profile of the Key Management Personnel:

In addition to our Directors, provided below are the Key Managerial employees of the Company.

**Mr. Mahadev Prasad Birla,** 27 years, Chief Financial Officer, is a Commerce Graduate and Chartered Accountant, passed in the year 2008 from Institute of Chartered Accountants of India having experience of around 4 years. He looks after the financial activities of our company which includes accounts, finance, preparing project proposal, etc.

**Mr. Hemal Patel**, 23 years, Company Secretary and Compliance Officer, is a Commerce Graduate and Company Secretary, passed in the year 2009 from The Institute of Company Secretaries of India having experience of more than 2 years. He looks after the secretarial work of the Company.

**Mr. V. N. Pandey**, 46 years, Manager, have completed his graduation in Arts field. He has having experience of more than 20 years. He looks after the ship recycling yard. His last employment was in M/s GMC Breakers where he had served for more than 5 years.

**Mr. Chandan Singh**, 24 years, Safety Officer, is a B. Sc., passed in the year 2007 from Magadh University, Bodh-Gaya having experience of more than 3 years. He looks after the safety of the ships in the yard and gives trainee of staff on GMB and also looks after the environment policy related to the Company and also looks after proper maintenance of records related to Staff members in the Ship Yard.

**Mr. Manik Chandra,** 37 years, Works Manager, is passed Higher Secondary Education in the year1991 from U.P. Board having experience of more than 19 years. He looks after the deployment of staff on day to day basis in various section looking to the Quantum of work in different section and supervision of their work to give necessary instruction for carrying out to work. In addition to this, he decides movement of ship from sea water to plot level and give instruction for removing of cut material from plot to other place.

**Mr. Shreekant Kumar**, 30 years, Technical Manager, is a Bachelor of Engineering passed in the year 2005 from Visveswaraiah Technological University, Belgaum, Karnataka having experience of more than 5 years. He looks after the repair and maintenance of Tug and Speed Boat and manages the material for the same from different suppliers and also deal with the Towing Plan approval, and helps in IRS survey and drying survey.

**Mr. Vijag Gulati**, 66 years, C.E.O, having a qualification of Master Mariner, having experience of 49 years in the field of Off- shore Supporting Activities. He identifies the parties who are in need of Off shore services and deal and negotiate with them for the same

All key managerial personnel are permanent employees of the Company.

## **Shareholding of Key Managerial Personnel:**

None of the Key Managerial Personnel of the Company hold any Equity Shares of the Company as of the date of filing this Draft Red Herring Prospectus.

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

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

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

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

#### **Bonus or Profit Sharing Plan for the Key Managerial Personnel:**

The Company does not have any bonus or profit sharing plan for its key managerial personnel.

### 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:

Name	Date of Appointment	Date of Cessation	Remarks
Mr. O P Goyal	02-01-2010	30-01-2010	Due to health reason
Mr. Mahadev Prasad Birla	05-02-2010	ı	Appointment
Mr. Hemal Patel	10-02-2010	-	Appointment
Mr. Shrikant Kumar	21-07-2009	-	Appointment
Mr. V N Pandey	07-8-2009	-	Appointment
Mr. Chandan Singh	09-07-09	-	Appointment
Mr. Manik Chandra	01-06-2009	-	appointment
Mr. Vijay B Gulati	15-02-2010	-	Appointment

### **EMPLOYEES:**

The present strength of employees of our Company is 40 which are divided in three categories as mentioned below:

Top/Senior Management	7
Middle Management	5
Junior Management	28

# ESOP/ESPS scheme to employees

Presently, we do not have ESOP/ESPS scheme for employees.

# 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 Draft Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment.

# **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.

## **OUR PROMOTERS**

Our Promoters are Mr. Ajit Kumar Jain, Mr. Manoj Kumar Jain and Mrs. Sangeeta Jain.

#### Mr. Ajit Kumar Jain



PAN	ADAPJ7975L
Voter ID Number	YQM0758291
<b>Driving License Number</b>	4549/KANPUR/85
Passport Number	F3070485
Bank Account	0490201 0014400,
	Oriental Bank of Commerce, Bhavnagar

Mr. Ajit Kumar Jain (76 years, is the Managing Director of the Company. He has completed his graduation in Arts faculty. He is having around 50 years of experience in various segments of the ship related activities, Automobiles and Transport. He started his business in the year 1958 by joining as partner in M/s Jain Roadways, Kanpur which was engaged in the Transportation activities. He has diversified his business activities in the year 1966 and entered into the manufacturing and trading of consumer items and supplied to various government and semi – government department. In the year 1994, he has shifted to Bhavnagar and set up one rolling mill and also joined the Company as a director. He was handling various activities of the company since 1994 in various capacities. Presently he is looking after day to day recycling activities carried out at Alang Recycling Plot.

### Mr. Manoj Kumar Jain



PAN	ABUPJ3093R
Voter ID Number	CFP2756328
Driving License Number	60146/2002 D/C4/1/82
Passport Number	H8010806
Bank Account	04902010009120,
	Oriental Bank of Commerce, Bhavnagar

Mr. Manoj Kumar Jain (48 years) is the Director of the Company. He is a Member of ICAI. He is having over 10 years of experience in various fields such as finance, taxation consultancy and ship recycling and off shore Industrial and other business activities. He is also partner in M/s Jain Seth & Co., Chartered Accounts. He is examining and advising on Purchase of Old ships and finalises the deals with the suppliers. He is also guiding on off shore activities and is arranging finance for the business of the company. He plays a major role in providing strategic guidance to our Company. He will be supervising the functional heads and responsible for the overall operation and growth of our Company.

### Mrs. Sangeeta Jain



PAN	ADBPJ6532G
Voter ID Number	CFP2756310
Driving License Number	-
Passport Number	H5410217
Bank Account	0490201 0012580,
	Oriental Bank of Commerce, Bhavnagar

Mrs. Sangeeta Jain (42 years) is the Whole Time Director of the Company. She holds a Master degree in Arts from C.S.J.M. University, Kanpur. She is having around 19 years of experience in the areas of administration and marketing. She is associated with our Company since its incorporation. She is in-charge of administration and liaisoning functions. She is also partner in M/s Eternal Automobiles from July 2002 and is looking after overall activities of said partnership firm engaged as Dealer of Honda Motorcycle and Scooter India Pvt. Ltd.

Our company undertakes that the Permanent Account Number, Bank Account Number and Passport have been submitted to the Bombay Stock Exchange where our company proposes to list its shares at the time of filing the Draft Red Herring Prospectus.

Our Promoters, Promoter Group and Group Companies 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.

## Relationship amongst Promoters with each other

Name of the Promoter	Relationship amongst Promoters
Mr. Manoj Kumar Jain	Promoter, Son of Mr. Ajit Kumar Jain and Husband of Mrs.
Wii. Wanoj Kumai Jam	Sangeeta Jain
Mus Cangasta Isin	Promoter, wife of Mr. Manoj Kumar Jain and Daughter in-law of Mr.
Mrs. Sangeeta Jain	Ajit Kumar Jain
Mr. A::4 I/ Inin	Promoter, Father of Mr. Manoj Kumar Jain and Father-in-law of Mrs.
Mr. Ajit Kumar Jain	Sangeeta Jain

#### **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 his holding directorship / employment in our Company. They may also be deemed to be interested in the transactions entered into by our Company and the ventures where he is interested as a Promoter, Director or otherwise.

Except as stated hereinabove and as stated in 'Related Party Transactions' appearing under section titled 'Financial Information' beginning on page 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 Promoters are interested to the extent of rent received by them for the properties owned by the Promoters and given on lease/leave and license to our Company. For further details please refer to the section titled 'Property', beginning on Page 82 and 'Related Party Transactions' appearing under section titled 'Financial Information' beginning on page 128 of the Draft Red Herring Prospectus.

Further, except as stated in this section and in the chapters titled 'Business Overview' and 'Our Management' beginning on page 75 and 90 respectively, and section titled 'Financial Statements' beginning on page 110 of the Draft Red Herring Prospectus, our Promoters do not have any interest in any property acquired by our Company within two years of the date of the Draft Red Herring Prospectus.

## **Payment or Benefit to Promoters**

Other than the salary and remuneration of the Promoter Directors, referred to in the section titled 'Remuneration details of our executive Directors' on page 93 of this Draft Red Herring Prospectus, there are no payment or benefit to promoters of our Company

## **Common Pursuits**

There are no common pursuits between our company and our group companies / promoter companies.

## **Group Entities**

In addition to the persons named above, the following natural persons, due to their relationship with our promoters, are part of our Promoter Group in terms of Regulation2(1)(zb) of SEBI, ICDR Regulations, 2009.

Relatives of the Promoter that form part of the Promoters Group are as under:

Promoter	Name of Relative	Relationship
Mr. Ajit Kumar Jain	Smt. Sushma Jain	Wife
	Mr. Subhod Kumar Jain	Son
	Mr. Manoj Kumar Jain	Son
	Mr. Navin Kumar Jain	Son
	Ritu Agrawal	Daughter
	Bhajanlal Jain	Father
	Gayatri Devi Jain	Mother
	Sureshchnadra Jain	Brother
	Ashok Kumar Jain	Brother
	Geeta Sureshchandra Jain	Brother's Wife
	Shell Ashok Jain	Brother's Wife

Promoter	Name of Relative	Relationship
Mr. Manoj Kumar Jain	Mr. Varun Jain	Son
	Mr. Vaibhav Jain	Son
	Mrs. Sangeeta Jain	Wife
	Mr. Ajit Kumar Jain	Father
	Smt. Sushma Jain	Mother
	Mr. Subhod Kumar Jain	Brother
	Mr. Navin Kumar Jain	Brother
	Mrs. Salini Subhod Jain	Brother's Wife
	Mrs. Amita Navin Jain	Brother's Wife

Promoter	Name of Relative	Relationship
Mrs. Sangeeta Jain	Mr. Manoj Kumar Jain	Husband
	Mr. Vaibhav Jain	Son
	Mr. Varun Jain	Son
	Giriraj Prasad Agrawal	Father
	Meera Devi Agrawal	Mother
	Nirma Agrawal	Mother's Mother
	Sanjay Agrawal	Brother
	Shailesh Agrawal	Brother
	Vandana Sanjay Agrawal	Brother's Wife
	Deepika Shailesh Agrawal	Brother's Wife
	Alok Bansal	Sister's Husband
	Vinita Bansal	Sister

## The details of the companies and other entities that form part of the Promoter Group are as follows:

### **Group Entities/Partnership Firms/Proprietors/Associates**

#### M/s. Eternal Automobiles

A Partnership firm originally formed through a Partnership Deed dated February 20, 2004 between Mrs. Sangeeta Jain (our Promoter) & Manoj Kumar Jain (HUF) to carry on the business of Automobile Dealership and other trading business. Subsequently, the Partnership Deed has been reconstituted on April 25, 2006 by inducting our company as a partner in place of Manoj Kumar Jain (HUF). The share of our company in this firm is 25% and the rest 75% pertains to Mrs. Sangeeta Jain. Presently the office of the Firm is located at Jain House, Honda Activa Show Room, Opp. Vitthalwadi, Bhavnagar-364003, Gujarat, India.

# The brief audited financials of Eternal for the past 3 years are given below:

### **Summary Statement of Assets & Liabilities**

(Rs in Lacs)

As at	31.03.2008	31.03.2009	31.03.2010
Sources of Funds:			
Partners' Capital Account	39.68	51.76	72.24
Reserves & Surplus	13.87	15.92	17.66
Deferred Tax Liability	8.28	10.08	-
Secured Loans	39.74	92.17	172.97
Current Liabilities & Provision	16.91	25.10	3.52
Total	118.48	195.03	266.39
Application of Funds:			
Fixed Assets	80.61	82.11	89.86
Current Assets, Loans & Advances	37.87	112.92	176.53
Total	118.48	195.03	266.39

# **Summary Statement of Profit & Loss Account**

(Rs in Lacs)

For the Year ended	31.03.2008	31.03.2009	31.03.2010
Income:			
Sales & Other Receipts	831.00	908.43	956.32
Closing Stock	16.48	7.01	59.53
Total Income	847.48	915.44	1015.85
Total Expenditure( includes opening stock)	832.74	897.12	999.19
Profit before Depreciation, Payment to Partners & Tax	14.74	18.32	16.66
Interest to Partners	5.17	2.05	-
Depreciation	2.01	2.05	2.25
Profit/(Loss) before Tax	7.56	16.27	14.41
Income Tax	1.26	4.53	4.01
Fringe Benefit Tax	0.13	0.24	-
Adjustment for Deferred Tax	0.51	1.80	10.08
Add: Refund of Sales Tax of Previous Year	0.53		-
VAT of Previous Year	0.17		-
Income Tax pertaining to Previous Year	0.15	0.24	-
Aggregate Net Profit transferred to Partner's Capital	5.87	9.46	20.48

Listed companies in the Promoter Group

As on the date of this Draft Red Herring Prospectus, there are no listed companies in the Promoter Group.

### Sale and purchase between Group Companies/ associate companies

There are no sales or purchase between Group Companies/associate companies exceeding an aggregate value of 10% of the total sales or purchases of the Company during the last three years.

## Business interest of the Group Companies/ associate companies in our Company

None of our Group Companies/ associate companies have business interests in our Company.

#### Previous public or rights issues by the Group Companies

None of our Promoter Group companies are presently listed on any stock exchanges, nor have made any public or rights issues in the preceding three years.

## **Defunct Promoter Group Companies**

There are no defunct Promoter Group Companies.

## Companies with which our Promoters have disassociated in the last three years

Our Promoters have not disassociated themselves from any of the companies or firms during the three years preceding the date of the filing of this Draft Red Herring Prospectus.

#### **Related Party Transactions**

The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under 'Related Party Disclosures' as mentioned under Annexure xv of the Auditors' Report appearing on page 128 of this Draft Red Herring Prospectus.

For details of the related party transactions, please refer to page 128 of this Draft Red Herring Prospectus.

# **Business Interests**

None of our Group Companies and entities / Subsidiaries / associate companies have business interests in our Company.

# **CURRENCY OF PRESENTATION**

In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to the word "Lac" or "Lac", means "One Hundred Thousand" and the word "million" means "Ten Lacs" and the word "Crore" means "Ten Million" and the word "billion" means "One thousand million and the word "trillion" means "One thousand billion".

In this Draft Red Herring Prospectus, 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\$", "U.S.\$", "USD", "U.S. Dollar(s)" or "USDollar(s)", if any, are to United States Dollars, the official currency of the United States of America.

For the convenience of the Shareholders, throughout this Draft Red Herring Prospectus, 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 the Company at their discretion and will depend on a number of factors, including but not limited to the results of operations, earnings, capital requirements and surplus, overall financial condition, applicable Indian legal restrictions and other factors considered relevant by the Board. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company.

We have not declared any dividend on the Equity Shares since inception.

Our dividend policy in the past is not necessarily indicative of our dividend policy or dividend amounts in the future.

## **SECTION VI - FINANCIAL STATEMENTS**

#### **AUDITOR'S REPORT**

To,
The Board of Directors,
VMS Industries Limited
(Formerly known as Varun Management Services Pvt. Ltd.)
2<sup>nd</sup> Floor, Jain House,
Opp. Vitthalwadi,
Bhavnagar-364 003. (Gujarat)

Dear Sirs,

We have examined the financial information of VMS Industries Limited (hereinafter referred to as "the Company") contained in the statement annexed to this report stamped and initiated by us for identification and as approved by the Board of Directors, proposed to be included in the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus in connection with the proposed Initial Public Offer of Equity Shares of the Company.

In accordance with the requirements of:

- a. Paragraph B (1) of Part-II of Schedule II to the Companies Act, 1956 ("the Act").
- b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time ("the SEBI (ICDR) Regulations") issued by Securities and Exchange Board of India (SEBI), in pursuance of section 11 of Security and Exchange Board of India Act, 1992 and the related clarification thereto;
- c. The terms of our engagement agreed upon with you in accordance with our engagement letter dated 22.03.2010 in connection with its proposed Initial Public Offer of Equity Shares.

## **Restated Financial information as per audited Financial Statements:**

- a. We have examined the accompanying "Summary Statement of Profit & Loss Account, As Restated" for the years ended on 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 (Annexure-I), "Summary Statement of Assets & Liabilities, As Restated" as on those dates (Annexure-III) and Statement of Cash Flow of the Company for the years ended on 31<sup>st</sup> March, 2010 (Annexure-III) forming part of "Financial Information" dealt with by this Report read together with the significant accounting policies and notes to accounts (Annexure-IV) thereon, which are the responsibility of the company's management, have been extracted from the financial statements for the year ended on 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, approved by Board of Directors and adopted by the members in those respective financial years.
- b. Based on above and also as per the reliance placed on the reports submitted by the Statutory Auditors of the Company, K. Solanki & Co., Chartered Accountants for respective years, we report as under:
  - the Summary Statement of Profit & Loss Account and the Summary Statement of Assets & Liabilities of the company as at the end of the financial years ended on 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 reflect the profits / losses and assets and liabilities, after making such adjustments, regrouping and disclosures as were, in our opinion, appropriate and more fully described in Annexure IV of Notes to the Accounts and Accounting Policy as required to be made in accordance with Part-II of the Schedule II of the Companies Act, 1956 and the SEBI (ICDR) Regulations..
  - ii) In our opinion read with respective significant accounting policies and subject to read together with the notes thereon and after making such adjustment, regrouping and disclosures as were, in our opinion, are appropriate and more fully described in Annexure IV of Notes to the Accounts and Accounting Policy and have been prepared in accordance with Part-II of the Schedule II of the Companies Act, 1956 and the SEBI (ICDR) Regulations.

#### **Other Financial Information**

We have also examined the following other financial information, for the years ended on 31<sup>st</sup> March, 2006, 31<sup>st</sup> March, 2008, 31<sup>st</sup> March, 2009 and 31<sup>st</sup> March, 2010 prepared by the management and approved by the Board of Directors of the Company and annexed to this report. Further, in respect of the years ended on 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 these information have been included based upon the reports submitted by the Statutory Auditors K. Solanki & Co., Chartered Accountants and relied upon by us.

- Details / Analysis of outstanding Secured & Unsecured loans taken by the company (Annexure V & VI).
- ii) Statement of contingent liabilities (Annexure-VII).
- iii) Age wise analysis of Investments (Annexure VIII)
- iv) Age-wise analysis of sundry debtors (Annexure-VIX).
- v) Details of Loans & Advances (Annexure X)
- vi) Details of Business Income and Other income (Annexure- XI).
- vii) Statement of Dividend paid (Annexure-XII).
- viii) Capitalization Statement (Annexure-XIII).
- ix) Summary of accounting ratio based on adjusted profit relating to the earning per share, net asset value and return on net worth (Annexure-XIV).
- x) Related party transactions (Annexure-XV).
- xi) Statement of Tax Shelter (Annexure-XVI).
- xii) Statement of Reserve & Surplus (Annexure-XVII).
- xiii) Statement of Deferred Tax Liability (Annexure-XVIII).

This report should not in any way be construed to be a re-issuance or re-dating of any of the previous audit reports issued by the Statutory Auditor of the Company, nor should it be a new opinion on any of the financial statements referred to herein.

Our this report is being provided solely for the use of VMS Industries Limited, for the purpose of its inclusion in the prospectus in connection with the proposed Initial Public Offer of Equity Shares of the Company.

This report is intended solely for your information and for inclusion in the offer document in connection with the specific Public issue of the company and is not be used, referred to or distributed for any other purpose without our written consent.

For and on Behalf of Ashok Dhariwal & Co. Chartered Accountants

Proprietor M. No. 36452

Place: Ahmedabad Date: 28.05.2010

**Annexure- I**Summary Statement of Profit & Loss Account, As Restated:

	(Rs. In Lacs)							
Particulars	For the Year / Period ended on							
i ai ticuiai s	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010			
Income								
Operation Income from Business	2.85	5.27	10.92	143.67	2911.94			
Other Income	0.00	1.33	2.87	2.52	2.05			
Increase /(Decrease) in stock	0.00	0.00	0.00	0.00	695.15			
Total Income	2.85	6.60	13.79	146.19	3609.14			
Expenditure								
Purchase (Recycling of Ships)	0.00	0.00	0.00	0.00	2721.87			
Manufacturing Exp.	0.00	0.00	0.00	0.81	139.76			
Payments to & Provision for Staff and crew members	1.44	1.47	2.78	15.25	68.40			
Administrative Expenses	0.10	0.16	2.86	21.05	192.42			
Interest and Financial Charges	0.19	0.16	0.89	10.00	92.10			
Depreciation	1.08	1.20	1.20	24.09	46.21			
Preliminary Exp.	0.00	1.11	1.11	1.11	3.11			
Total Expenditure	2.81	4.10	8.84	72.30	3263.87			
Net Profit Before Tax and								
Extraordinary Items and Prior	0.04	2.50	4.95	73.88	345.27			
Period Items								
Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00			
Net Profit Before Tax and Prior	0.04	2.50	4.95	73.88	345.27			
Period Items								
Provision for Taxation	0.29	0.92	1.49	1.30	82.30			
Provision for Fringe Benefit Tax	0.00	0.00	0.02	0.14	0.00			
Provision for Deferred Tax	0.00	0.00	0.00	0.00	2.25			
Net Profit After Tax and								
Extraordinary Items but before	(0.25)	1.58	3.44	72.44	260.72			
Prior Period Items	0.04	2.22	2.22	0.00	0.55			
Prior period items	0.02	0.00	0.02	0.00	0.57			
Transfer to Tonnage Tax Reserve	0.00	0.00	0.00	14.26	21.41			
Balance Carried Forward to Balance Sheet	(0.27)	1.58	3.42	58.18	238.74			

**Annexure- II**Summary Statement of Assets & Liabilities, As Restated:

D (1. 1	For the Year / Period ended on							
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010			
Fixed Assets (A)								
Gross Block	32.31	32.31	29.75	762.50	743.27			
Less: Depreciation	10.76	10.94	8.56	31.63	76.81			
Net Block	21.55	21.37	21.19	730.87	666.46			
Investments (B)	609.63	1461.85	1427.81	1387.42	40.12			
Current Assets Loans and Advances ( C )								
Inventories	0.15	0.15	0.15	0.15	698.56			
Receivables / Sundry Debtors	3.86	0.55	1.14	24.64	515.39			
Cash and Bank Balances	61.63	6.24	35.53	117.65	875.60			
Loans and Advances/ Deposits	2.11	27.97	62.38	12.60	1015.22			
Total (C)	67.75	34.91	99.20	155.04	3104.77			
Total Assets (A+B+C)	698.93	1518.13	1548.20	2273.33	3811.35			
<b>Liabilities and Provisions (D)</b>								
Secured Loans	0.00	0.00	25.02	649.88	1550.35			
Unsecured Loans	0.00	0.00	0.00	0.00	66.07			
Current Liabilities and Provision	13.67	8.47	7.97	33.66	153.83			
Deferred Tax Liability	0.00	0.00	0.00	0.00	2.25			
Total (D)	13.67	8.47	32.99	683.54	1772.50			
Net Worth (A+B+C-D)=(E)	685.26	1509.66	1515.21	1589.79	2038.85			
Represented By								
Share Capital	246.16	413.46	413.46	413.46	1003.52			
Share Application Money	12.75	0.00	0.00	0.00	0.00			
Reserve & Surplus	428.84	1100.64	1105.08	1178.55	1044.45			
Less: Miscellaneous Expenditure Not Written Off	2.49	4.44	3.33	2.22	9.12			
Net Worth	685.26	1509.66	1515.21	1589.79	2038.85			

# Annexure – III Statement of Cash Flow as restated (\*)

	(Rs. In Lacs)
Particulars	For the Year / Period ended on
1 at ticulars	31/03/2010
Cash Flow from Operative Activities	31/03/2010
Net Profit / (Loss) before Taxation &	245.05
Extra Ordinary items	345.27
Adjustments for:	
Depreciation	46.21
Profit on sale of Investments	(0.50)
Profit on sale of Assets	0.00
Preliminary Exp. W/off	3.11
Operating Profit before Working Capital	
changes	394.09
Adjustments for:	
Taxes Paid	(15.38)
(Increase) / Decrease in Trade & Other	
Receivables	(490.75)
(Increase) / Decrease in Other Current	
Assets	
(Increase) / Decrease in Inventories	(698.41)
Increase / (Decrease) in Current Liabilities	53.25
Net Cash from Operative Activities (A)	(757.20)
Cash Flow from Investing Activities	
(Purchase) / sale of Fixed Assets	(19.05)
Investments	1347.30
Profit on sale of Investments	0.50
Preliminary / Misc. Exp. Capitalized	(10.01)
Net cash used in Investing Activities (B)	1318.74
Cash Flow from Financing Activities	
Proceeds from Unsecured Loans (net)	66.07
Proceeds from Bank Borrowings	938.20
Issue of Equity Shares	590.06
Increase/ (Decrease) in Securities Premium	(395.29)
(Increase) / Decrease in Loans &	(3,3.2)
Advances	(1002.62)
Net cash receipt /used in Financing	40.4.5
Activities (C)	196.42
Net Increase/ (decrease) in Cash & Cash Equivalents (A+B+C)	757.96
Cash & cash equivalents as on beginning	131,70
of year	117.65
Cash & cash equivalents as on end of	
year	875.61

<sup>(\*)</sup> Due to the restatement of Profit & Loss Account and Balance Sheet, the Cash Flow Statement have been also restated as compared to audited Cash Flow Statement.

#### **Annexure IV:**

## **Notes to Accounts and Accounting Policy**

# 1. Notes to accounts for the Profit & Loss Account Restated:-

Material Regrouping:-

- a. For the Financial year ended 31<sup>st</sup> March, 2009, the Company has been showing Income from Partnership firm under the head "Share of Profit from Partnership Firm" in audited Profit & Loss Account. From Financial year ended 31<sup>st</sup> March, 2010, the Company had shown the amount under "Income from Business Operation" in the audited Profit & Loss account. The summary statement of Profit & Loss Account as restated for the financial year ended 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 has been reclassified and shown accordingly.
- b. For the Financial Year ended 31<sup>st</sup> March, 2009, the Company had shown "Water Charges" under the head Administrative Expenses in audited Profit & Loss account which is been reclassified in the summary statement of Profit & Loss Account as restated and shown under the head "Direct Operational Expenses/ Manufacturing Expenses."
- c. Up to the Financial year ended 31<sup>st</sup> March, 2009, the Company has been showing consulting Income under the head "Management Services & Consultancy Income" in audited Profit & Loss Account except in Financial year 2008-09 wherein it is shown under the head "Other Misc. Income". The summary statement of Profit & Loss Account as restated for the financial year ended 31<sup>st</sup> March 2010, 31<sup>st</sup> March 2009, 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2006 has been reclassified and shown under the head "Operation Income from Business" as it is one of the main object of the Company as per Clause 1 of Memorandum of Association.
- d. For the financial year ended 31<sup>st</sup> March 2010, 31<sup>st</sup> March 2009 and 31<sup>st</sup> March 2008, the Company has been showing Interest received under the head "Interest Income" in audited Profit & Loss Account. The summary statement of Profit & Loss Account as restated for the financial year ended 31<sup>st</sup> March 2010, 31<sup>st</sup> March 2009 and, 31<sup>st</sup> March 2008, has been reclassified and shown under the head "Operation Income from Business" since the same was considered as Business Income.
- e. Up to Financial year ended as on 3<sup>1st</sup> March 2008, the Company had shown Income from Partnership Firm under the head "Interest from Partnership Firm on Capital" and "Share in Profit in Partnership firm" in audited Profit & Loss Account which is been reclassified and regrouped from Financial year ended 3<sup>1st</sup> March, 2009 and shown under single accounting head "Share of Profit from Partnership Firm" in the audited Profit & Loss account and same has been reclassified in financial year ended 3<sup>1st</sup> March, 2010 and shown under the head "Income from Business Operation" in the audited Profit & Loss account.
- f. Up to Financial year ended 31<sup>st</sup> March 2008, the Company has been showing Gain/Loss on Investments under the head "Profit from sale of shares" in audited Profit & Loss Account. From Financial year ended 31<sup>st</sup> March, 2009, the same had reclassified under the "Other Income" in the audited accounts. The summary statement of Profit & Loss Account as restated for the financial year ended 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2006 has been reclassified and shown under the head "Other Income".
- g. Up to Financial year ended 31<sup>st</sup> March 2008, the Company has been showing various expenses like Audit fee, Advertisement, Printing, Travelling and other expenses of office and administrative nature separately in their respective head under audited Profit & Loss Account. From Financial year ended 31<sup>st</sup> March 2009, it has been regrouped under single head "Administrative Expenses" in audited Profit and Loss Account. The summary statement of Profit & Loss Account as restated for the financial year ended 31<sup>st</sup> March 2008, 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2006 has been regrouped and shown accordingly.
- h. Depreciation on Fixed Assets of Gas Division:The Company had not provided depreciation till 31<sup>st</sup> March 2010 on Fixed Assets of Gas Division (known as Varun Gas Division) in the audited Profit & Loss Account since this division is not in operation. However, to comply with the Accounting Standards 6, the Depreciation has been calculated on fixed assets of Gas

Division on Straight Line Method at the rate specified in Schedule XIV of the Companies Act, 1956 and provided as under to arrive Profit/Loss in the Profit & Loss Account as Restated.

(Rs. In Lacs)

Particulars	For the Financial year ended on						
Farticulars	31/03/06	31/03/07	31/03/08	31/03/09	31/03/10		
Balance Carried Forward to	0.75	2.60	4.44	59.20	239.76		
Balance Sheet as per Books							
of Profit & Loss Account							
Less:-Dep. On Fixed Asset on	(1.02)	(1.02)	(1.02)	(1.02)	(1.02)		
Gas Division provided as per							
Restated							
Balance Carried Forward to	(0.27)	1.58	3.42	58.18	238.74		
Balance Sheet as per Restated							

#### 2. Notes to Accounts for Assets & Liabilities Restated:-

- a. For the Financial Year ended 31<sup>st</sup> March, 2009, the Company had shown Income Tax Refundable amounting to Rs. 1.53 Lacs in the audited Balance Sheet under the head Current Liabilities and Provisions the same has now been reclassified and shown in the summary statement of Asset & Liabilities as restated under the head "Loans & Advances"
- b. For the financial year ended 31<sup>st</sup> March 2009, the Company had shown Rs.1351.15 Lacs as an Investment in Shares and Securities under the head "Loans & Advances" in audited Balance Sheet. The summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2009, the same has been reclassified and shown under the head "Investments" and detailed in Annexure to Financial Statement.
- c. For the financial year ended 31<sup>st</sup> March 2008, the Company had shown "Units in Mutual fund/ Shares" amounting to Rs.3.92 Lacs under the head "Stocks" in audited Balance Sheets, which was regrouped in the subsequent Financial year 2008-09 and shown under the head "Investments". The summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2008 has been reclassified and shown under the head "Investments" and detailed in Annexure to Financial Statement.
- d. For the financial year ended 31<sup>st</sup> March 2008, the Company had shown Rs.1395.76 Lacs as an Investment in Shares and Securities under the head "Sundry Debtors" in audited Balance Sheet. The summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2008, the same has been reclassified and Rs. 1391.55 Lacs is shown under the head "Investments" and detailed in Annexure to Financial Statement as the same was in nature of investment made and Rs. 4.21 Lacs is shown under the accounting head "Loans & Advances" as the same was in nature of advance and not investments.
- e. For the financial year ended 31<sup>st</sup> March 2007, the Company had shown "Units in Mutual fund" amounting to Rs.3.03 Lacs under the head "Stocks" in audited Balance Sheet. In the summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2007, the same has been shown under the head "Investments" as detailed in Annexure to Financial Statement.
- f. For the financial year ended 31<sup>st</sup> March 2007, the Company had shown Rs.1422.96 Lacs as "Investments in shares & stocks" under the head "Stocks" in audited Balance Sheet. In the summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2007, the same has been reclassified and shown as "Investments" amounting to Rs. 1418.75 Lacs as the same was investments made and Rs. 4.21 Lacs as "Loans & Advances" as the same was in nature of advance and not investments and also in the detailed Annexure to Financial Statement.

- g. For the Financial year ended 31<sup>st</sup> March 2006, the Company had classified Loans and Advances receivable and payable partly under the sub head "Advance Receivable in cash or kind" under head "Current Assets, Loans & Advances" and partly under sub head "Deposits with GMB for ship recycling plot" under the head "Current Assets, Loans & Advances". The summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2006 has been reclassified and regrouped and both above items are shown under the head "Loans & Advances".
- h. For the financial year ended 31<sup>st</sup> March 2006, the Company had shown Rs.609.63 Lacs of "Stocks of shares & Securities" under the head "Current Assets, Loans & Advances". In the summary statement of Assets & Liabilities as restated for the financial year ended 31<sup>st</sup> March 2006, the same has been shown under the head "Investments" as they are in nature of investments.
- i. For the financial year ended 31<sup>st</sup> March 2006, the company had shown Rs.12.75 Lacs of share application money under the head "Other Liabilties" in the audited Balance Sheet. In the summary statement of Assets & Liabilties as restated for the financial year ended 31<sup>st</sup> March 2006, the same has been reclassified and shown under the head "Share application money."
- j. The Net Block and Credit Balance in Profit & Loss Account appearing in Balance Sheet have been restated due to the depreciation provided on the fixed assets of Gas Division. Depreciation for each financial year i.e. From 2005-06 to 2009-10 is Rs.1.02 Lacs respectively for each year and accordingly the Net Block as Restated and Credit Balance in Profit & Loss Account as restated in Balance Sheet is lower by Rs.1.02 Lacs for each year.

(Rs. In Lacs)

Particulars	For the Financial Year ended on						
Farticulars	31/03/06	31/03/07	31/03/08	31/03/09	31/03/10		
Net Block as per audited	22.57	22.39	22.21	731.89	667.48		
accounts							
Less: Depreciation on	1.02	1.02	1.02	1.02	1.02		
Fixed assets of Gas							
division as per restated							
Net Block as per restated	21.55	21.37	21.19	730.87	666.46		
accounts							

k. For the financial year ended 31st March 2010, the difference in the audited accounts and restated financial statement with reference to segment reporting as per AS-17 is arising due to the following adjustments as shown below:

	For the Financial Year ended on 31/03/2010						
Particulars	Total a	s per	audited	Adjustments	Total as per		
	accounts	3			restated accounts		
Segment Income			3609.14	0.00	3609.14		
Segment Expense			3259.74	(45.19) *	3214.55		
Depreciation			45.19	1.02 **	46.21		
Segment results			349.40	(1.02)	348.38		
Un-allocable exp			3.11	0.00	3.11		
Net Profit Before Tax			346.29	(1.02)	345.27		
Segment Assets			4281.18	(469.82)***	3811.36		
Segment Liability			2241.30	(471.05)****	1770.25		
Capital Expenditure			0.00	0.00	19.04 *****		
during the year							

<sup>\*</sup> Represents the amount of depreciation included in Segment expenses now shown separately.

<sup>\*\*</sup> Represents the depreciation on fixed assets of gas division which was earlier not provided but now rectified and henceforth considered.

\*\*\* Represents Rs.468.80 Lacs as an Internal Account adjustment given to their own different division which was earlier shown under Segment Assets but now rectified and henceforth considered and Rs.1.02 Lacs as an Adjustment towards Depreciation against Fixed Assets on Gas Division which was not provided earlier but now rectified and provided.

\*\*\*\*Represents Rs.2.26 Lacs of Deferred Tax Liability which was earlier shown as Segment Liability but now rectified and Rs.454.78 as an Internal Account adjustment which was earlier provided but now rectified and hence not considered.

\*\*\*\*\* Represents the addition made during the year on fixed assets which was not disclosed in segment reporting during the year ended on 31st March 2010 as per audited accounts but now it has been considered and disclosed separately.

- 1. The recoverable value of the Fixed Assets and current assets of Varun Gas Division is more than carrying amount of the assets, hence no provision for loss is required on account of Accounting Standard 28 "Impairment of Assets".
- m. Related party transactions as per Accounting standard-18 were not prepared and disclosed till 31st March 2009 in audited accounts the same has now been prepared and disclosed in restated financial statements.
- n. The Foreign Letter of Credit of Rs.974.30 Lacs and Buyers Credit of Rs.483.00 Lacs is disclosed in the Audited Balance Sheet as at 31-03-2010 under the head "Secured Loans" which was also wrongly considered as Contingent Liability as per Accounting standard -29 in audited accounts. The same has now not been considered as contingent liability in restated accounts as the said liabilities were in nature of secured loan and not contingent liability.
- o. The Company is a SMC till the financial year ended on 31<sup>st</sup> March 2009, as defined in general instruction in respect of accounting standards noticed under the Companies Act, 1956.

## p. Accounting Standards:-

The "Cash Flow statement" as per Accounting Standard -3 was not prepared by the Company up to the financial year ending on 31-03-2009 in view of specific provisions i.e. relaxation or exemption applicable to a "Small and Medium Companies".

The "Segment Reporting" as per Accounting Standard -17 was not prepared and disclosed by the Company up to the Financial year ending on 31-03-2009 in view of specific provisions i.e. relaxation or exemption applicable to a "Small and Medium Companies".

The disclosure of "Discontinuing Operation" as per Accounting Standard – 24 was not applicable to the discontinuation of gas division of the Company in view of specific provision relating to "Small and Medium Enterprises".

#### SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Accounting

- The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with generally accepted accounting principles in India for going concern, the accounting standards issued by the Institute of Chartered Accountants of India and the provisions of The Companies Act, 1956, as adopted consistently by the company.
- Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.
- The Company follows the mercantile system of accounting and recognizes items of income and expenditure on accrual basis, except for insurance claim and refunds/subsidy from statutory authorities which are accounted for on cash basis, keeping in view the concept of materiality.

#### 2. Use of Estimates:-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the years presented. Actual results could differ from those estimates.

### 3. Recognition of Income and Expenditure:-

Sale of goods is recognized on dispatch to the customers. Sales are inclusive of all duties and taxes. Income/Expenses are accounted for on accrual basis and provision is made for all known Expenditure.

#### 4. Fixed Assets:-

Fixed assets are capitalized at cost of acquisition. Expenditure relating to fixed assets is added to cost only when the same involved modification of work and whereby it can increased the life of the assets.

## 5. Depreciation:-

- Depreciation has been provided on the Straight Line Method at the rate specified in Schedule XIV of the Companies Act, 1956.
- Depreciation has been provided on pro-rata basis for both assets acquired and sold during the year.

#### 6. Inventories:-

The inventories are valued at lower of cost or net realizable value. Consumables Stores & Spares are written off at the time of purchase itself. No accounting is done for the invisible waste resulting during recycling process of ships.

The weight of the ship purchased is accounted in terms of LDT/ MT of the ship as declared by the owner of the ship. Ascertaining of weight of ship at the time of purchase is not possible due to its nature and size. There is loss of weight on account of corrosion and other factors during the usage of the ship and its voyage for long period. Inventory at the close of the year is ascertained by reducing the weight of the scrap sold together with the estimated wastage of the balance material.

#### 7. Investments:-

Investments of long term nature are valued at cost. The company has investment in partnership firm M/s. Eternal Automobiles.

#### 8. Retirement Benefits:-

The management is of the opinion that since none of the employees of the company were in continuous service of more than five years and accordingly making provision of the gratuity does not arise. However, if payment on account of gratuity arises due to happening of any incidents as provided under the applicable provisions of law, the same will be accounted for on cash basis. The management is also of the opinion that the payment under Pension Act is not applicable to the Company.

#### 9. Provision for Current & Deferred Taxation:-

The provision for taxation has been provided as per the Income Tax Act. The company has , during the year, adopted Accounting Standard 22 "Accounting for taxes on income" issued by The Institute Of Chartered Accountant of India. Deferred Tax resulting from timing difference between book and taxable profit for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future.

#### 10. Tonnage Tax Benefits:-

The company's partial activities are eligible for tonnage tax benefit under section 115 V of the Income Tax Act, 1956 and accordingly the provision for taxation has been made after considering the provisions of Chapter XII-G of the Income Tax Act, 1961.

#### 11. Excise Duty and Cenvat:-

Excise Duty payable is calculated on the basis of amount shown in Sales Invoice and cenvat credits is adjusted to the extent it is available and balance duty is paid and debited to revenue.

#### 12. Borrowing Cost:-

Borrowing Cost if any, is attributable to acquisition or construction of qualifying assets and are capitalized as part of the cost of such assets up to the date when such asset is ready for its intended use. Other borrowing costs are charged to the profit and loss account.

## 13. Foreign Currency Transaction:-

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions denominated in foreign currency are recorded at the original rates of exchange in force / notional determined exchange rates at the time the transactions are effected. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.

In case of forward contracts, if any, the difference between the forward rates and the exchange rates on the transaction dates is recognized as income or expenses over the lives of the related contracts. The profit/loss arising out of the cancellation or renewal of forward exchanges contracts are recorded as income/expense for the period.

Monetary assets and liabilities relating to foreign currency transactions are stated at exchange rate prevailing at the end of the year and exchange difference in respect thereof is charged to Profit and Loss Account except foreign exchange loss/gain on reporting of long – term currency monetary items used for depreciable assets, which are capitalized.

#### 14. Provision, Contingent Liabilities and Contingent Assets:-

Provisions involving substantial degree of estimation in measurement are recognized when there is a 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 in the books of accounts and disclosed as notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

#### 15. Impairment of Assets:-

Whenever events indicate that assets may be impaired, the assets are subject to a test of recoverability based on estimates of future cash flows arising from continuing use of such assets or from its ultimate disposal whichever is higher.

A provision for impairment loss is recognized where it is probable that the carrying value of an asset exceeds the amount to be recovered through use or sale of the assets whichever is higher.

#### 16. Earning Per Share:-

The Company reports basic and diluted earnings per share in accordance with Accounting Standard issued by the Institute of Chartered Accountants of India. Basic earnings per share are computed by dividing the net profit for the year by the Weighted Average number of equity shares outstanding during the year. Diluted earning per share is computed by dividing the net profit for the year by weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where results are anti-dilutive.

### 17. Related Party Disclosure:-

The details of related parties, as identified by the management are mentioned in Annexure attached.

#### 18. Segment Reporting:-

The Company is operating its business unit wise, and according to the nature of the business Incomes and Expenditure are recognized in segments representing one or more strategic business units that offer services of different nature

#### **NOTES ON ACCOUNTS: -**

1. Deferred Tax has been accounted in accordance with the requirement of Accounting Standard on "Accounting of Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India.

Opening Balance as on 01-04-2009	Nil
Deferred Liability recognized during the year due to	(591030.00)
difference between book value of depreciable assets and	
written down value as per Income Tax Act	
Deferred Assets on Carried forward Unabsorbed	365525.00
Depreciation	
Closing Balance as on 31-03-2010/ Deferred Tax Liability	(225505.00)

Up to the financial year ended 31<sup>st</sup> March 2009, no Deferred Tax Asset / Liability has been provided by the Company

- 2. In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value of realization equivalent to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made in the accounts for all the known liabilities.
- 3. The balance of Sundry Creditors, Sundry Debtors, and Loans & Advances are unsecured, considered good and reconciled from subsequent transaction and/or confirmations are obtained.
- 4. During the Financial Year 2009-10, the name of the company was changed from VMS Industries Pvt. Ltd to VMS Industries Ltd w.e.f.31-12-2009 by passing special resolution.
- 5. The Authorised Share Capital of the company was increased from Rs. 500.00 Lacs (divided into 50 lacs equity shares of Rs.10 each) to Rs.2, 000.00 Lacs (divided into 200 lacs equity shares of Rs. 10 each) w.e.f. 25-11-2009.
- 6. During the F.Y. 2009-10, the company had issued 3, 55,000 Equity shares @ Rs.40 /- per share including Rs. 30/-per share as a premium.
- 7. The Company has declared bonus shares during the year in the ratio of 1: 1 and accordingly the company has allotted 50.17 Lacs Equity shares' aggregating to Rs.501.76 lacs out by capitalizing free reserve and Securities Premium Account of the Company.
- 8. Based on the information available with the company in respect of MSME (as defined in the Micro Small & Medium Enterprise Development Act, 2006) there are no delays in payment of dues to such enterprises during the year.

The above information regarding Micro Small & Medium Enterprises has been determined to the extent such parties have been identified. And on the basis of information available with the company there are no such parties in respect of MSME. This has been relied upon by the auditors.

9. Remuneration Paid/ Payable to Auditors

(Amount in Rs)

Douti audous	For the Financial Year ended on						
Particulars -	31/03/06	31/03/07	31/03/08	31/03/09	31/03/10		
Statutory Fees	1100.00	9100.00	9100.00	7500.00	31000.00		

10. Earning / Expenditure in Foreign Currency:-

(Rs. In Lacs)

Particulars	For the Financial year ended on						
Particulars	31/03/06	31/03/07	31/03/08	31/03/09	31/03/10		
Earnings	0.00	0.00	0.00	0.00	62.84		
Expenditure							
CIF Value for Import of Ship	0.00	0.00	0.00	0.00	2382.01		
for Recycling Business							
Foreign Travelling Expenses	0.00	0.00	0.00	0.00	3.46		
Advance for Purchase of	0.00	0.00	0.00	0.00	4.50		
Equipments							

- 11. The Income from business operation in the audited Profit & Loss Account for the financial year ended on 31-03-2010 includes Foreign Exchange Fluctuation Gain of Rs.62, 84,340.00 which pertains to Letter of Credit opened for purchase of Old ships for ship recycling activity.
- 12. Segment Information:-

Based on Accounting Standard 17, issued by the Institute of Chartered Accountant of India, the Company's primary business segment is Off-shore, Ship Recycling, Financial Income and Other Income, whose details are as under for the financial year ended on 31<sup>st</sup> March, 2010:-

(Rs. In Lacs)

Particulars	Off-shore	Ship	Others	Total
		Recycling		
Segment Income	325.04	3276.92	7.18	3609.14
Segment Expenses	149.55	3065.00	0.00	3214.55
Depreciation	44.86	0.33	1.02	46.21
Segment Results	130.63	211.59	6.16	348.38
Un- allocable Exp				3.11
Net Profit Before Tax				345.27
Segment Assets	2101.37	1690.25	19.74	3811.36
Segment Liability	671.08	1092.43	6.74	1770.25
Capital Expenditure incurred during the year	5.19	13.85	0.00	19.04

13. Previous year's figures have been regrouped / rearranged wherever necessary so as to make them comparable with the current year's figures.

Annexure – V Schedule of Secured Loan:

Particulars	For the Year / Period ended on						
1 al ticulai s	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010		
Cash Credit							
Allahabad Bank	0.00	0.00	0.00	0.00	974.31		
IOB	0.00	0.00	25.02	521.37	483.10		
Total (A)	0.00	0.00	25.02	521.37	1457.41		
Term Loan							
IOB	0.00	0.00	0.00	128.51	92.94		
Total (B)	0.00	0.00	0.00	128.51	92.94		
Total (A+B)	0.00	0.00	25.02	649.88	1550.35		

# Annexure – VI Schedule of Unsecured Loan:

(Rs. In Lacs)

Particulars	For the Year / Period ended on					
raruculars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010	
Payable to Promoter/ Group	0.00	0.00	0.00	0.00	0.00	
Companies						
Payable to Others	0.00	0.00	0.00	0.00	66.07	
Total	0.00	0.00	0.00	0.00	66.07	

Annexure – VII Schedule of Contingent Liabilities, As Restated:

(Rs. In Lacs)

Particulars	For the Year / Period ended on					
raruculars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010	
Bank Guarantee	0.00	60.00	67.00	63.85	63.62	
Corporate Guarantee to Banks for Bank	0.00	58.19	39.26	92.16	165.84	
Limits Granted to Partnership Firm where						
Company is partner						
Total	0.00	118.19	106.26	156.01	229.46	

# Annexure – VIII Schedule of Investment, As Restated:

Doubles laws	For the Year / Period ended on						
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010		
Investment Long Term- At Cost							
Non Trade Investment – Quoted							
Equity Shares :							
(Fully Paid Up)							
J.P.Associates	0.00	0.00	0.87	0.87	0.00		
Total (A)	0.00	0.00	0.87	0.87	0.00		
Non – Trade Investment - Unquoted							
Equity Shares: (Fully Paid Up)							
D.V. Steel Industries Pvt. Ltd	76.77	0.00	0.00	0.00	0.00		
Gujarat Mobil Pvt. Ltd	125.00	0.00	0.00	0.00	0.00		
M.V.Shiptrade Pvt. Ltd	128.00	0.00	0.00	0.00	0.00		
Pantime Finance Co. Pvt. Ltd	46.90	0.00	0.00	0.00	0.00		
Sonthalia Steel & Rolling Mills Pvt. Ltd	186.00	80.00	0.00	0.00	0.00		
Shree Mahavir Rolling Mill Pvt. Ltd	36.92	0.00	0.00	0.00	0.00		
Shree Mahavir Iron Industries Pvt. Ltd	10.04	0.00	0.00	0.00	0.00		
Dayal Steels Pvt. Ltd	0.00	20.00	7.80	7.80	0.00		
Gaziabad Ship breaking Pvt. Ltd	0.00	321.00	0.00	150.00	0.00		
J R Ispat Pvt. Ltd	0.00	0.00	0.00	150.00	0.00		
Mahek Agro Mineral Pvt. Ltd	0.00	210.00	260.00	0.00	0.00		
Salasar Reality Ventures Pvt. Ltd	0.00	150.00	150.00	150.00	0.00		
Kunj Trading Pvt. Ltd	0.00	57.00	127.00	302.00	0.00		
Shri Mahavir Ferro Alloys Pvt. Ltd	0.00	261.75	261.75	261.75	0.00		
Shri Mahavir Hi- Tech Chemicals Pvt. Ltd	0.00	100.00	100.00	100.00	0.00		
Legend Steels Pvt. Ltd	0.00	0.00	15.00	15.00	0.00		
MSV Alloys Pvt Ltd	0.00	0.00	470.00	214.60	0.00		
Kalptaru Steels Pvt. Ltd	0.00	96.00	0.00	0.00	0.00		
Siddhartha Bronze Products Pvt. Ltd	0.00	50.00	0.00	0.00	0.00		
Vedvyas Mineral Pvt. Ltd	0.00	73.00	0.00	0.00	0.00		

Total (B)	609.63	1418.75	1391.55	1351.15	0.00
Units of Mutual Funds Quoted/Unquoted					
Birla Sunlife Equity Mutual Fund	0.00	0.10	0.10	0.00	0.00
Birla Sunlife MidCap Mutual Fund	0.00	0.10	0.10	0.00	0.00
DSP Merrill Lynon Equity Mutual Fund	0.00	0.08	0.10	0.00	0.00
Franklin India Prima Plus Mutual Fund	0.00	0.10	0.10	0.00	0.00
HDFC Equity Mutual Fund	0.00	0.10	0.10	0.00	0.00
HDFC Top 200 Mutual Fund	0.00	0.25	0.25	0.00	0.00
ICICI Discovery Mutual Fund	0.00	0.10	0.10	0.00	0.00
Prudential ICICI Growth Mutual Fund	0.00	0.10	0.10	0.00	0.00
Prudential ICICI Power Mutual Fund	0.00	0.10	0.10	0.00	0.00
Reliance Growth Mutual Fund	0.00	0.50	0.50	0.00	0.00
Reliance Long Term Equity Mutual Fund	0.00	0.50	0.50	0.50	0.00
Reliance Vision Mutual Fund	0.00	0.40	0.40	0.00	0.00
SBI One India Mutual Fund	0.00	0.50	0.50	0.00	0.00
Tata Pure Equity Mutual Fund	0.00	0.10	0.10	0.00	0.00
IOB Principal Mutual Fund	0.00	0.00	0.00	0.00	0.10
Total (C)	0.00	3.03	3.05	0.50	0.10
Investment In Partnership Firm					
Eternal Automobiles	0.00	40.07	32.34	34.70	39.82
Total (D)	0.00	40.07	32.34	34.70	39.82
Investment in Kissan Vikas Patra	0.00	0.00	0.00	0.20	0.20
Total (E)	0.00	0.00	0.00	0.20	0.20
Total (A+B+C+D+E)	609.63	1461.85	1427.81	1387.42	40.12

# Annexure – IX Schedule of Debtors, As Restated:

(Rs. In Lacs)

	1			(IXS. III L	uesj		
Particulars	For the Year / Period ended on						
rarticulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010		
More than Six Months (Consider goods)							
Receivable from Promoters/ promoters Group	0.00	0.00	0.00	0.00	0.00		
Co's							
Receivables from others	0.00	0.00	0.00	0.00	0.00		
Less: Provisions	0.00	0.00	0.00	0.00	0.00		
Total (A)	0.00	0.00	0.00	0.00	0.00		
Less than Six Months (consider goods)							
Receivable from Promoters/ promoters Group	0.00	0.00	0.00	0.00	0.00		
Co's							
Receivables from others	3.86	0.55	1.14	24.64	515.39		
Less: Provisions	0.00	0.00	0.00	0.00	0.00		
Total (B)	3.86	0.55	1.14	24.64	515.39		
Total (A+B)	3.86	0.55	1.14	24.64	515.39		

# Annexure – X Schedule of Loans & Advances, As Restated:

(Rs. In Lacs)

Particulars	For the Year / Period ended on					
raruculars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010	
Receivable/ (Payable) from Promoters/	23.94	3.20	0.8	(128.52)	0.00	
promoters Group Co's						
Receivable/ Payable from other Body	(27.08)	12.93	32.43	56.78	909.66	
Corporate						

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Advance Tax including TDS & Refund receivables	0.25	0.02	0.01	3.14	5.99
Deposits/ Others	5.00	11.82	29.14	81.20	99.57
Total	2.11	27.97	62.38	12.60	1015.22
* Promoters/ promoter group co. consist					
of:					
Ajit Kumar Jain & Co.	2.40	0.00	0.00	0.00	0.00
Ajit Kumar Jain	(1.00)	0.00	0.00	(0.20)	0.00
Eternal Automobiles	22.67	0.00	0.00	(122.99)	0.00
Jain Sheth & Co.	3.02	3.20	3.45	4.75	0.00
Manoj Kumar Jain	5.00	0.00	(0.41)	(5.44)	0.00
Manoj Kumar Jain HUF	(0.95)	0.00	0.00	0.00	0.00
Sangeeta Jain	(5.20)	0.00	(0.74)	(2.94)	0.00
Subodh Kumar Jain	0.00	0.00	0.00	(0.20)	0.00
Sushma Jain	(2.00)	0.00	0.00	0.00	0.00
Varun Jain	0.00	0.00	(1.50)	(1.50)	0.00

Annexure – XI Schedule of Business Income / Other Income, As Restated:

(Rs. In Lacs)

		E 41	V /D · 1		(S. III Lacs)			
Particulars	For the Year / Period ended on							
1 at ticulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010			
Operation Income from								
Business								
-From Ship Breaking Div.	0.00	0.00	0.00	0.00	2574.13			
-From Off - Shore								
Division	0.00	0.00	0.00	131.38	285.07			
- Profit from Partnership								
Firm	0.00	1.66	5.50	2.37	5.12			
-From Mgmt. Services &								
Consultancy	2.85	3.61	5.18	4.97	0.00			
Interest Income	0.00	0.00	0.24	4.95	47.62			
<b>Total Business Income</b>	2.85	5.27	10.92	143.67	2911.94			
Other Income								
Recurring								
Other Operation Misc.	0.00	0.00	0.00	2.52	1.55			
Income								
Non-Recurring								
Profit from Sale of Shares	0.00	1.33	2.87	0.00	0.50			
Total	0.00	1.33	2.87	2.52	2.05			

# Annexure – XII Schedule of Dividend:

(Rs. In Lacs)

Particulars		For the '	Year / Period o	riod ended on		
Farticulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010	
On Equity Shares						
Fully Paid up Share Capital	193.36	360.66	360.66	360.66	1003.52	
(A)						
Face Value (Rs.)	10/-	10/-	10/-	10/-	10/-	
Paid up value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	
Partly Paid Up Share Capital	52.80	52.80	52.80	52.80	-	
(Rs.)						
(10.56 Lacs Equity shares of						

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Rs.10/- each) (B)					
Paid Up Value per share on	5.00	5.00	5.00	5.00	-
above Partly Paid Up share					
capital (Rs.)					
Total paid up share capital	246.16	413.46	413.46	413.46	1003.52
$(Rs.) \qquad (A+B)$					
Rate of Dividend	0.00%	0.00%	0.00%	0.00%	0.00%
Total Dividend	0.00	0.00	0.00	0.00	0.00
Corporate dividend tax on	0.00	0.00	0.00	0.00	0.00
above					

# Annexure – XIII Schedule of Capitalization:

(Rs. In Lacs)

Particulars	Pre issue as at 31st March, 2010	Adjusted for present issue (Post Issue)*
Borrowing		
Short Term Debts	66.07	*
Long Term Debts	1550.35	*
Total Debts	1616.42	*
Shareholders Funds:		*
Share Capital	1003.52	*
Reserve & Surplus	1044.45	*
Less: Miscellaneous Expenditure	9.12	*
Not Written Off		
Total Shareholders fund`	2038.85	*
Long Term Debts /	0.76	*
Shareholders Funds ratio		
Total Debts / Equity ratio	0.79	*

<sup>\*</sup> Note: Share Capital and Reserve & Surplus post issue can be calculated only on the conclusion of the book building process.

# Annexure – XIV Significant Accounting Ratio:

(Rs. In Lacs)

Doutionlans	For the Year / Period ended on					
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010	
A. Net Worth as per Balance Sheet	685.26	1509.66	1515.21	1589.79	2038.85	
B. Profit/(Loss) after Tax as per Balance Sheet	(0.25)	1.58	3.44	72.44	260.72	
C. Weighted Avg. Number of Equity Shares Outstanding during the year	47,55,786	66,14,498	82,69,164	82,69,164	94,09,834	
D. Adjusted Earning per Share (Rs.) (B/C)	-	0.02	0.04	0.88	2.77	
E. Number of Equity shares outstanding at the end of the year	24,61,582	41,34,582	41,34,582	41,34,582	100,35,164	
F.Net Assets Value (Rs.) (A/E)	27.84	36.51	36.65	38.45	20.32	
G. Return on Net Worth (%) (B/A)	_	0.11	0.23	4.56	12.79	

# **Notes:-**

1. An earning per share is calculated in accordance with Accounting Standard 20 "Earning per Share" issued by the Institute of Chartered Accountants of India. In terms of para 24 of AS -20, the number of equity shares outstanding before the issue of bonus shares is adjusted for the change in number of equity shares issued as bonus shares as if the shares were issued at the beginning of the earliest reported period.

- 2. During the year ended 31<sup>st</sup> March, 2010 the company has issued 50,17,582 bonus issue to the shareholders in the ratio of one share for every one share held by them. Since the bonus issue is an issue without consideration, it has been treated as if it had occurred from the beginning of the earliest period and accordingly treated for both purpose of computing EPS and Net Asset Value per share.
- 3. The above ratios have been calculated based on restated financial statements.
- 4. The E.P.S. calculated above is not in conformity with Audit Report of respective financial year due to change in the calculation of Weighted Average number of shares as mentioned below:-

Financial Yea	r E.P.S as per Audit Report	Adjusted E.P.S as per Financial
ended on	(Rs.)	Statement Restated (Rs.)
31-03-2006	0.03	-
31-03-2007	0.05	0.02
31-03-2008	0.09	0.04
31-03-2009	1.58	0.88
31-03-2010	2.61	2.77

# Calculation of Weighted Average Number of Shares during the year

Pout oulous	For the Year / Period ended on						
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010		
Total number of equity share outstanding at							
the beginning of the year – [A]	2154582	2461582	4134582	4134582	4134582		
Equity shares issued during the year							
17.10.2005							
(Calls in Arrears Received on Partly Paid Up	307000						
shares)							
28-03-2007		16,73,000					
05-12-2009							
(Calls in Arrears Received on Partly Paid up					335000		
shares)							
07-12-2009					402000		
(Calls in Arrears Received on Partly Paid up					193000		
shares)					2.55.000		
30-12-2009					3,55,000		
Total Equity shares at the end of the year/period	24,61,582	41,34,582	41,34,582	41,34,582	50,17,582		
Equity shares in proportion to outstanding days remained during the year/ period- [B]	139622	18,334	0	0	2,57,670		
Bonus Shares Issued [ C ]							
Bolius Shares Issued [ C ]	24,61,582	41,34,582	41,34,582	41,34,582	50,17,582		
Weighted Average number of Equity shares outstanding during the year / period [A+B+C]	47,55,786	66,14,498	82,69,164	82,69,164	94,09,834		

## Annexure – XV:

#### **Transaction with Related Parties:**

Related Parties to the company:-

Shri Ajit Kumar Jain
 Shri Manoj Jain
 Smt. Sangeeta Jain
 Director
 Director

4. Smt. Sushma Jain
 5. Shri Subhod Jain
 6. Eternal Automobiles
 7. Jain Seth & Co
 8. Varun Jain
 Relative of Director
 Associate of Company
 Relative of Director
 Relative of Director

9. Manoj Kumar Jain HUF - Director HUF

(Rs. In Lacs)

Dout onlows		For the Year / Period ended on						
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010			
Trading of Goods	0.00	0.00	0.00	0.00	0.00			
Purchase of Fixed Assets	0.00	0.00	0.00	0.00	2.50			
Director Salary	0.00	0.00	0.00	2.20	2.48			
(Key Management Personnel)								
Interest on Un-secured Loan	0.00	0.00	0.00	0.00	0.27			
(K.M.P and their Relatives)								
Loans & Advances given / (Taken) -	25.69	3.20	3.45	(118.24)	0.00			
(Associates)								
Loans & Advances Given/ (Taken)	(1.20)	0.00	(1.15)	(8.58)	0.00			
-								
(Key Management Personnel)								
Loans & Advances Given / (Taken) -	(0.55)	0.00	(1.50)	(1.70)	0.00			
(Relative of KMP)								
Investment in Partnership Firm	0.00	40.07	32.34	34.70	39.82			
where the Company is Partner								
(Associates)								

Note: Related party relationships are identified by the company based on available information & relied upon by the Auditors.

#### Annexure – XVI:

## **Statement of Tax Shelter:**

(As per return of income filed and to be filed for the respective assessment years)

		For th	e Year / Perio		cs. III Lacs)
		ror tii	e Year / Perio	oa enaea on	
Particulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010 ( to be filed)
A. Profit before current and deferred	0.04	2.50	4.95	73.88	345.27
taxes, as restated					
Adjustments:					
B. Permanent Differences					
Dividend	0.00	0.00	0.00	0.00	0.00
Net Disallowable / (Allowable)	0.07	0.00	0.00	0.01	0.91
expenses					
Loss (Profit) on sale of Fixed Assets	0.00	0.00	0.00	0.00	0.00
Profit on sale of Investments	0.00	(1.33)	(2.87)	0.00	0.00
Share from Partnership Firm	0.00	(0.68)	(1.47)	(2.37)	(5.12)
exemptedu/s10 (2A)				•	
Interest received	0.00	0.00	0.00	0.00	0.00

Total (B)	0.07	(2.01)	(4.34)	(2.36)	(4.21)
C. Temporary Differences					
Difference between amount allowable	0.73	0.92	0.96	(10.96)	20.72
under IT and the Books of accounts					
On account of Preliminary Expenses	0.00	0.00	0.00	0.00	0.00
Total (C)	0.73	0.92	0.96	(10.96)	20.72
D. Business Profit / (Loss)	0.85	1.41	1.57	60.56	361.77
Capital Gains	0.00	1.33	2.87	0.00	0.00
Less: Long Term Capital Gains	0.00	0.00	0.00	0.00	0.00
E. Net Capital Gain (Taxable)	0.00	1.33	2.87	0.00	0.00
F. Income from other sources	0.00	0.00	0.00	0.00	0.00
G. Total Income (D+E+F)	0.85	2.74	4.44	60.56	361.77
H. Set-off of B/f unabsorbed loss /	0.00	0.00	0.00	0.00	(12.18)
depreciation					
I. Taxable Profit (G-H)	0.85	2.74	4.44	60.56	349.59
Less: Profit of Tug Business to be	0.00	0.00	0.00	(71.31)	(145.97)
taxable u/s 115V				, , ,	, , ,
Net Taxable Profit from Normal Bus.	0.85	2.74	4.44	(10.75)	203.62
Tax Liability on I above or on Book	0.29	0.92	1.49	1.29	77.76
Profit u/s. 115JB					
Tax Provision as per P/L A/c	0.29	0.92	1.49	1.29	82.30
Adjusted Tax Provision	0.00	0.00	0.00	0.00	

# Annexure – XVII: Schedule of Reserve & Surplus, Restated:

(Rs. In Lacs)

Particulars	For the Year / Period ended on						
Farticulars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010		
Profit & Loss (Accumulated)	3.96	6.57	11.01	70.21	309.96		
Tonnage Tax Reserve	0.00	0.00	0.00	14.26	35.67		
Share Premium	424.88	1094.07	1094.07	1094.07	698.82		
Revaluation Reserve	0.00	0.00	0.00	0.00	0.00		
Total	428.84	1100.64	1105.08	1178.54	1044.45		

# Annexure – XVIII:-Schedule of Deferred Tax Liability, Restated:

(Rs. In Lacs)

Particulars	For the Year / Period ended on						
raruculars	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010		
Deferred Tax Liabilities (Net)	0.00	0.00	0.00	0.00	2.25		
Total	0.00	0.00	0.00	0.00	2.25		

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# CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

There are no changes in accounting policies of the Company in the last three years.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Red Herring Prospectus. You should also read the Section titled 'Risk Factors' beginning on page 12 of the Draft Red Herring Prospectus, which enumerates number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI (ICDR) Regulations, 2009. Our Financial year ends on March 31 of each year.

#### Overview

Our Company was originally incorporated as 'Varun Management Services Private Limited' on December 2, 1991 under the Companies Act, 1956 at Bhavnagar vide Certificate of incorporation bearing Registration Number 04-16714 of 1991-92 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli ('ROC'). The name of our Company was changed to 'VMS Industries Private Limited' vide fresh Certificate of Incorporation dated May 22, 2007. Subsequently our Company was converted into a public limited company and its name was changed to 'VMS Industries Limited' vide fresh Certificate of Incorporation dated January 29, 2010

The Company is engaged in the following major activities:

- 1. Ship Recycling Activity
- 2. Off-Shore Activities in the nature of support services

The Company is having Plot at village Sosiya, Dist.: Bhavnagar (Gujarat) for its Ship Recycling Activities.

The Company is also having One Tug that provides assistance to Ships. The Company is also having One Speed Boat for Petroling and is provided under Charter Agreements to Gujarat Maritime Board.

The Company is also Partner in a Partnership Firm Named M/s. Eternal Automobiles engaged in business of Two-Wheeler Automobiles.

## Significant Development Subsequent to the last Financial Year

The directors of our Company confirm that in their opinion no circumstances have arisen since the date of the last financial year, which materially and adversely affect or likely to affect the business of our Company, or the value of our assets or our ability to pay our liabilities within the next twelve months.

However, the Company has purchased 3 old ships for its recycling activities and Allahabad Bank, Mira Road Branch, Thane has sanctioned additional Bank Limits and has established following Letter of Credit on behalf of Company:-

- 1. LC amounting to USD 18,34,200.00 ( approx. Rs.825.39 Lacs) for VENUSGAS Vessel having an average weight of 3912 MT.
- 2. LC amounting to USD 12,80,300.00 (approx. Rs.576.13 Lacs) for WINCO RO RO Ship having an average weight of 2987 MT
- 3. LC amounting to USD 37,60,000.00 (approx. Rs.1757.80 Lacs) for MT Mar Vessel having an average weight of 9700 MT

The Bank Guarantee issued by Karnataka Bank Ltd on behalf of Company for Rs.25.00 Lacs has been cancelled on  $10^{\rm th}$  June, 2010 in view of surrender of original guarantee document by the Company to the Bank.

The Bank Guarantee issued by Oriental Bank of Commerce on behalf of Company for Rs.30.20 Lacs has been cancelled as per their confirmation dated 17<sup>th</sup> June, 2010.

## Factors affecting our Results and Operations and Financial Conditions

Our business, results of operation and financial condition are affected by number of factors including:

- 1. General Economic Conditions
- 2. Company's ability to successfully implement its strategy and its growth and expansion plan
- 3. Increasing competition in the industry
- 4. Changes in laws & regulations applicable to the industry, fiscal, economic and political conditions in the economy
- 5. Realisibility of dues from customers.

# OUR RESULTS OF OPERATION

The table below sets forth various items from our Company's restated financial information for last three financial years

T T	(A3. U	(Rs. in Lacs)					
Particulars	For the Year ended on March 31,						
	2008	2009	2010				
Income from Operations							
Income from Recycling of Ship							
Operation	0.00	0.00	2574.13				
Income from Off-shore operation							
Business	0.00	131.38	285.07				
Growth (%)		-	116.98%				
Income from Management Services and							
Consultancy	5.18	4.97	0.00				
Growth (%)		(4.05) %	(100.00) %				
Interest Income	0.24	4.95	47.62				
Growth (%)		1962.50%	862.02%				
Share of the Profit from partnership firm	5.50	2.37	5.12				
Growth (%)		(56.91) %	116.03%				
Total Operation Income	10.92	143.67	2911.94				
Growth (%)		1215.66%	1926.83%				
Increase/ (Decrease) in Stock	0.00	0.00	695.15				
Other Income							
Miscellaneous Income	0.00	2.52	1.55				
Growth (%)		_	(38.49) %				
Profit from sale of investment	2.87	0.00	0.50				
Growth (%)	2.07	(100.00) %	- 0.50				
Total Other Income	2.87	2.52	2.05				
Growth (%)	2.07	(12.20) %	(18.65) %				
Total Income	13.79	146.19	3609.14				
Growth (%)	100.7	960.12%	2368.80%				
Expenditure		700.1270	2500.0070				
Purchase	0.00	0.00	2721.87				
Manufacturing Expenses	0.00	0.81	139.76				
Growth (%)		-	17154.32%				
Payment to & Provision For staff and	2.70	15.25					
crew member	2.78	15.25	68.40				
Growth (%)		448.56%	348.52%				
Total Operating expenses	2.78	16.06	2930.03				
Growth (%)		477.70%	18144.27%				
Total Operating Expenses as % to Total Income	20.16%	10.99%	81.18%				
Administrative Expenses	2.86	21.05	192.42				
Administrative Expenses as % to Total Income	20.74%	14.40%	5.33%				
Earning Before Interest , Depreciation, Tax & Amortisation (EBIDTA)	8.15	109.08	486.69				
EBIDTA as % to Total Income	59.10%	74.62%	13.49%				
Interest	0.89	10.00	92.10				
Depreciation	1.20	24.09	46.21				
120010010UU							

Profit Before Tax	4.95	73.88	345.27
Growth (%)		1392.53%	367.34%
Provision for Taxation	1.49	1.30	82.30
Provision for FBT	0.02	0.14	-
Provision for Deferred Tax	•	ı	2.25
Total Tax as % to PBT	30.51%	1.95%	24.49%
Profit after tax	3.44	72.44	260.72
Transfer to Tonnage tax reserve	•	14.26	21.41
Prior period adjustment	0.02	ı	0.57
Net Profit as restated	3.42	58.18	238.74
Growth (%)		1601.17%	310.35%
Net Profit as % to Total Income	24.80%	39.80%	6.62%

#### Comparison

# Results for the year ended on 31st March, 2010 as compared to the results for the year ended 31st March 2009.

#### **Income from Operations**

Our total income from operations of Ship-Recycling and Off-Shore operations for the year ended on March 31, 2010 amounted to Rs. 2,574.13 Lacs and Rs. 285.07 Lacs respectively in comparison to Rs. Nil from Ship-Recycling and Rs. 131.38 Lacs from Off-Shore operations respectively for the year ended March 31, 2009. The Growth in Off-Shore operations resulted increase of 116.98% for the year ended as on 31-03-2010 in comparison to previous year ended as on 31-3-2009. The increase in revenue in Off-Shore operations in the financial year 2009-10 is due full year's operations while operations of off shore division in the previous financial year i.e.2008-09 was only for 6 months period. The ship recycling activities was started in July, 2009 and therefore operations of ship recycling activities was Nil in Financial year 2008-09 in comparison to turnover of Rs.2,574.13 Lacs in financial year 2009-10.

The income from other sources, including interest income and profit from partnership firm amounted to Rs. 54.79 Lacs for the <u>year</u> ended as on 31-03-2010 in comparison to Rs. 14.81 Lacs for the previous year ended as on 31-3-2009. The increase in income from other sources is due to the increase in Interest income which resulted a growth of 862.02 % as compared to previous year 2008-09. The interest income for F.Y.2008-09 was Rs.4.95 Lacs while same resulted Rs.47.62 lacs in F.Y.2009-10 and this increase is due to higher interest bearing advances. The income from share of partnership firm in F.Y. 2008-09 was Rs.2.37 lacs which has increased to Rs.5.12 lacs. This increase is due to better working achieved by partnership firm M/s Eternal Automobiles where the company is partner.

#### Expenditure

The total expenditure other than interest, depreciation and taxes for the year ended as on 31-03-2010 amounted to Rs. 3125.56 Lacs while the same was Rs. 38.22 Lacs for the previous year ended as on 31-3-2009 showing an increase of 8077.81% due to new activity of Ship-Recycling adopted by the company and due to increase in volume of Off-Shore operations. The major increase in expenditure in F.Y.2009-10 is on account of purchase of old ships for recycling amounting to Rs.2721.87 lacs while the same was Nil in F.Y.2008-09. The other major increase in expenditure in F.Y.2009-10 is on account of Manufacturing expenses amounting to Rs.139.76 lacs and payment to employees amounting to Rs.68.40 lacs while the same was Rs.0.81 lacs and Rs.15.25 lacs respectively in F.Y.2008-09. This increase was due to ship recycling business activity and full year's activity of off shore division in F.Y.2009-10 while there was no ship recycling activity in F.Y.2008-09 and off shore activity was also for 6 months in F.Y.2008-09.

#### **Cost of Goods Sold**

Cost of Goods sold amounted to Rs. 2,166.48 Lacs for the year ended 31-03-2010 while there was no activity of Ship-Recycling for the previous year ended as on 31-3-2009.

#### **Administration and Selling Expenses**

Administration and Selling Expenses has gone up by 814.10% to Rs. 192.42 Lacs for the <u>year</u> ended as on 31-03-2010 from Rs. 21.05 Lacs in the previous year due to increase in Ship-Recycling activity. The expenses on account of administration and selling for off shore division was for the whole year in F.Y.2009-10 while the same was for 6 months in F.Y.2008-09.

### **Interest & Finance Expenses:**

Financial Expenses has gone up by 821.00% to Rs. 92.10 Lacs for the <u>year</u> ended as on 31-03-2010 from Rs. 10.00 Lacs in the previous year due to increase in Ship-Recycling activity. The interest payment to banks for borrowing for off shore division was only for 6 months in F.Y.2008-09 while the same was for 12 months in F.Y.2009-10. The entire borrowings from banks for ship recycling activities was in F.Y.2009-10 while same was Nil in F.Y.2008-09 and therefore payment on account of Interest and financial charges increased substantially in F.Y.2009-10 in comparision to F.Y.2008-09.

### **Depreciation**

Depreciation for the financial year 2009-10 was Rs. 46.21 Lacs as against Rs.24.09 Lacs for the year ended on 31-3-2009. Depreciation charges as a percentage of total income were 1.28 % in F.Y. 2009-10 and 16.48 % in FY 2008-09. The decrease in depreciation as percentage to revenue during the year was due to increase in Total Income of the company. The increase in amount of depreciation in F.Y.2009-10 in comparision to F.Y.2008-09 was due to charge of full year's depreciation on fixed assets in F.Y.2009-10 while the same was charged for half year in the F.Y.2008-09

#### Taxes

Taxes for year ended on 31-3-2010 was Rs. 84.55 Lacs as against Rs. 1.44 Lacs for the year ended on 31-3-2009. Taxes charges as a percentage of income were 2.34 % in F.Y. 2009-10 as compared to 0.99 % in F.Y. 2008-09. The provision on account of taxes become higher in F.Y.2009-10 in comparision to F.Y.2008-09 due to increase in book profits as well as taxable profits.

#### **Profit After Tax**

Profit After Tax increased from Rs.260.72 Lacs for the <u>year</u> ended on 31-03-2010 as against to Rs. 72.44 Lacs for the year ended on 31-3-2009 registering an increase of 259.91 % due to performance. The increase in profit in F.Y.2009-10 in comparision to F.Y.2008-09 is due to higher revenue from business activities and this resulted in higher profits in F.Y.2009-10 in comparision to F.Y.2008-09

# Results for the Financial Year ended 31 st March 2009 as compared to the results for the year ended 31 st March 2008

## **Income from Operations**

Our total income from Off-Shore operations for the year ended on March 31, 2009 amounted to Rs. 131.38 Lacs in comparison to Rs. Nil for the year ended March 31, 2008. The increase in revenue in F.Y.2008-09 is due to start of off shore activities which was not in existence in F.Y.2007-08.

The income from other sources amounted to Rs. 14.81 Lacs for the year ended as on 31-3-2009 in comparison to Rs. 10.92 Lacs for the previous year ended as on 31-3-2008. The increase in other income is due to higher interest receipt which amounted to Rs.4.95 lacs in F.Y2008-09 in comparison to Rs.0.24 lacs in F.Y.2007-08.

# Expenditure

The total expenditure other than interest, depreciation & taxes for the year ended 31-3-2009 amounted to Rs. 38.21 Lacs while the same was Rs. 6.75 Lacs for the previous year ended as on 31-3-2008 showing an increase of 466.22% due to increase in volume of Off-Shore operations. The major increase is on account of payment to employees which amounted to Rs.15.25 lacs in F.Y.2009-10 in comparision to Rs.2.78 lacs in F.Y.2007-08.

#### **Cost of Goods Sold**

There is no manufacturing /trading activity for the year ended 31-3-2009 and 31-3-2008.

#### **Administration and Selling Expenses**

Administration and Selling Expenses has gone up by 636.01% to Rs. 21.05 Lacs for the year ended as on 31-3-2009 from Rs. 2.86 Lacs in the previous year due to increase in Off-Shore activity. The company had started off shore activities in F.Y.2008-09 and therefore the expenditure on above account increased substantially inF.Y.2008-09 in comparison to F.Y.2007-08

#### **Interest & Finance Expenses:**

Financial Expenses has gone up by 1024.72% to Rs. 10.00 Lacs for the year ended as on 31-3-2009 from Rs. 0.89 Lacs in the previous year due to increase in Off-Shore activity. The company had borrowed the funds from banks in F.Y.2008-09 (Rs.Nil in F.Y.2007-08) and therefore expenditure on account of interest increased.

## **Depreciation**

Depreciation for the year ended on 31-3-2009 was Rs. 24.09 Lacs as against Rs. 1.20 Lacs for the year ended on 31-3-2008. Depreciation charges as a percentage of income were 16.48 % in F.Y. 2008-09 and 8.70 % in F.Y. 2007-08. The increase in depreciation during the year was due to addition in Fixed Assets in off shore division in F.Y. 2008-09.

#### Taxes

Taxes for year ended on 31/03/2009 was Rs. 1.44 Lacs as against Rs. 1.51 Lacs for the year ended on 31/03/2008. Taxes charges as a percentage of income were 0.99 % in F.Y. 2008-09 as compared to 10.95 % in F.Y. 2007-08

#### **Profit After Tax**

Profit After Tax increased from Rs. 72.44 Lacs for the year ended on 31-3-2009 as against to Rs. 3.44 Lacs for the year ended on 31-3-2008 registering a increase of 2005.81 % due to performance in off shore activities.

# Results for the Financial Year ended 31 st March 2008 as compared to the results for the year ended 31 st March 2007

#### **Income from Operations**

There was no income from manufacturing/trading activity in the year ended as on 31-3-2008 and 31-3-2007. However, other business operation income and other income was Rs. 13.79 Lacs for the year ended as on 31-3-2008 and Rs. 6.60 Lacs for the year ended as on 31-3-2007. The increase in revenue in F.Y.2007-08 was on account of increase in Share of profit from Partnership firm which amounted to Rs.5.50 lacs in comparison to Rs.1.67 lacs in F.Y.2006-07

#### **Expenditure**

The total expenditure other than interest, depreciation & taxes for the year ended 31-3-2008 amounted to Rs. 6.75 Lacs while the same was Rs. 2.74 Lacs for the previous year ended as on 31-3-2007 showing an increase of 146.35%. The major increase in expenditure in F.Y.2007-08 is on account of increase in staff salary amounting to Rs.2.78 lacs while same was Rs.1.47 lacs in F.Y.2006-07.

### **Administration and Selling Expenses**

Administration and Selling Expenses has gone up by 1687.50% to Rs. 2.86 Lacs for the year ended as on 31-3-2008 from Rs. 0.16 Lacs in the previous year. The travelling and telephone expenses increased by Rs.2.62 lacs in F.Y.2007-08 in comparison to F.Y.2006-07.

## **Interest & Finance Expenses:**

Financial Expenses has gone up by 456.25% to Rs. 0.89 Lacs for the year ended as on 31-3-2008 from Rs. 0.16 Lacs in the previous year. The increased in interest amount is marginal.

## **Depreciation**

Depreciation for the year ended on 31-3-2008 was Rs. 1.20 Lacs as against Rs.1.20 Lacs for the year ended on 31-3-2007. Depreciation charges as a percentage of income were 8.70 % in F.Y. 2007-08 and 18.18 % in F.Y. 2006-07.

#### **Taxes**

Taxes for year ended on 31-3-2008 was Rs. 1.51 Lacs as against Rs. 0.92 Lacs for the year ended on 31-3-2007. Taxes charges as a percentage of income were 10.95 % in F.Y. 2007-08 and 13.94 % in F.Y. 2006-07.

#### **Profit After Tax**

Profit After Tax increased from Rs. 3.44 Lacs for the year ended on 31-3-2008 as against to Rs. 1.58 Lacs for the year ended on 31-3-2007 registering a increase of 117.72 % due to performance. The increase in profit in F.Y.2007-08 is due to increase in share from Partnership firm.

#### Information required as per Schedule VIII (IX) Part A (IX) (E) (5) of the SEBI ICDR

#### 1. Unusual or infrequent events or transactions

There are no such Unusual or infrequent events or transactions

# 2. Significant economic changes that materially affected or are likely to affect income from continuing operations.

There have been no economic changes during the periods that materially affect or are likely to affect income from continuing Operations

# 3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations.

There are no adverse or known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations.

# 4. 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 entire increase in net sales is due to higher volume in the existing segment of business and no revenue is considered for new product or new business segment.

## 5. Total turnover of each major industry segment in which our Company operated.

There Is no particular industry segment which deals both in Ship recycling activities and off shore business support activities.

#### 6. The extent to which the business is seasonal.

There is no seasonality in our business segment

## 7. Any significant dependence on a single or few suppliers or customers.

There is no significant dependence on any single supplier as Old Scrap Ships can be purchased from all over the world. Depending upon the market scenario we identify and select a supplier. In case of customers also there is no specific or significant dependence on a single or a few customers

## 8. Future Relationship between Costs and Income

The main raw material of the Company is old ships and product resulting from recycling of ships is different kind of metals in different forms. The price of old ships is based on Market price of metals resulting from recycling of ship and accordingly there is direct relationship between cost and Market price of finished product.

# FINANCIAL INDEBTEDNESS

Our aggregate borrowings as on March 31, 2010 (as per the financial statements) are as follows:

(Rs. in Lacs)

Sr. No.	Nature of Loan	Amount
1.	Secured Loans	1550.35
2.	Unsecured Loans	66.07
	TOTAL	1616.42

# **Secured Loans:**

Sr. No	Nature of facility/borrowing	Loan Amount (Rs. in Lacs)	Interest Rate/Margin and repayment	Periodicity of Interest Charged	Repayment Schedule	Amount outstanding as on 31st March 2010 (Rs. in Lacs)	Security / Guarantee
1.	(i) Letter of Credit (Foreign)  (This FLC converted into	521.00	Commission as per norms	As per norms	Due on 10-07-2010	483.00 (value as on 31-03-2010)	Primary Security: Hypothecation of Tug being purchased/Document of title of goods.  Collateral Security:
	Buyers Credit)  (ii) Term Loan for payment of Documents under above LC	240.00	BPLR+1.50% i.e. 15%	Monthly	To be repaid in 24 monthly installments of Rs. 10 Lacs per month.		(a) Equitable mortgage followed by Registered Memorandum of immovable property situated in the Bhavnagar in the name of M/s Eternal Automobiles a partnership firm with
	Dated 10.07.2008 from Indian Overseas Bank of Ahmedabad to VMS Industries Limited (formerly VMS Industries Pvt. Ltd.)			M. 4H		17.04	VMS Industries Pvt. Ltd. and Smt. Sangeeta Jain as partner  (b) Margin on LC by way of building up deposits to the tune of Rs. 15.00 Lacs till June 2009 and there after Rs.10 Lacs every
	(Out of Rs.240 Lacs, Rs.207 Lacs to be disbursed at the time of payment of Buyers Credit on 10-07-2010)			Monthly	To be repaid in 33 Monthly installments of Rs.1.00 Lacs per month	17.94	month would be retained with the bank for the repayment of LC on due date  (c) Rs. 48.00 Lacs (10% margin) would be retained till the date of payment of LC

	1		1		ı		Ι
	(Out of Rs.240 Lacs Loan Disbursed amount to Rs. 33.00 Lacs)						Guarantee: 1. Shri Ajit Kumar Jain 2. Smt. Sangeeta Jain 3. Shri Manoj Jain 4. Corporate Guarantee of M/s Eternal Automobiles
2.	Dated 14.10.2008 from Indian Overseas Bank of Ahmedabad to VMS Industries Limited (formerly VMS Industries Pvt. Ltd.)	100.00	BPLR+1.00% Margin 30.50%	Monthly	To be repaid in 47 monthly installments of Rs. 2,08,300/- per month. And 48th Installments of Rs. 2,09,900/-	74.98	Primary Security: Hypothecation of Speed Boat being purchased out of the Term Loan.  Collateral Security: Immovable Property of Rs. 30.00 Lacs mortgage to bank standing in the name of Eternal Automobiles  Personal Guarantee: Shri Ajit Kumar Jain Shri Manoj Kumar Jain Smt. Sangeeta Jain
3.	(ii) Foreign LC  (ii) Cash Credit  Dated 23.11.2009 from Allahabad Bank to VMS Industries Limited (formerly VMS Industries Pvt. Ltd.)	120.00	5 % Cash Margin in SB A/c Commission as per circularized instructions PLR p.a. w. m. r.		LC for 270 Days  25 % to be paid in 2nd Month and 75 % to be paid in 3rd Month	974.31 (Value as on 31-03-2010)	Primary Security: Hypothecation of Vessels 'MADRE' to be beached and its scrap and other stocks of any type in the Ship  Collateral Security: Earmarking of Deposit in the SB Account to the extent of 20 % of FLC (including 5% held as margin)  Personal Guarantee Mr. Arun Jain Mr. Manoj Kumar Jain Mr. Abdul Karim Jaka Mr.Ajit Kumar Jain Sm. Sangeeta Jain

#### **Restrictive Covenants:**

Some of the Loan Documents contain the covenants, including but not limited to, that the prior written consent of the bank or institution to be obtained for the activities pertaining to the following:

- 1. To effect any change in the shareholding pattern, capital structure or the management control of the company;
- 2. To undertake any new project or scheme of expansion for the company or for acquisition of fixed assets;
- 3. To procure further or concurrent borrowings from other sources or create mortgage/charge on the assets of the company;
- 4. To invest by way of shares or funds to other concerns/entities;
- 5. To undertake guarantee obligations on behalf of other entities;
- 6. To declare dividends; and

7. To undertake any material long term contractual obligation.

We have obtained the approvals for the Issue from all lenders from whom we require approvals under the respective Loan Documents, as follows:

- Indian Overseas Bank
- Allahabad Bank
- Oriental Bank of Commerce
- Karnataka Bank

#### **Unsecured Loans:**

As on 31st March, 2010, the Unsecured Loans of our Company aggregated to Rs.66.07 Lacs are as under:-

(Rs. in Lacs)

Sr. No.	Name of the Lender	Amount outstanding as on 31st March 2010
1.	Bohra Exports Pvt. Ltd	32.00
2.	SVS Marine Services	5.03
3.	GSP International	16.66
4.	Arun Jain Mumbai	8.74
5.	Dinesh Chandra Jain	3.64
	TOTAL	66.07

The Unsecured Loan is repayable on demand and interest is payable @ 12 %

## SECTION VII - LEGAL AND OTHER INFORMATION

#### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS CIBIL/WATCHOUT/RBI/SEBI

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 the Company or its Directors or its Promoter Group Companies;
- There are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liability against the Company, its Directors, Promoters and Promoter Group, that would have an adverse effect on our business as of the date of the DRHP.

None of the Companies or persons referred in the paragraph above is on the list of the wilful defaulters of RBI.

### 1. Contingent Liabilities not provided for and outstanding guarantees as of March 31, 2010

Particulars	For the Year / Period ended on				
	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
Bank Guarantee	0.00	60.00	67.00	63.85	63.62
Corporate Guarantee to Partnership Firm	0.00	58.19	39.26	92.16	165.84
Total	0.00	118.19	106.26	156.01	229.46

#### 2. Litigation against the Company

There are no outstanding litigations initiated against us.

#### 3. Litigations initiated by our Company

There are no outstanding litigations initiated by us.

## 4. Details of Penalty imposed on the Company/ Promoters/ Directors/ Group Company

There is no Penalty imposed on the Company/ Promoters/ Directors/ Group Company in the last Five Years by SEBI, Stock Exchange and RBI.

#### 5. Cases filed against the Directors

There are no cases filed against the Directors

## 6. Cases filed by the Directors

There are no cases filed by the Directors

#### 7. Cases Involving the Group Companies

There are no cases filed/pending against the Group Companies.

# MATERIAL DEVELOPMENTS SINCE THE LAST AUDITED BALANCE SHEET

Since the date of the Balance Sheet and other than as disclosed in this Red Herring Prospectus, there have been no other material developments.

However, the Company has purchased 3 old ships for its recycling activities and Allahabad Bank, Mira Road Branch, Thane has sanctioned additional Bank Limits and has established following Letter of Credit on behalf of Company:-

- 1. LC amounting to USD 18,34,200.00 (approx. Rs.825.39 Lacs) for VENUSGAS Vessel having an average weight of 3912 MT.
- 2. LC amounting to USD 12,80,300.00 (approx. Rs.576.13 Lacs) for WINCO RO RO Ship having an average weight of 2987 MT
- 3. LC amounting to USD 37,60,000.00 (approx. Rs.1757.80 Lacs) for MT Mar Vessel having an average weight of 9700 MT

The Bank Guarantee issued by Karnataka Bank Ltd on behalf of Company for Rs.25.00 Lacs has been cancelled on  $10^{\rm th}$  June, 2010 in view of surrender of original guarantee document by the Company to the Bank.

The Bank Guarantee issued by Oriental Bank of Commerce on behalf of Company for Rs.30.20 Lacs has been cancelled as per their confirmation dated 17<sup>th</sup> June, 2010.

## 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. The information regarding Small Scale Industrial Undertakings have been determined to the extent such parties have been identified on the basis of information available with our Company.

#### **Adverse Events**

There have been no adverse events effecting the operations of our Company occurring within one year prior to the date of filing this Red Herring Prospectus with the Registrar of Companies.

## GOVERNMENT APPROVALS/ LICENSING ARRANGEMENTS

The Company has received all the necessary licenses, permission and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no other material approvals are required by the Company for carrying on its present business activities. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this issue and its current business activities and no further material approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Sr. No	Issuing Authority	Registration/ License No.	Nature of Registration/License	Date of Registration and period of validity if any
1	Registrar of Companies, Gujarat, Dadra and Nagar Havelli	04-16714	Certificate of Incorporation of Varun Management Services Private Limited	2 <sup>nd</sup> December , 1991
2	Dadra and Nagar Havelli  U74140GJ1991PTC0167 Incorporation Consequent upo Change of Name From Varu Management Services Privat Limited to Vms Industrie		Fresh Certificate of Incorporation Consequent upon Change of Name From Varun Management Services Private Limited to Vms Industries Limited	22 <sup>nd</sup> May, 2007
3 Registrar of Companies, Gujarat, Dadra and Nagar Havelli U741 14		U74140GJ1991PLC0167	Fresh Certificate of Incorporation Consequent upon Change of Name on Conversion to Public Limited Company by passing resolution on 31.12.2009	29 <sup>th</sup> January, 2010
4	Commercial Tax Department, Government of Gujarat	TIN:24140201146	Registration under Gujarat Value Added Tax Act, 2003	14 <sup>th</sup> August, 2008
5	Central Sales Tax (Registration and Turnover) Rules,1957	24640201146	Certificate of Registration as dealer under section 7(1)/7(2) of the CST Act, 1956	23 <sup>rd</sup> September 2008
6	Director of Income Tax, Government of India`	AHMV03544C	Tax Deduction Account Number	03 <sup>rd</sup> March, 2010 (Fresh Certificate obtained bue to name change)
7	Director of Income Tax, Government of India	AABCV7307H	Permanent Account Number	02 <sup>nd</sup> December, 1991
8	Government of India, O/o. Dy. Chief Controller of Explosives Petroleum And Explosives Safety Organisation (PESO) (Formerly Department of Explosives)	G/WC/GJ/06/1502 (G24170)	Licence to store compressed gas in Cylinders	15 <sup>th</sup> July, 2009 valid up to 30 <sup>th</sup> September, 2013
9	Gujarat Regional Office Employees' State Insurance Corporation	Code No.37000048550000799	Registration of Employees' and Factories / Establishment under section 2(12) of the E.S.I Act as amended.	11 <sup>th</sup> December, 2009
10	Gujarat Pollution Control Board.	Consent order no.: H 33245	Authorisation for The Management & Handling of Hazardous Wastes	26 <sup>th</sup> June, 2009 Valid up to 30 <sup>th</sup> September, 2014
11	Gujarat Maritime Board	No:GMB/PO/Alang/160	Permission for LPG Cylinders	24 <sup>th</sup> February, 2009

		M/5523	storage shed	
12	Government of India Ministry of	IEC.:- 0808008251	Certificate of Importer- Exporter	23 <sup>rd</sup> July, 2008
	Commerce		Code (IEC)	
13	Deputy Commissioner/Assistant	AABCV7307HXM001	Central Excise Registration	05 <sup>th</sup> June, 2009
	Commissioner of Central Excise		Certificate [ Under Rules 9 of	
			the Central Excise Rules, 2002)	
14	Government of India, Office of	AABCV7307HST001	Service Tax Registration [	10 <sup>th</sup> July, 2008
	the Assistant Commissioner of		Certificate of Registration under	
	Service Tax		Section 69 of the Finance Act.	
			1994(32 of 1994)	

# **Pending Approvals:**

Sr. No	Issuing Authority	Registration/ License No.	Nature of Registration/License	Date of Application
1	The Registrar of Trade Marks	Applied	Registration of Trade Mark for goods or services	29 <sup>th</sup> January, 2010

# **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.

## SECTION VIII - REGULATORY AND STATUTORY DISCLOSURES

## **Authority for the Issue**

The Board of Directors has, pursuant to a resolution passed at its meeting held on January 04, 2010, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

The shareholders of the Company have authorized the Issue, by a Special Resolution under Section 81(1A) of the Companies Act, at the EGM held on February 03, 2010.

## Prohibition by SEBI, RBI or governmental authorities

Our Company, Promoters, Promoter Group, Directors, Group Companies or entities with which the Directors are associated with as directors or promoters, have not been prohibited from accessing the capital market for any reason by the SEBI or any other authorities. None of our Directors are associated with the securities market.

None of our Company, Directors, Promoters, Group Companies or entities with which the Directors are associated with as directors or promoters, relatives (as per Companies Act, 1956) of Promoters, have been identified as a willful defaulter by the RBI or 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 pending against any of them.

## **Eligibility for the Issue**

Our Company is eligible for the Issue as per Regulation 26(1) of the SEBI (ICDR) Regulations, confirmed by the Auditors of the Company, as under:

- Our Company has net tangible assets of at least Rs. 3 crores in each of the preceding three (3) full years (of 12 months each), of which not more than 50% is held in monetary assets;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three (3) of the immediately preceding five (5) years;
- Our Company has a net worth of at least Rs. 1 crores in each of the three (3) preceding full years (of 12 months each);
- The proposed issue size, including all previous issues made in the same financial year, would not exceed five (5) times its pre-issue net-worth of our company as per the audited accounts for the financial year ended March 31 2010
- Our company has not changed its name within the last one (1) year.

The net profit, net worth, net tangible assets and monetary assets derived from the restated financial statements prepared in accordance with the SEBI (ICDR) Regulations for the last five financial years are set forth below:

(Rs. in Lacs)

Particulars	Year ended March 31,				
rarticulars	2006	2007	2008	2009	2010
Net profit (I)	(0.27)	1.58	3.42	58.18	238.74
Net worth <sup>(2)</sup>	685.26	1509.66	1515.21	1589.79	2038.85
Net Tangible Assets <sup>(3)</sup>	685.26	1509.66	1540.23	2239.67	3657.52
Monetary Assets <sup>(4)</sup>	61.63	6.24	35.53	117.65	875.60
Monetary assets as a percentage (%) of Net tangible assets	9.00	0.41	2.31	5.25	23.93

#### Note:

- (1) Distributable profit in accordance with section 205 of the Companies Act.
- (2) Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.

- (3) Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.
- (4) Monetary assets include cash in hand and bank balance.

Further, our company, in accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, shall ensure that number of allottees getting Equity Shares is not less than one thousand (1,000) in number.

The 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 Buyers ('QIBs'), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds and the remaining QIB portion shall be available for allocation on proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received 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.

## Compliance with Part A of Schedule VIII of the SEBI Regulations

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

## **DISCLAIMER CLAUSES**

#### **SEBI Disclaimer Clause**

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 JUNE 30, 2010. IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER 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
- (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 the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

The Promoters / Directors of our Company confirms that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Offer Document has been suppressed withheld and / or incorporated in the manner that would amount to mis-statement/misrepresentation and in the event of its transpiring at any point in time till allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/ or amounts to a mis-statement/ misrepresentation, the promoters/directors undertake to refund the entire application monies to all subscribers within 7 days thereafter without prejudice to the provisions of section 63 of the Companies Act.

## Disclaimer statement from the Company and BRLM

Our Company the Directors and the BRLM accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus 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 our company's website www.vmsil.com, would be doing so at his own risk.

The BRLM accepts 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 Underwriters and our Company.

All information shall be made available by the 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.

#### Caution

Neither the Company nor the Syndicate Members are liable to Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the 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 the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

## Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares) Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, national investment funds, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs, eligible NRIs, multilateral and bilateral institutions, FIIs and Foreign Venture Capital Funds Registered with SEBI. This DRHP does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any

person into whose possession 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 Bhavnagar /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 for its observations. 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 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 will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S of the Securities Act 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.

#### **Disclaimer Clause of BSE**

As required, a copy of the DRHP had been submitted to BSE. The Disclaimer Clause as intimated by BSE to the Company, post scrutiny of this DRHP, shall be included in the Red Herring Prospectus prior to the RoC filing.

## **Filing**

A copy of the DRHP has been filed with the Regional Office of SEBI at:

## SEBI Western Regional Office,

Unit No: 002, Ground Floor, SAKAR I, Near Gandhigram Railway Station, Opposite Nehru Bridge, Ashram Road, Ahmedabad – 380 009.

A copy of the Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act would be delivered for registration to the

Registrar of Companies, Roc Bhavan, Opp Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad-380013

A copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

## Listing

Application has been made to the Bombay Stock Exchange Limited for permission to deal in and for an official quotation of the Equity Shares to be issued under the present public offer pursuant to this document.

Bombay Stock Exchange Limited shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB, Non Institutional and Retail portion.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by the Bombay Stock Exchange Limited, our Company shall forthwith repay, without interest, all monies received from applicants in reliance on the Red Herring Prospectus. If such money is not repaid within eight days from the date on which our Company has become liable to repay it (i.e., from the date of refusal or within fifteen (15) 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 the expiry of such eight day period, be liable to repay such monies, together with interest at the rate of 15% per annum on the application monies, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE are taken within two working days of finalization of Basis of Allotment for the Issue.

#### **CONSENTS**

Necessary Consents for the issue have been obtained from the following:

- 1. Directors of our Company
- 2. Promoters of our Company
- 3. Bankers to the Company
- 4. No Objection from Bankers to our Company
- 5. Auditors to our Company
- 6. Book Running Lead Manager to the Issue
- 7. Syndicate Members
- 8. Legal Advisor to the Issue
- 9. Registrar to the Issue
- 10. Company Secretary & Compliance Officer
- 11. Bankers to the Issue
- 12. Underwriters to Issue
- 13. IPO Grading Agency
- 14. Peer Review certified Auditor

The said consents would be filed along with a copy of the DRHP with the RoC, as required under Sections 60 and 60B of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus, for registration with the RoC.

M/s. Ashok Dhariwal & Co., Chartered Accountants, who are subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of the ICAI, have given their written consent to the inclusion of their report in the form and context in which it appears in this DRHP and such consents and reports have not been withdrawn up to the time of delivery of this DRHP for registration with the RoC

M/s. Ashok Dhariwal & Co., Chartered Accountants, who are subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of the ICAI, have given their written consent to the inclusion of their report to the tax benefits accruing to our Company and its members in the form and context in which it appears in this DRHP and have not withdrawn such consent up to the time of delivery of this DRHP for registration with the RoC.

## **Expert Opinion**

Except as stated elsewhere in this DRHP, our Company has not obtained any expert opinions.

## **Issue Expenses**

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees. The estimated expenses of the Issue are as follows:

(Rs. in Lacs)

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of Issue Expenses	% of Issue Size
1.	BRLM Fees, Underwriting & Brokerage	[•]	[•]	[•]
2.	Printing & Distribution of Stationary	[•]	[•]	[•]
3.	Advertisement and Marketing Expenses	[•]	[•]	[•]
4.	Miscellaneous Expenses (IPO Grading, Registrars Fees, Legal Advisor's Fees Auditors Fees, SEBI Fees, Listing Fees, etc.)	[•]	[•]	[•]
	TOTAL	168.00	100.00	7.00

<sup>\*</sup> Will be incorporated after finalisation of Issue Price.

## Fees payable to the BRLM, Brokerage and Selling Commission

The total fees payable to the BRLM, Ashika Capital Limited, including underwriting & brokerage, if any, for the Issue will be as per the Memorandum of Understanding executed between our Company and the BRLM dated June 14, 2010, a copy of which is available for inspection at our Registered Office and forms part of Material Contracts & Documents.

#### Fees payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue, Cameo Corporate Services Limited, will be as per the Memorandum of Understanding executed between our Company and the Registrar dated May 26, 2010 a copy of which is available for inspection at our Registered Office and forms part of Material Contracts & Documents.

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 Draft Red Herring Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

#### Particulars regarding Public or Rights Issues during the last five (5) years

Our Company has not made any previous public or rights issue in the five (5) years preceding the date of the Draft Red Herring Prospectus.

## Previous issues of shares otherwise than for Cash

Our Company has not made any previous issues of shares for consideration other than cash, except Bonus Issue, as mentioned in the section titled 'Capital Structure' on page 39 of this Draft Red Herring Prospectus.

## Underwriting Commission, brokerage, and selling commission on Previous Issues

Since this is the Initial Public Offer of the company no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any our equity shares since our inception.

## **Companies under Same Management**

No company under the same management within the meaning of Section 370(1B) of the Companies Act has made any public issue or rights issue during the last three (3) years.

### Performance vis-à-vis Objectives

There has not been any previous public issue or rights issue of our Equity Shares. None of the Group Entities / Associates of the Company are listed on any stock exchange and have not made any public issue or rights issue of shares.

## **Outstanding Debentures or Bond Issue or Redeemable Preference Shares**

Our Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Drat Red Herring Prospectus.

## **Stock Market Data of the Equity Shares**

This being an initial public offering of the Equity Shares of our Company, the Equity Shares are not listed on any stock exchange.

#### Mechanism for Redressal of Investor's Grievances

The agreement among the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of at least six months from the last date of dispatch of the letters of allotment, refund orders, demat credit, where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application, depositary participant and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the 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

Our Company estimates that the average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances shall be fifteen (15) working days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. Hemal Patel, Company Secretary, as the Compliance Officer to redress complaints, if any, of the investors participating in the Issue. He can be contacted at the following address:

### **VMS Industries Limited**

405, Aditya Plaza, Vivekanand Nagar, Jodhpur Gam Road, Ahmedabad-380 015, Guiarat, India.

Tel.: +91-79-4032 0481-84 Fax: +91-79-2692 0195 Email: info@vmsil.com

## **Changes in Auditors**

There has been no change in Auditors of the Company in last three (3) years.

# **Capitalisation of Reserves or Profits**

Our company has issued 50,17,582 Equity Shares (46,62,582 on 26.12.2009 & 3,55,000 on 20.01.2010) of Rs. 10/each in the ratio of one equity share for every one share held by way of Bonus by way of capitalization of Share Premium Account. Except mentioned above no shares were issued for consideration other than cash.

## **Revaluation of Assets**

Our Company has not re-valued its assets in the last five (5) years.

## **SECTION IX - ISSUE INFORMATION**

#### TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, the Bidcum-Application Form including ASBA Bidcum-Application Form, the Revision Form, the CAN, the listing agreements and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and the listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the Registrar of Companies, the RBI, the FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

# **Authority for the Issue**

The Board of Directors has, pursuant to a resolution passed at its meeting held on January 04, 2010, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

The shareholders of the Company have authorized the Issue, by a Special Resolution under Section 81(1A) of the Companies Act, at the EGM held on February 03, 2010.

## **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of the Companies Act and the Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares of our Company including rights in respect of dividends. The Allottees of the Equity Shares in this Issue shall be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, please refer to the section titled 'Main Provisions of the Articles of Association of the Company' beginning on page 193 of this Draft Red Herring Prospectus.

## **Mode of Payment of Dividend**

We shall pay dividend to our shareholders in cash and as per provisions of the Companies Act and our Articles of Association. The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

#### **Face Value and Issue Price**

The Equity Shares having a face value of Rs. 10/- each are being issued in terms of this DRHP at a price of Rs. [•] per share. The Floor Price is Rs. [•] and the Cap Price is Rs. [•] per Equity Share. The issue price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the equity shares offered by way of book building. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

## **Rights of the Equity Shareholders**

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation subject to any statutory and other preferential claims being satisfied;

- Right of free transferability of their equity shares; and
- Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, the terms of the listing agreement with the Stock Exchange and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please see the section titled 'Main Provisions of the Articles of Association of the Company' beginning on page 193 this DRHP.

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

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI (ICDR) Regulations, the trading of the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one (1) Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one (1) Equity Share subject to a minimum allotment of  $[\bullet]$  Equity Shares to the successful bidders.

## **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 transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office/ Corporate Office of our company or to the registrar or 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:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety (90) days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in this Issue will be made only in dematerialized 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 changing the nomination, they are requested to inform their respective depository participant.

## **Bidding Period**

Bidders may submit their Bids only in the Bidding Period. The Bid/Issue opening date is [●] and the Bid/Issue closing date is [●].

## **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue including devolvement of underwriters, 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 eight (8) days after our company become liable to pay the amount, our Company shall pay the interest as per Section 73 of the Companies Act.

Further, in accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, our Company shall ensure that the number of Allottees under the Issue shall not be less than 1,000.

## **Arrangements for Disposal of Odd Lots**

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

#### Restriction on transfer of shares

There are no restrictions on transfers and transmission of Equity Share and on their consolidation/ splitting except as provided in our Articles of Association. For further details, please see the section titled "Main Provisions of the Articles of Association of our Company" beginning on page 193 of this DRHP.

## Application by Eligible NRIs, FIIs and FVCIs

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs or FVCIs. Eligible NRIs, FIIs and FVCIs will be treated on the same basis as other categories for the purpose of Allocation. As per the RBI regulations, OCBs cannot participate in the Issue.

#### New financial instruments

There are no new financial instruments such as deep discounted bonds, debentures, warrants, secured premium notes, etc. issued by our Company.

## Option to receive securities in Dematerialised Form

Allotment to all successful Bidders will only be in dematerialised form. Bidders will not have the option of receiving Allotment of the Equity Shares in physical form.

## ISSUE STRUCTURE

The Issue comprising of  $[\bullet]$  Equity Shares of Rs. 10/- each for cash at a price of Rs.  $[\bullet]$  per Equity Share (including a share premium of Rs.  $[\bullet]$  per Equity Share) aggregating upto Rs. 2400.00 Lacs is being made through 100% Book Building process. The Issue would constitute  $[\bullet]$  % of the fully diluted post issue paid up capital of the Company.

Details of the Issue structure are tabulated below:

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto [•] Equity Shares of Rs. 10/-each	Not less than  [•] Equity Shares of Rs. 10/- each	Not less than  [•] Equity Shares of Rs. 10/- each
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. However, 5% of the QIB portion shall be available for allocation proportionately to Mutual funds only. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	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  Basis of Allotment/Allocation of respective category is oversubscribed  Proportionate as follows:  (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Fund portion; and  (b) The balance Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.		Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [•] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [•] Equity Shares	Such number of Equity Shares and in multiples of [•] Equity Shares so that the Bid Amount is less than Rs. 100,000/-
Maximum Bid  Such number of Equity Shares not exceeding the Issue, subject to applicable limits.			Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000/
Mode of Allotment Compulsorily in dematerialised form.		Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] Equity Shares in multiples of [●] Equity Shares.	[●] Equity Shares in multiples of [●] Equity	[•] Equity Shares in multiples of [•]

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders	
		Shares.	Equity Shares.	
Trading Lot	One Equity Share	One Equity Share	One Equity Share	
Who can Apply **	Public financial institution as defined in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI other than subaccount which is a foreign corporate or foreign individual, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority (IRDA), provident funds with minimum corpus of Rs. 2,500 lacs, pension funds 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 Government of India published in the Gazette of India and insurance funds set up and managed by the army, navy, or air force of the Union of India	Resident Indian individuals, Eligible NRI's, HUF (in the name of Karta) applying for an amount exceeding Rs. 1,00,000/-, companies, corporate bodies, scientific institutions societies and trusts.	Resident Indian individuals, Eligible NRI's and HUF (in the name of Karta) applying such that the Bid Amount does not exceed Rs. 1,00,000/-	
Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate or the ASBA Form to SCSBs.		Margin Amount applicable to Non - Institutional Bidders shall be payable at the time of submission of Bid cum Application Form to the Members of the Syndicate or the ASBA Form to SCSBs.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate or the ASBA Form to SCSBs.	
Margin Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding	

<sup>\*</sup> This Issue is being made in terms of Regulation 26 (1) of the SEBI Regulations and through the 100% Book Building process wherein upto 50% of the Issue shall be allocated on a proportionate basis to QIBs, 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.

Under subscription in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLM. For further details, see "Issue Procedure" on page 163 of this Draft Red Herring Prospectus.

\*\* In case the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat 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 or ASBA Form.

#### Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

If the Company 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, it shall file a fresh draft red herring prospectus with the SEBI.

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

## **Letters of Allotment or Refund Orders**

Our Company shall credit each beneficiary account with its depository participant within 11 days of the Bid/Issue Closing Date. Applicants those who are residents of the 68 cities notified by SEBI through its notification (Ref. No. SEBI/CFD/DILDIP/29/2008/01/02) dated February 1, 2008 will receive refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is eligible to receive refunds through direct credit, NEFT or RTGS. In the case of other applicants, the Company shall ensure the 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 10 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund, within 10 days of the Bid/Issue Closing Date.

## Interest in case of delay in dispatch of Allotment Letters / Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialised form within 9 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 10 days from the Bid/Issue Closing Date or if, in a case where the
  refund or portion thereof is made in electronic manner, the refund instructions will be given to the clearing
  system; and

<sup>&</sup>lt;sup>#</sup> In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Form.

• Our Company shall pay interest at 15% per annum, if Allotment is not made, refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic mode/manner, the refund instructions have not been given to the clearing system in the disclosed manner and / or demat credits are not made to investors within the 10 day period prescribed above.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic mode/manner. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

## **Bidding/Issue Programme**

BID/ISSUE OPENS ON	[•], 2010
BID/ISSUE CLOSES ON	[•], 2010

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non- Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000/- and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 1,00,000/-. It is clarified that Bids not uploaded in the book, would be rejected. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-a-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-a-vis the data contained in the physical or electronic Bid cum Application Form submitted through the ASBA process, 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. The times 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 pubic 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, BRLMs and Syndicate members will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

The Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations provided that the Cap Price is less than or equal to 20% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least one day before the Bid /Issue Opening Date.

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

## ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form.

## **Book Building Procedure**

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 Buyers, 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.

All Bidders (other than the ASBA Bidders) are required to submit their Bids through the members of the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs, Bids by QIBs shall be submitted only to the BRLM, other than Bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs. In case of QIB Bidders, our Company, in consultation with the BRLM may reject Bids at the time of acceptance of the Bid-cum-Application Form provided that the reasons for such rejection shall be disclosed to such Bidder in writing. In the cases of Non-Institutional Bidders and Retail Individual Bidders, our Company will have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialized 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 getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchange.

## **Bid-cum-Application Form**

Bidders (other than 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 Draft Red Herring Prospectus. The Bidders shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. ASBA Bidders shall submit an ASBA Bid cum Application Form to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form only. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate or the SCSB, the Bidder or the ASBA Bidder is deemed to have authorized 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 the 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
Indian Nationals or NRIs applying on a non-repatriation basis	White
Eligible NRIs applying on a repatriation basis, FIIs, Foreign Venture Capital Funds registered with SEBI, registered Multilateral and Bilateral Development Financial Institutions and other Non-Residents applying on a repatriation basis	Blue

The physical ASBA Bid cum Application Form shall be White in colour.

ASBA Bidders shall submit an ASBA Bid cum Application Form either in physical or electronic form to the SCSB authorizing blocking the funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders. The Bidders shall have the option to make a maximum of three Bids in the ASBA Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form for ASBA Bidders to the SCSB, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the ASBA Bidcum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

## Who Can Bid?

- 1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
- 2. Indian nationals resident in India who are not minors, in single or joint names (not more than three).
- 3. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of sole or first Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals.
- 4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.
- 5. Foreign institutional investor and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, under the QIB category.
- 6. Sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, only under the Non Institutional Bidders Category.
- 7. State Industrial Development Corporations.
- 8. Insurance companies registered with the Insurance Regulatory and Development Authority, India.
- 9. Provident Funds with a minimum corpus of Rs.25 crore and who are authorized under their constitution to invest in Equity Shares.
- 10. Pension funds with a minimum corpus of Rs.25 crore and who are authorized under their constitution to invest in Equity Shares.
- 11. Companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in Equity Shares.
- 12. Venture Capital Funds (VCFs) registered with SEBI.
- 13. Foreign Venture Capital Investors (FVCIs) registered with the SEBI.
- 14. Mutual Funds registered with the SEBI.
- 15. Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to the RBI regulations and the SEBI (ICDR) Regulations and regulations, as applicable).

- 16. Multilateral and bilateral development financial institutions.
- 17. Trusts / societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares.
- 18. Scientific and/or industrial research organizations in India authorized to invest in Equity Shares.
- 19. 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 Gazatte of India.
- 20. Insurance funds set up and managed by army, navy or air force of the Union of India
- 21. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals in the Issue.

As per existing regulations, OCBs cannot Bid in the Issue.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this DRHP. 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.

## Participation by associates and affiliates of the BRLM and the Syndicate Member(s)

The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations, if any. However, associates and affiliates of the BRLM and Syndicate Members may subscribe to or purchase the Equity Shares in the Issue, either in the QIB Portion and Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

## **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [•] Equity Shares, allocation shall be made to Mutual Funds on a proportionate basis to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

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 the 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 for which the Bid has been made.

In accordance with the current regulations, 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 by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

## **Bids by Eligible NRIs**

Bid-cum-Application Forms (blue in color) have been made available for Eligible NRIs at the Registered Office of our Company and with members of the Syndicate or the Registrar to the Issue. NRI applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI category. The Eligible NRIs who intend to make payment through the Non-Resident Ordinary

(NRO) account shall use the application form meant for Resident Indians (White colour form) and shall not use the forms meant for the non-resident category.

## **Bids by FIIs**

In accordance with the current regulations, the Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid- up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

## Bids by SEBI registered Venture Capital Fund and Foreign Venture Capital Funds

The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, and the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended prescribe investment restrictions on Venture Capital Funds (VCFs) and Foreign Venture Capital Investors (FVCIs) registered with SEBI. Accordingly, whilst the holding by any VCF or FVCI in one (1) venture capital undertaking should not exceed 25% of the corpus of the VCF / FVCI, the VCF can invest its entire funds committed for investments into India in one (1) company. Further, VCFs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offering.

Pursuant to the SEBI (ICDR) Regulations, the shareholding of VCFs and FVCIs held in a company prior to making an initial public offering is exempt from lock-in requirements only if the shares have been held by them for at least one (1) year prior to the time of filing the draft prospectus with SEBI.

#### Maximum and Minimum Bid size

### a) For Retail Individual Bidders:

The Bid must be for minimum [•] number of Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.1,00,000. Where the Bid Amount is over Rs.1,00,000 due to a revision in the Bid or a revision in the Price Band or upon exercise of the option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cutoff Price option is given only to Retail Individual Bidders indicating their agreement to the Bid and to purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

#### b) For Non-Institutional Bidders and OIB Bidders:

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1, 00,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable laws. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the Bid Amount upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 1, 00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1, 00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Individual Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Payments made upon any revision of Bids shall be adjusted against the payment made at the time of the original Bid or the previously revised Bid.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant laws, rules, regulations, guidelines and approvals.

#### Information for the Bidders

- 1. The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- 2. The Price Band shall be advertised at least two working days prior to the Bid Opening Date/Issue Opening Date.
- 3. The members of the Syndicate will circulate copies of Bid-cum-Application Form to their potential investors and at the request of the potential investors', the copies of Red Herring Prospectus.
- 4. Any Bidder (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from the Registered Office of the Company or from the BRLM or from a member of the Syndicate.
- 5. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Members or their authorized agent(s) to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- 6. ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch.
- 7. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.
- 8. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms (other than the ASBA Bid cum Application Forms) should bear the stamp of the member of the Syndicate. Bid-cum-Application Forms which do not bear the stamp of a member of the Syndicate will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI (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.

The applicants may note that in case the DP ID and Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate do not match with the DP ID and Client ID and PAN available in the Settlement Depository database, the application is liable to be rejected.

## Method and Process of bidding

- a) Our Company in consultation with the BRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date in the Red Herring Prospectus to be filed with the RoC and also publish the same in two (2) widely circulated national newspapers (one (1) each in English and Hindi) newspaper and one regional newspaper with wide circulation. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Schedule XIII of the SEBI (ICDR) Regulations. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company, in consultation with the BRLM, and published in two (2) national newspapers (one (1) each in English and Hindi) and one regional newspaper with wide circulation, at least two (2) working days prior to the Bid/Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- b) The Bidding/Issue Period shall be for a minimum of three (3) working days and shall not exceed ten (10) working days. Where the Price Band is revised, the revised Price Band and Bidding/Issue Period will be informed to the Stock Exchange(s) and published in two (2) national newspapers (one (1) each in English and Hindi) and one regional newspaper with wide circulation and also by indicating the change on the website of the

BRLM and at the terminals of the members of the Syndicate. The Bidding/Issue Period may be extended, if required, by an additional three (3) working days, subject to the total Bidding/Issue Period not exceeding ten (10) working days.

- c) During the Bidding/Issue Period, Bidders, other than QIBs, who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorized agents to register their Bids. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids. Bids by QIBs shall be submitted only to the BRLM, other than the Bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs.
- d) Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three (3) optional prices (for details refer to the paragraph "Bids at Different Price Levels") 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 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 Bid(s) on one Bid-cum-Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate or SCSBs will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point in time before the Allotment of Equity Shares in the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure" beginning on page 163 of this Draft Red Herring Prospectus.
- f) The members of the Syndicate/SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS") for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the bidder to obtain the TRS from the Syndicate Member.
- g) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bids. 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.
- h) Along with the Bid-cum-Application Form, all Bidders (other than ASBA Bidders) will make payment into the Escrow Account in the manner described under the sub-section titled "Terms of Payment and Payment into the Escrow Account" beginning on page 170 under this section.
- i) The identity of the QIB Bidders shall not be made public.
- j) 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.
- k) 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.
- 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.

m) 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 finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

## Bids at Different Price Levels and Revision of Bids

- a) The Price Band has been fixed as Rs. [•] to Rs. [•] per Equity Share, Rs. [•] being the Floor Price and Rs. [•] being the cap price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1.
- b) In accordance with the SEBI (ICDR) Regulations, our Company in consultation with the BRLM and without the prior approval of, or intimation, to the Bidders, can revise the Price Band during the Bid/Issue period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus or if the floor price or price band is not mentioned in the Red Herring Prospectus, our Company shall announce the Floor Price or Price Band at least two (2) working days before the opening of the bid in all the newspapers in which the pre-issue advertisement shall be released.
- c) In case of a revision of the Price Band, the Bidding/Issue Period shall be extended for three additional working days, subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE, by issuing a public notice in two (2) national newspapers (one (1) each in English and Hindi) and one regional newspaper with wide circulation and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate.
- d) We, in consultation with the BRLM, can finalize the Issue Price within the Price Band 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 applying for a maximum bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at 'Cut off'. However, bidding at 'Cut-off' is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- f) Retail Individual Bidders, who bid at the 'Cut-Off' agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at 'cut-off' shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Refund Account in the manner described under the paragraph "Payment of Refund".
- 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. make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted.
  - iii. make additional payment based on the higher cap of the revised Price Band (such that the total amount i.e., the original Bid Amount plus additional payment does not exceed Rs.1,00,000 if the Bidder wants to continue to Bid at the Cut-off Price), with the members of the Syndicate to whom the original Bid was

submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs.1, 00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band before revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at the Cut-off Price.

- iv. 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 Refund Account.
- v. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be suitable revised, if necessary such that the minimum application is in the range of Rs. 5,000 to Rs. 7,000.

## Option to Subscribe in the Issue

- Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only.
- The Equity Shares on allotment shall be traded on Stock Exchanges in demat segment only.
- A single bid from any investor shall not exceed the investment limit/minimum number of Equity Shares that can be held by him/her/it under the relevant regulations/statutory guidelines.

#### **Escrow Mechanism**

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks 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 for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. 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 Banks shall transfer an amount equivalent to Issue proceeds (Final Issue price multiplied by the number of Equity Shares allotted through this issue) from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company and the balance amount shall be transferred to the Refund Account, from where payment of refund to the Bidders shall be made.

The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

#### Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retail Individual Bidders, each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the members of the Syndicate to whom the Bid is being submitted. In case of QIB Bidders, the Margin Amount has to be submitted along with the Bid to the members of the Syndicate. Bid-cum-Application Forms accompanied by cash and stock invests shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account and Refund Account. Not later than ten (10) days from the Bid / Issue Closing Date, our Company will instruct the Refund Banker to refund all amount payable to unsuccessful Bidders and also the

excess amount paid on bidding, if any, after adjustment for allocation to the Bidders, failing which our Company shall pay interest @15% per annum for any delay beyond the period mentioned above.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the Chapter titled "Issue Structure" beginning on page 159 of the Draft Red Herring prospectus and shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the Registrar to the Issue. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-Cum-Application Form.

## **Electronic Registration of Bids**

- (a) The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges.
- (b) The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one (1) Working Day from the Bid/Issue Closing Date.
- (c) There will be at least one (1) on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The BRLM, our Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the Syndicate and/or the SCSBs shall be responsible for any error in the Bid details uploaded by them. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- (d) The BSE and the NSE 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 authorized agents and the SCSBs during the Bidding/Issue Period. The members of the Syndicate and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs shall upload the Bids until such time as may be permitted by the Stock Exchanges. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.
- (e) The aggregate demand and price for Bids registered on their electronic facilities of BSE and NSE will be uploaded on a regular basis and displayed graphically the consolidated demand at various price levels. This information can be assessed on BSE's website at www.bseindia.com or on NSE's website at www.nseindia.com. The online, real-time graphical display of demand and bid prices at the bidding terminals shall be made. The BRLM shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis. At the end of each day of the bidding period the demand shall be shown graphically on the terminals for information of the syndicate members as well as the investors.
- (f) 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 Bidder (Bidder should ensure that the name given in the Bid-cum-Application form is exactly
    the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is

- submitted in joint names, investors 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, QIB, Eligible NRI, FVCI, FII & sub-account registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual) or Mutual Fund, etc.;
- Numbers of Equity Shares bid for;
- Bid price.
- Bid-cum-Application Form number.
- Cheque Amount;
- Cheque Number;
- Bid amount paid upon submission of Bid-cum-Application Form.
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- PAN
- (g) 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:
  - DP ID and client identification number;
  - Beneficiary account number of Equity Shares Bid for;
  - Quantity;
  - Bid Account:
  - Bank Account Number;
  - Cheque Amount; and
  - Cheque Number.
- (h) 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 or the Designated Branches of the SCSBs. The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (i) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (j) In case of QIB Bidders, only the BRLM and their Affiliate Syndicate Members have the right to accept the Bid or reject the Bid. 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 in this Red Herring Prospectus. The Members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSBs shall not have the right to reject Bids, except on technical grounds.
- (k) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.
- (l) It is also to be distinctly understood that the approval given by BSE and NSE for the use of their online IPO system should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE.

(m) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify the information uploaded in the online IPO system during the Bid/Issue Period after which the date will be sent to the Registrar for reconciliation and Allotment of Equity Shares. In case of any discrepancy of data between the BSE or the NSE and the Members of the Syndicate or the Designated Branches of the SCSBs, the decision of our Company, in consultation with the BRLM and the Registrar, based on the physical records of Bid Cum Application Forms shall be final and binding on all concerned. If the Syndicate Member finds any discrepancy in the DP name, DP Id and the Client Id, the Syndicate Member will correct the same and send the data to the Registrar for reconciliation and Allotment of Equity Shares.

## Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate and the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis. Pursuant to Item 12(g) of Part A of Schedule XI to the SEBI Regulations, the bidding terminals shall contain an online graphical display of demand and Bid prices updated at periodic intervals not exceeding 30 minutes.
- (b) The book gets build 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 the Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three (3) options in the Bid-cum-Application Form and such Bidder is changing only one of the options in the Revision Form, he must still complete all the details of the other two options that are not being changed in the Revision Form. The members of the Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSBs through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.
- (h) Our Company, in consultation with the BRLM, shall decide the minimum number of Equity Shares for each Bid

to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

- (i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid Amount. In case of Bids, other than ASBA Bids, the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders. In such cases, the Syndicate will revise the earlier Bids details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.
- (j) 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 or the SCSB, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (k) Only Bids that are uploaded on the online IPO system of the BSE and the NSE shall be considered for allocation. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid-cum- Application Form, the decision of our Company, in consultation with the BRLM and the Designated Stock Exchange, based on the physical records of Bid-cum-Application Forms, shall be final and binding on all concerned.
- (l) Under the SEBI (ICDR) Regulations, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date.

## **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels and discuss pricing strategy with our Company.
- (b) Our Company, in consultation with the BRLM, shall finalize the Issue Price and the number of Equity Shares to be allocated in each investor category.
- (c) The allocation to QIBs will be upto 50% of the Issue, on a proportionate basis and the availability for allocation to Non-Institutional and Retail Individual Bidders will be not less than 15% and 35% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI (ICDR) Regulations and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) In case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIBs in proportion to their Bids.
- (e) Under subscription, if any, in QIBs, Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
- (f) Allocation to NRI's, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue/Allocation of Equity Shares to them.
- (g) The BRLM, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to

their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

- (h) Our Company in consultation with the BRLM, reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allocation, without assigning reasons whatsoever.
- (i) The allotment details shall be uploaded on the website of the Registrar to the Issue.

## Signing of Underwriting Agreement and ROC Filing

- a. Our Company, the BRLM, and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- b. After signing the Underwriting Agreement, we will update and file the updated RHP 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 ROC

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration to the RoC.

We will ensure that all the legal requirements applicable till the filing of the Prospectus with RoC are complied with.

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall, after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI and registering the Red Herring Prospectus with RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in two (2) widely circulated national newspapers, one (1) each in English and Hindi and a regional newspaper with wide circulation.

# **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that is required 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 Prospectus shall be included in such advertisement.

## Issuance of Intimation Note and Confirmation of Allocation/Allotment Note to bidders, other than QIBs

The Registrar to the Issue shall send Confirmation of Allocation Note/Allotment Advice-cum- Refund Orders to all the Bidders intimating the number of shares allotted and the amount refunded.

## **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 Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual Bidders and Non- Institutional Bidders. However, the investor should note that our Company shall ensure that the instructions for credit of the Equity Shares to all investors in this Issue shall be given on the same date of Allotment.
- b) The Registrar will then send a CAN to the Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder.

c) The issue of a CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Bidder.

## **Designated Date and Allotment of Equity Shares**

- a) Our Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder's depository account will be completed within twelve (12) Working Days of the Bid/Issue Closing Date.
- b) As per the SEBI (ICDR) Regulations, Allotment of the Equity Shares will be only in dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

#### **GENERAL INSTRUCTIONS:**

#### Do's:

- (a) Check if you are eligible to apply having regard to applicable law, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;
- (b) Ensure that your Bid is within the Price Band;
- (c) Read all the instructions carefully and complete the Bid-cum-Application Form;
- (d) Ensure that the details about Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;
- (e) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- (f) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders, ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account:
- (g) With respect to ASBA Bids ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- (h) Ensure that you have been given a TRS for all your Bid options;
- (i) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;
- (j) Ensure that the full Bid Amount is paid for the Bids subsmitted to the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted throught the SCSBs.
- (k) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- (l) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

- (m) Each of the Bidders should mention their Permanent Account Number (PAN) allotted under the IT Act in the Bid Cum Application Form. (Please refer to the sub-section titled "Permanent Account Number" under this section);
- (n) Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. 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; and

#### Don'ts:

- (a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- (b) Do not Bid for lower than minimum Bid size;
- (c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (d) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate or the SCSBs, as applicable;
- (e) Do not pay Bid amount in cash, through stock invest, by money order or by postal order;
- (f) Do not provide your GIR number instead of PAN number;
- (g) Do not Bid at cut off price, in case of Bid by QIB Bidders, Non-Institutional Bidders;
- (h) Do not complete the Bid-cum-Application Form such that the number of Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Red Herring Prospectus;
- (i) Do not bid at Bid Amount exceeding Rs.1,00,000, in the case of a Bid by a Retail Individual Bidder;
- (j) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate or the Designated Branch of SCSBs only;
- (k) Do not submit the Bid without the BID Amount.

## Instructions for completing the Bid cum Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from our Registered Office / Corporate Office, or from the Syndicate Members or from the BRLM.

## **Bids and Revisions of Bids**

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. Bidders should note that the Syndicate and /or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.

- (c) The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 1, 00,000.
- (d) For non institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

## Bidder's PAN, Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the Bidders, the name of the Bidders, Depository Participant's name, Depository Participant-identification number and beneficiary account number provided by them in the Bidcum- Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Bidders such as their address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit, and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) or unblocking of ASBA Account. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/credit of refunds to Bidders or unblocking of ASBA Account at the Bidder's sole risk and neither BRLM nor our Company shall have any responsibility or undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details on the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED. 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 ON THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IF THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR ON THE BID-CUM-APPLICATION FORM.

These Demographic Details will be used for all correspondence with the Bidders including mailing of the refund orders/NECS credit for refunds/direct credit of refund/CANs/allocation advice/NEFT or RTGS for refunds and printing of Company particulars on the refund order. The Demographic Details given by Bidders in the Bid-cum-Application Form will not be used for any other purposes by the Registrar to the Issue.

By signing the Bid-cum-Application Form, Bidder would have deemed to 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 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 Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Bank(s) 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 that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

#### Bids by Non-Residents, Eligible NRIs, FIIs and FVCIs registered with SEBI on a repatriation basis

Bids and Revision to Bids must be made:

- On the Bid-cum-Application Form or Revision Form, as applicable (Blue color form) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In the names of individuals, or in the names of FIIs & sub-account registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual) or FVCIs and multilateral and bilateral development financial institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.
- In a single name or joint names (not more than three and in the same order as their Depository Participant details).

**Bids by eligible NRI's:** For a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid amount of Rs. 100,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 100,000 would be considered under Non Institutional Category for the purposes of allocation. For further details refer to paragraph titled "Maximum and Minimum Bid Size" beginning on page 166 under this Chapter in the Draft Red Herring Prospectus.

**Bids by FIIs:** In multiples of [•] Equity Shares so that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [•] Equity Shares thereafter. For further details refer to paragraph titled "Maximum and Minimum Bid Size" beginning on page 166 under this Chapter in the Draft Red Herring Prospectus.

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 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/speed 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. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, Eligible NRI's, FIIs and Foreign Venture Capital Funds and all Non Residents, and all such 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 and Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

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 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 thereof.

### Bids by Mutual Funds, VCFs and FVCIs

In the case of Bids made by Mutual Funds, VCFs and FVCIs, a certified copy of their SEBI registration certificate must be submitted 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.

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, our Company reserves the right to accept or reject any Bid in whole or in part.

### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority 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 thereof.

### **Bids by Provident Funds and Pension Funds**

In the case of Bids made by provident funds, subject to applicable law, with a minimum corpus of Rs. 2500 Lacs and pension funds with a minimum corpus of Rs. 2500 Lacs, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form. 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.

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 and the BRLM may deem fit.

Our Company, in its absolute discretion, reserve 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 Syndicate shall open Escrow Account(s) with one (1) or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and /or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to facilitate collections from the Bidders.

#### Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSBs shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSBs 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 SCSBs 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 finalization 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 Accounts for Bidders other than ASBA Bidders

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

- 1. The applicable Margin Amount for Non Institutional Bidders/Retail Individual Bidders as well as QIB bidders is 100% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
- 2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of our Company within the period specified in the Intimation Note/CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- 3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:

i.	In case of Resident Bidders	Escrow Account – VMSIL Public Issue – R
ii.	In case of Non Resident Bidders	Escrow Account - VMSIL Public Issue - NR
iii.	In case of Resident QIB Bidders	Escrow Account - VMSIL Public Issue - QIB - R
iv.	In case of Non Resident QIB Bidders	Escrow Account – VMSIL Public Issue – QIB – NR

- 4. 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 authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a 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 Account.
- 5. Payment will not be accepted out of a Non Resident Ordinary (NRO) Account of a Non Resident bidder bidding on a repatriation basis.
- 6. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- 7. Where a Bidder has been allocated a lesser number of Equity Shares than what the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity

Shares allocated, will be refunded to the Bidder from the Refund Account of our Company.

- 8. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.
- 9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue and Refund Account with the Refund Bankers.
- 10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Banker shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheque/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 / Stock invest / Money Orders / Postal Orders will not be accepted.

### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate member shall collect the Margin Amount.

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

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). 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 this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

- i) All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.
- ii) In this master, a check will be carried out for the same PAN / GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.

- iii) The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
- iv) Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
- v) The applications will be scrutinized for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
- vi) Subsequent to the aforesaid procedures a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's / husband's names. On completion of this, the applications will be identified as multiple applications.

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. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

### **Permanent Account Number (PAN)**

The Bidders or in the case of Bids made in joint names, each of the Bidder, should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act. In accordance with the SEBI (ICDR) Regulations, 2009, the PAN would be the sole identification number for the 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")**

SEBI has, with effect from July 02, 2007 declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Thus the use of UIN has been discontinued.

### Right to Reject Bids

Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIBs, by any or all members of the Syndicate for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders our Company would have a right to reject the Bids only on technical grounds. Consequent refunds shall be made by Cheque/Pay Order/Demand Draft/ECS/Direct Credit/RTGS/NEFT, as the case may be, 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:

- 1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
- 2. Age of First Bidder not given;
- 3. Bank Account Details for Bidders not given;

- 4. In case of Partnership firms, the shares may be registered in the name of individual partners and no firm as such shall be entitled to apply.
- 5. Bids by Non Residents, if not in compliance with the appropriate foreign and Indian laws;
- 6. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- 7. PAN not mentioned in the Bid-cum-Application form
- 8. GIR Number given instead of PAN Number;
- 9. Bids for lower number of Equity Shares than specified for that category of investors;
- 10. Bids at a price less than the lower end of the Price Band;
- 11. Bids at a price more than the higher end of the Price Band;
- 12. Bids at cut-off price by Non-Institutional and QIB Bidders;
- 13. Bids for number of Equity Shares, which are not in multiples of [•];
- 14. Category not ticked;
- 15. Multiple bids as defined in this Draft Red Herring Prospectus;
- 16. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted:
- 17. Bids accompanied by Stock invest/money order/ postal order/ cash;
- 18. Bids not duly signed by the sole/joint Bidders;
- 19. Bid-cum-Application Form does not have the stamp of the Syndicate Member;
- 20. Bid-cum-Application Form does not have Bidder's depository account details;
- 21. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this DRHP and as per the instructions in this DRHP and the Bid-cum-Application Form; or
- 22. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity;
- 23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
- 24. Bid in respect of which Bid cum Application form do not reach the Registrar prior to the finalization of the basis of allotment;
- 25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- 26. Bids by OCBs;
- 27. Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance Regulation S under the Securities Act; and
- 28. Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
- 29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- 30. Bids not uploaded in the electronic bidding system of Stock Exchanges would be rejected; and
- 31. Bids by NRIs not disclosing their residential status;
- 32. Any other reason which the BRLM or our Company deem necessary.

### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a 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 tripartite agreements have been signed among our Company, the Depositories and the Registrar,

- 1. An Agreement dated March 18, 2010 among NSDL, our Company and Registrar
- 2. An Agreement dated April 19, 2010 among CDSL, our Company and Registrar

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected. All Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

- 1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
- 2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
- 3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- 4. Names in the Bid-cum-Application Form 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 depository account of the Bidder(s).
- 5. Non Transferable allotment advice or refund orders will be directly sent to the Bidders by the registrar to the Issue.
- 6. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bidcum-Application Form or Revision Form, it is liable to be rejected.
- 7. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- 8. Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. BSE and NSE, where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
- 9. The trading of Equity Shares of the Company would only be in dematerialized form for all investors in the demat segment of the respective Stock Exchange(s).
- 10. Investors are advised to instruct their DP to accept the Equity Shares that may be allocated to them, pursuant to the issue.

#### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

#### **Pre-Issue and Post Issue Related Problems**

We have appointed Mr. Hemal Patel as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

### **VMS Industries Limited**

405, Aditya Plaza, Vivekanand Nagar, Jodhpur Gam Road, Ahmedabad-380 015, Gujarat, India.

**Tel.**: +91-79-4032 0481-84 **Fax**: +91-79-2692 0195 **Email**: info@ymsil.com

### DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two (2) working days of date of Basis 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 ten (10) working days from the Bid/Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within ten (10) working days of Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within twelve (12) working days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within ten (10) working days of the Bid/Issue Closing Date; and
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion hereof is made in electronic manner, the refund instructions are given to the clearing system within ten (10) working days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unlocking of ASBA Bidder's Bank Account shall be made with in ten (10) working days from the Bid/Issue Closing Date;

Our Company shall pay interest at 15% per annum for any delay beyond the fifteen (15) days time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the twelve (12) working days time prescribed above as per the SEBI (ICDR) Regulations.

# Our Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Forms or Revision Forms. However, the collection centre of the Syndicate Members 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.

Save and except refunds effected through the electronic mode, i.e., NECS, NEFT, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### PAYMENT OF REFUND

Bidders other than ASBA Bidders should note that on the basis of the name of the Bidders, Depository Participant's name, Depository Participant identification number and beneficiary account number provided by them in the Bidcum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidder's bank account details including a nine digit Magnetic Ink Character Recognition ("MICR") code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to the Bidder's sole risk and neither our company, the BRLM and the Syndicate Members nor the Escrow Collection Banks shall have any responsibility

and undertake any liability for the same.

### Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference –

- 1. ECS Payment of refund would be done through ECS for applicants having an account at any of the 68 centres notified by SEBI, where clearing houses for ECS are managed by the RBI. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the sixty eight (68) centres notified by SEBI, except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS or NEFT.
- 2. NEFT Payment of refund may be undertaken through NEFT wherever the applicant's 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. The IFSC Code will be obtained from the website of the RBI as at 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.
- **3. Direct Credit** Applicants having their bank account with the Refund Banker shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by our Company.
- **4. RTGS** Applicants having a bank account at any of the 68 centres notified by SEBI, and whose Bid Amount exceeds Rs.1,00,000, shall have the option to receive refunds, if any, through RTGS. Such eligible applicants who indicate their preference to receive refunds through RTGS are required to provide the IFSC Code in the Bid-cum-Application Form. In the event of failure to provide the IFSC Code in the Bid-cum-Application Form, the refund shall be made through the ECS or direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.
- 5. Please note that only applicants having a bank account at any of the 68 centres notified by SEBI where clearing houses for NECS are managed by the RBI are eligible to receive refunds through the modes detailed hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched "Under Certificate of Posting" for refund orders of value up to Rs.1,500 and through Speed Post/Registered Post for refund orders of Rs.1,500 and above. Some 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 ten (10) working days from the Bid/Issue Closing Date.

### Interest on refund of excess Bid Amount

Our Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within fifteen (15) working days from the Bid/Issue Closing Date.

#### **IMPERSONATION**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

- makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

#### BASIS OF ALLOCATION

### 1. 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price
- The Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares aggregating to Rs [•] Lacs at or above the Issue Price, full allocation 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 aggregating to Rs [•] Lacs at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allocation, refer below.

### 2. For Non Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares aggregating to Rs [•] Lacs at or above the Issue Price, full allocation 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 aggregating to Rs [•] Lacs at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment refer below.

### 3. For QIB Bidders

- 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 allocation to all the QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allotment shall be undertaken in the following manner
  - a. In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows-

- i) In the event that bids from mutual funds exceed 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
- ii) In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
- iii) Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
- b. In the second instance, allocation to all QIBs shall be determined as follows
  - In the event that the over subscription 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 upto 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.

Under-Subscription, if any, in any category would be allowed to be met with spillover from any other category at the sole discretion of our company and the BRLM.

### **Method of Proportionate Basis of Allocation**

In the event the Issue is oversubscribed, the basis of Allocation shall be finalized by our Company, in consultation with the BRLM and the Designated Stock Exchange. The executive director or managing 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 finalized in a fair and proper manner. Allotment to Bidders shall be made in marketable lots on a proportionate basis as explained below:

- a. Bidders will be categorized according to the number of Equity Shares applied for by them.
- b. The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, being 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 oversubscription ratio.
- c. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d. If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the market 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 Bidders in such categories would be arrived at after such rounding off.
- e. In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of [•] Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of

Equity Shares calculated in accordance with (b) above; and

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares.
- 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 Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

### Letters of Allotment or Refund Orders or Instructions to SCSBs in ASBA Process

The Company shall give credit of Equity Shares to the beneficiary account with depository participants within twelve (12) working days of the Bid/Issue closing date.

Applicants that are residents of 68 cities where clearing houses are managed by the RBI will receive refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is eligible to receive refunds through direct credit, NEFT or RTGS. In the case of other applicants our Company shall ensure the 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 ten (10) working days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund, within ten (10) working days of the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within ten (10) working days of the Bid/Issue Closing Date.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within twelve (12) working days from the Issue Closure.

### Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, 2009, our Company undertakes that:

- Allotment of Equity Shares and credit to the successful bidders' depository account will be completed within (12) Working Days of the Bid/Issue Closing Date;
- Our Company further agrees that it shall pay interest at 15% per annum, if Allotment is not made, refund orders are not dispatched to the applicant or if, in a case where the refund or portion thereof is made in electronic mode/manner, the refund instructions have not been given to clearing members and/or demat credits are not made to investors within the 15 day time period prescribed above.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar.

Save and except refunds effected through the electronic mode, i.e., NECS, NEFT, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par t places where Bids are received, except where the refund or portion thereof is made in electronic mode/manner. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### UNDERTAKING BY THE COMPANY

Our Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchange where the Equity Shares are proposed to be listed within twelve (12) working days of the Bid/Issue Closing Date;
- that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Company;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within twelve (12) working days of closure of Issue, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund;
- That the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time;
- that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment; and
- that no further issue of Equity Shares shall be made until the Equity Shares, Issued through this DRHP are listed or until the Bid Monies are refunded on account of non-listing, under subscription etc.

#### UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certifies 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 under an appropriate head in the balance sheet of our 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 head in the balance sheet of our Company indicating the form in which such unutilised monies have been invested;

### RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, 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. No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals. Investors making a bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLM, 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 subscribed to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company, Our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

### Subscription by NRIs/FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation. As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of "U.S. persons" (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 or the requirements of the Investment Company Act.

Accordingly, the Equity Shares are only being offered and sold (i) in the United States to entities that are both "qualified institutional buyers", as defined in Rule 144A of the Securities Act and "qualified purchasers" as defined under the Investment Company Act and (ii) outside the United States to certain persons 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.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company (i.e., 10% of [●] Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

# SECTION XI - DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

#### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

### **CAPITAL**

3. The Share capital of the Company shall be as set out in clause V of the Memorandum of Association.

#### **SHARES**

4.	a)	Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons in such proportions and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the general Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors
		think fit and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that opinion or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
	b)	Save as herein otherwise provided the Company shall be entitled to treat the registered holders any shares as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or by statute required) be bound to recognise any equitable, contingent, future or partial interest, in the nature of a trust or otherwise in, or any other right in respect of such shares on the part of any other persons.

- 5. Debenture/ Debenture stock or loan / loan stock or other securities conferring the right to allotment or conversion into shares or the option of right to call for allotment of shares shall not be issued except with the sanction of the Company in General Meeting.
- Shares may be converted into stock The Company in General Meeting may convert any paid-up shares into stock; and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which the shares from which the stock arose might have been transferred, if no such conversion had taken place or as near thereto as circumstances will admit. The Company may at any time re-convert any stock into paid-up shares of any denomination.

### **SHARE CERTIFICATES**

6. a. Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in the name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve. If any share stands in the names of two or more persons all the joint holder of the share shall be severally as well as jointly liable for the payment of all deposits, instalments, and calls due in respect of

	such shares, and for all incidents thereof according to the Company's regulations but the person first named in the Register shall, as regards service of notice, and all other matters connected with the Company, except the transfer of the share and any other matter by the said Act or herein otherwise provided, be deemed the sole holder thereof.
b.	If any certificate be worn out, defaced, mutilated, or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, and a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate, every certificates under the Article shall be issued without payment of fees.
c.	Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf. The provision of this Article shall mutatis mutandis apply to debentures of the Company.

# **DEMATERIALISATION OF SECURITIES**

7.	a)	Definitions:
		For the purpose of these Articles:
		(i) Beneficial owner: Means a person or persons whose name is recorded as such with a depository.
		(ii) SEBI means Securities & Exchange Board of India
		(iii) Depository: Means a Company formed and registered under the Companies Act, 1956 and which has
		been granted a certificate of registration to Act, as a depository under the Securities & Exchange
		Board of India Act, 1992.
		(iv) Security means such security as may be specified by SEBI from time to time.
	b)	Dematerialization of securities:
		NOT WITHSTANDING ANY thing contained in these Articles, the Company shall be entitled to
		dematerialize its securities and to offer securities in a dematerialization form pursuant to the
	- \	Depositories Act, 1996.
	c)	Options for Investors:  Every person subscribing to securities offered by the Company shall have the option to receive
		Security certificates to hold the securities with a depository. Such a person who is the beneficial owner
		of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security
		in the manner provided by the Depositories Act, 1996 and the Company, shall in manner and within the
		time prescribed, issue to the beneficial owner the required certificate of Securities. If a person opts to
		hold his security with a depository, the Company shall intimate such depository the detail of
		allotment of the security.
	d)	Securities in depositories to be in fungible form:
		All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in
		Section 153, 153A, 153B, 187B, 187C and 372 of the Act, shall apply to a depository in respect of
		the securities held by it on behalf of the beneficial owner.
	e)	Rights of depositories and beneficial owners:
		(i) Not withstanding anything to the contrary contained in the Act, or these Articles, a depository
		shall be deemed to be the registered owner for the purposes of effecting transfer of
		ownership security on behalf of the beneficial owner.
		(ii) Save as otherwise provided in (i) above the Depository as the registered owner of the securities
		shall not have any holding rights or any other rights in respect of the securities held by It.
		(iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The
		beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all
		the liabilities in respect of his securities which are held by a depository.
	f)	Services of documents:
	1	Notwithstanding anything in the Act; or these articles to the contrary, where securities are held in a
		depository, the records of the beneficial ownership may be served by such depository on the
		Company by means of electronic mode or by delivery of floppies or discs.

g)	Transfer of securities: Nothing contained in Section 108 of the Act, or these articles shall apply to a transfer of Securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
h)	Allotment of securities dealt with in a depository: Not withstanding anything in the Act, or these articles, where securities are dealt with by a depository, the Company shall intimate the details there of the depository immediately on allotment of such securities.
i)	Distinctive numbers of Securities held in a depository: Nothing contained in the Act, or these articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
j)	Register and index of beneficial owners:  The Register and Index of beneficial owners maintained by a depository under the Depository Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for purposes of these Articles.

# CAPITAL & FURTHER ISSUE

	a.	The Company may, from time to time by passing an ordinary resolution increase the share capital by
		such sum to be divided into shares of such amount, as may be specified in the resolution. The
		Company may by ordinary resolution:
		i. Consolidate and divide all or any part of its share capital into shares of larger amount than the
		existing share;
		ii. Sub-divide its existing shares or any of them into shares of smaller amounts than is fixed by the
		memorandum subject nevertheless to the provisions of the Act;
		iii. Cancel any shares which at the date of passing of the resolution have not been taken or agreed to
		be taken by any person.
1	b.	Where at the time after the expiry of two years from the formation of the Company or at any time after the
'	U.	expiry of one year from the allotment of shares in the Company made for the first time after its formation,
		which ever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of
		further shares either out of the un issued capital or out of the increased share capital then:
		i. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity
		shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those
		shares at the date.
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		less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have
		been declined.
		iii. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to
		renounce the shares offered to them in favour of any other person and the notice referred to in sub
		clause (b) hereof shall contain a statement of this right. Provided that the Directors may decline,
		without assigning any reason to allot any shares to any person in whose favour any member may,
		renounce the shares offered to him.
		iv. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from
		the person to whom such notice is given that he declines to accept the shares offered, the Board of
		Directors may dispose off them in such manner and to such person(s) as they may think in their
		sole discretion fit.
	c.	Notwithstanding anything contained in sub-clause (b) thereof, the further shares aforesaid may be offered
		to any persons (whether or not those persons include the persons referred to in clause (i) of sub-clause (b)
		hereof) in any manner whatsoever.
		i. If a special resolution to that effect is passed by the company in General Meeting, or
		ii. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a
		poll as the case may be) in favour of the proposal contained in the resolution moved in the general
		meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to
		do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against
		the proposal by members, so entitled and voting and the Central Government is satisfied, on an

		application made by the Board of Directors in this behalf that the proposal is most beneficial to the
		company.
	d.	Nothing in sub-clause (iii) of (b) hereof shall be deemed:
		i. To extend the time within which the offer should be accepted; or
	e.	Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the
		exercise of an option attached to the debenture issued or loans raised by the company:
		(i) To convert such debentures or loans into shares in the company; or
		(ii) To subscribe for shares in the company (whether such option is conferred in these
		Articles or otherwise)
		PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term
		providing for such option and such term:
		(a) Either has been approved by the Central Government before the issue of the debentures or
		the raising of the loans or is in conformity with Rules, if any, made by that Government in this
		behalf; and
		(b) In the case of debentures or loans or other than debentures issued to or loans obtained from
		Government or any institution specified by the Central Government in this behalf, has also
		been approved by a special resolution passed by the company in General Meeting before the
		issue of the debentures or raising of the loans.
	f.	Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and
		may be issued on condition that they shall be convertible into shares of any denomination and with any
		privileges and condition as to redemption, surrender, drawing, allotment of Directors and otherwise
		Debentures with the right to conversion into or allotment of shares shall be issued only with the consent
		of the Company in the General Meeting by a Special Resolution.
9.		The Company may subject to section 100 to 103 of the Companies Act, 1956, by special resolution
		reduce by any manner authorized by law:
		(a) Its share capital;
		(b) Any capital redemption reserve account;
		(c) Any share premium account

# CALLS

10.	The Board may from time to time, subject to the terms on which any shares may have been issued and
	subject to the conditions of allotment make such calls as it thinks fit upon the members in respect of
	all monies unpaid on the shares held by them respectively and each member shall pay the amount of
	every call so made on him to the persons and at the times and places appointed by the Board.
11.	The Board may from time to time, at its discretion extend the time fixed for the payment of any call and
11.	may extend such time as to all or any of the members, whom by reason of their residing at a distance
	or other cause, the Board may deem fairly entitled to such extension but no member shall be entitled to
	such extension as a matter of right.
12.	If a member fails to pay any call due from him on the day appointed for payment thereof or any such
	extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the
	payment thereof till the time of actual payment at such rate as shall from time to time be fixed by the
	Board, but nothing in this article shall render it compulsory for the Board to demand or recover any
	interest from any such member.
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13.	A call may be revoked at the discretion of the Board.
14.	Any member willing to advance, may pay all or any part of the money due upon shares held by him
	beyond the sums actually called for, and upon the money so paid in advance or remitted thereto as
	from time to time exceeds the amount of calls may carry interest but shall not entitle the member thereof
<b>-</b>	
15.	
	amount of the calls then made upon the shares in respect of which such advances has been made, the
	Company may pay interest at such advance has been made, the Company may pay interest at such
15.	to dividend or to the participation in profits on the uncalled amount nor shall he/she be entitled to a voting rights in respect of the same until such amount would (but for such payment) become presen payable.  The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds t amount of the calls then made upon the shares in respect of which such advances has been made, t

	rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.
16.	The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.
17.	The Provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.
18.	The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the Company may pay interest at such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

# DIVIDENDS

# **Division of profits**

19.	The profits of the Company, subject to the provisions of these Articles, shall be divisible among the
	members in proportion to the amount of capital paid upon the shares held by them respectively.
	Provided always that any capital paid up or credited as paid up on a share during the period in
	respect of which a dividend is declared shall, unless the terms of issue otherwise provide, only entitle the
	holder of such shares to an apportioned amount of such Dividend proportionate to the capital from
	time to time paid up during such period on such share.

# Capital paid up in advance at interest not to earn dividend

20.	Where capital is paid up in advance of calls up on the footing that the same shall carry interest, such
	capital shall not whilst carrying interest confer a right to dividend or to Participate in profits.

# Dividends in proportion to amount paid up

21.	The Company may pay dividends in proportion to the amount paid up or credited as paid up one each
	share.

# The Company in general Meeting may declare a dividend

22.	The Company in General meeting may, subject to the provisions of Section 205 of the act, declare
	dividend to be paid to the members according to their respective rights and interests in the profit
	and subject to the provisions of the Act, may fix the time for payment. When a dividend has been so
	declared, subject to the provisions of Section 207 of the Act, either the dividend shall be paid or the
	warrant in respect thereof shall be posted within 30 days of the date of the declaration to the
	shareholders entitled to the payment of the same.

# Powers of General Meeting to limit dividend

23.	No larger dividend shall be declared than is recommended by the Directors but the Company in
	General Meeting may declare a smaller dividend. No dividend shall be payable except out of the
	profits of the year or any other undistributed profits of the Company, or other wise than in accordance
	with the provisions of Section 205, 205A, 206 and 207 of the Act and no dividend shall carry interest as
	against the Company. The declaration of the Directors as to the amount of the net profits of the
	Company shall be conclusive.

# Interim dividend

24.	Subject to the provisions of the Act, the Directors may, from time to time, pay to the members such
	interim dividends as in their judgment the position of the Company justifies.

# Right to dividend etc. pending registration of transfer

25.	Wherein an instrument of transfer of shares of the Company has been delivered to the Company for
	the registration and the transfer of such shares has not been registered by the Company, it shall comply
	with the provisions of Section 206A of the Act in respect of the dividend right, shares and bonus
	share in relation to such shares. No member to receive dividend whilst indebted to the Company
	and Company's right of reimbursement there out.
26.	Subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend in respect of his shares, whilst any money may be due or owing from him/her to the
	Company in respect of such shares or otherwise howsoever either alone or jointly with any other
	persons, and the Directors may deduct from the interest or dividend payable to any member all sums of
	money so due from him to the Company.

# Right to dividend pending registration of transfer

27.	A transfer of shares shall not pass the right to any dividend declared thereon before the registration of
	the transfer.

# Dividends how paid

28.	Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the
	Registered address of the member or person entitled or in case of joint holders to that one of them first
	named in the Register in respect of the joint holding. Every such cheque or warrant shall be made
	payable to the order of the person to whom it is sent. The Company shall not be liable or
	responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or
	other person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or
	improper recovery, there of by any other means.

# Unpaid dividend remitted

29.	The Company shall duly comply with the provisions of Section 205-A of the Act in respect of a
	dividend declared by it but which has not been paid or the warrant in respect thereof has not been
	posted with in forty-two days from the day of the declaration to any shareholder(s) entitled to the
	payment of the Dividend. Where the Company has declared a dividend but which has not been paid or
	the dividend warrant is in respect thereof has not been posted within 30 days from the date of
	declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7
	days from the date of expiry of the said period of 30 days, open a special account in that behalf in
	any scheduled bank called "Unpaid Dividend Account of VMS INDUSTRIES LIMITED" and
	transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no
	dividend warrant has been posted. Any money transferred to Unpaid Dividend account of the
	Company in pursuance of section 205A of the Act, which remains unpaid or unclaimed for a period of
	seven years from the date of such transfer shall be transferred by the Company to the fund
	established under sub-section (1) of section 205C. No uncalled or paid dividend shall be forfeited by
	the Board.

# Dividend and Call together

30.	Any General Meeting declaring a dividend may on the recommendation of the Directors makes a
	call on the members for such amounts as the meeting fixes, but so that the call to each member
	shall not exceed the dividend payable to him and so that the call be made payable at the same time as

	the dividend and the dividend may, if so warranted between the Company and the members be set off
	against the call.

# FORFEITURE, SURRENDER, LIEN

# If call or installment not paid, notice may be given

31.	If any member fails to pay the whole or any part of any call installment or any money due in respect of
	any shares either by way of principal or interest on or before the day appointed for the payment of the
	same, the Directors may at any time thereafter, during such time as the call or installment or any
	part thereof or other money as aforesaid remain unpaid or a judgment or decree in respect there of
	remains unsatisfied in whole or in part, serve a notice on such member or on the person (if any)
	entitled to the shares by transmission; requiring him to pay such call or installment or such part
	thereof or other moneys as remain unpaid together with any interest that may have accrued and all
	expenses (Legal or otherwise) that may have been incurred by the Company by reason of such non-
	payment.

# **TERMS OF NOTICE**

32.	The Notice shall name a day (not being less than 14 days from the date of the notice) on or before which and the place or places at which such call, installment or such part thereof and such other moneys as aforesaid and such interest and expenses as aforesaid are to be paid, and if payable to any person other than the Company, the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the Company) at the place appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.
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# SHARES TO BE FORFEITED IN DEFAULT OF PAYMENT

34.	If the requirements of any such notice as aforesaid shall not be complied with, any of the shares in
	respect of which notice has been given may, at any time thereafter but before payment of all calls or
	installments interest and expenses and other moneys due in respect thereof, be forfeited by a
	resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of
	the forfeited shares and not actually paid before the forfeiture.

# ENTRY OF FORFEITURE IN REGISTER OF MEMBERS

I	35.	When any shares shall have been so forfeited, an entry of the forfeiture, with the date thereof, shall be
		made in the Register of Members and notice of the forfeiture shall be given to the member in
		whose name they stood immediately prior to the forfeiture but no forfeiture shall be in any manner
		invalidated by any omission or neglect to give such notice or to make any entry as aforesaid.

# FORFEITED SHARE TO BE PROPERTY OF THE COMPANY AND MAY BE SOLD ETC.

36.	Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-
	allotted or otherwise disposed of upon such terms and in such manner as the Board shall think fit.

# **DIRECTORS MAY ANNUL FORFEITURE:**

37.	The Directors may, at any time before any, shares so forfeited shall have been sold, re-allotted or
	otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.

# SHAREHOLDER STILL LIABLE TO PAY MONEY OWING AT THE TIMES OF FORFEITURE AND INTEREST

38.	Any person whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay
	and shall forthwith pay to the Company all calls, installments interest, expenses and other moneys
	owing upon or in respect of such shares at the time of the forfeiture together with interest thereon
	from the time of the forfeiture until payment at such rates the Directors may determine and the
	Directors may enforce tie payment of the whole or a portion thereof as if it were a new call made at
	the date of the forfeiture but shall not be under any obligation to do so.

# **EFFECT OF FORFEITURE**

39.	The forfeiture of a share shall involve the extinction, at the time of the forfeiture of all interest in and
	all claims and demands against the Company in respect of the shares forfeited and all other rights
	incidental to the share, except only such of those rights as by these presents are expressly saved.

# **SURRENDER OF SHARES**

40.	The Directors may, subject to the provisions of the Act, accept a surrender of any share from or by any
	member desirous of surrendering them on such terms as they think fit.

### **COMPANY'S LIEN ON SHARES**

41.	The Company shall have a first and paramount lien upon all the shares/ debentures (Other than fully paid-up shares/debentures) registered in the name of each member (Whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full lien. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.
42.	For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made unless the sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, or other legal representatives as the case may be, and default shall have been made by him or them in the payment of the sum payable as aforesaid, the certificates in respect of the shares sold shall stand cancelled and become null and void and have no effect and the Directors shall be entitled to issue a new certificate(s) in lieu thereof to the purchaser or purchasers concerned.

# APPLICATION OF PROCEEDS OF SALE

43.	The net proceeds of any such sale, after payment of the costs of such sale, shall be applied towards the
	satisfaction of such debts, liabilities or engagements of such member and the residue, (if any) shall,
	subject to a like lien for sums not presently payable as existed upon the shares before the sale, be
	paid to such member or the person (if any) entitled by transmission to the shares so sold.
44.	A certificate in writing under the hands of two Directors that the call in respect of a share was made by
	a resolution of the Directors to that effect shall be conclusive evidence of the facts stated there in as
	against all persons entitled to such share.

# TITLE OF PURCHASER AND ALLOTTEE OF FORFEITED SHARES OR SHARES SOLD IN EXERCISE OF LIEN

45.		Upon any sale after forfeiture or for enforcing lien in the exercise of the power herein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the shares sold and the Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed off may be registered as the holder of the share and he shall not be bound to sell to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person.
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### CANCELLATION OF SHARE CERTIFICATES IN RESPECT OF FORFEITED SHARES

46	<b>5</b> .	Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the
		certificate or certificates originally issued in respect of the relevant shares shall, on demand by the
		Company, have been previously surrendered to it by the defaulting member stand cancelled and
		become null and void and have no effect and the Directors shall be entitled to issue new certificates in
		respect of the said shares to the person or persons entitled there to.

### MODIFICATION OF RIGHTS RIGHTS ATTACHED TO ANY CLASS OF SHARES MAY BE VARIED

47.	If at any time the share capital is divided into different classes, the rights attached to any calls of
	shares (unless otherwise provided by the terms of issue of the shares of the class) may, subject to
	the provision of sections 106 and 107 of the Act, be modified, commuted, affected, abrogated or
	varied (whether or not the Company is being wound up) with the consent in writing of the holders of
	not less than threefourth of the issued shares of that class, or with meeting of the holders of that class
	of shares and all the provisions herein after contained as to General Meeting shall mutatis- mutandis
	apply to every such meeting.

### UNDERWRITING AND BROKERAGE COMMISSION FOR PLACING SHARE, DEBENTURES ETC

Ī	48.	The Company may, subject to the provision of Section 76 and other applicable provisions (if any) of
		the Act, at any time pay a commission to any person in consideration of his subscribing, whether
		absolutely or conditionally, for any shares in or debentures of the Company as per the rate
		prescribed in the Act if any. The commission may be satisfied by the payment of cash or the
		allotment of fully or partly paid shares or debentures or partly in the one way and partly in the other.
		The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

# COPIES OF MEMORANDUM AND ARTICLES OF ASSOCIATIONS SENT BY THE COMPANY

ſ	49.	Copies of the Memorandum and Articles of Association of the Company and other documents
		referred to in Section 39 of the Act shall be sent by the Board to every Member at his request
		within fifteen days of the request on payment of Re. 1/- for each copy.

### TRANSFER AND TRANSMISSION OF SHARES:

49.	Form of Transfer
	The instrument of transfer of any shares shall be in writing and all the provisions of section 108 of
	the Act and of any statutory modifications thereof for the time being in force shall be duly complied
	with in respect of all transfers of shares and the registrations. Nothing contained in Section 108 of the
	Act or these Articles shall apply to a transfer of securities affected by a transferor and transferee both of
	whom are entered as beneficial owners in the records of depository.

# $INSTRUMENTS\,OF\,TRANSFER\,TO\,BE\,EXECUTED\,BY\,THE\,TRANSFER\,OR\,AND\,TRANSFER\,EE$

50.	Every such instrument of transfer shall be signed by or on be	
	the transferee and the transferor shall be deemed to remain the	ne holder of such share until the name of the
	transferee is entered in the Register of Members in respec	t thereof.
51.	No fees shall be charged for registration of transfer, transn	nission, probate, succession certificate and
	letters of administration, certificate of death or marri	age, power of attorney or similar other
	document.	•

# DIRECTORS MAY REFUSE TO REGISTER TRANSFER

52.	Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts
	(Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by
	giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not
	and the right of refusal, shall not be affected by the circumstances that the proposed transferee is
	already a member of the Company but in such cases, the Directors shall within one month from the
	date on which the instrument of transfer was lodged with the Company, send to the transferee and
	transferor notice of the refusal to register such transfer provided that registration of transfer shall not be
	refused on the ground of the transferor being either alone or jointly with any other person or persons
	indebted to the Company on any account whatsoever except when the Company has a lien on the shares.
	Transfer of shares / debentures in whatever lot shall not be refused.

# TRANSFER NOT TO BE REGISTERED EXCEPT ON PRODUCTION OF INSTRUMENT OF TRANSFER

53	The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company with in the prescribed period along with the certificate relating to the shares, or if no such share certificate relating to the shares is in existence along with the letter of allotment of the shares. Provided that, on an application in writing made to the Company by the applicant bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnify as the Board may think fit provided any power of the Company to register as shareholder any person to whom the right to any share in the Company has been transmitted by
	operation of law.

# NOTICE OF REFUSALTO BE GIVEN TO TRANSFEROR AND TRANSFEREE.

54.	If the Company refuses to register the transfer of any share or transmission of any right therein the
	Company shall, within one month from the date on which the instrument of transferor intimation of
	transmission was lodged with the Company, send notice of refusal to the transferee and transferor or
	the person giving intimation of transmission as the case may be, and thereupon the provision of
	section 111 of the Act, or any statutory modification thereof for the time being in force shall apply.

### TRANSFERBYLEGALREPRESENTATIVE

55.	A transfer of a share in the Company of a deceased member thereof made by his legal representative shall
55.	
	although the legal representative is not himself a member be valid as if he had been a member at the
	time of the execution of the instrument of transfer.

# **CUSTODY OF INSTRUMENT OF TRANSFER**

56.	Ď.	The instrument of transfer after registration shall be retained by the Company and shall remain in its
		custody. The Directors may cause to be destroyed all transfer deeds lying with the Company for
		period of ten years or more.

# **CLOSURE OF TRANSFER BOOKS**

57.	The Directors shall have power, on giving not less than seven days previous notice by advertisement as
	required by section 154 of the Act, to close the transfer books of the Company, the Register of
	Members or the Register of Debentures holders at such time or times and for such period(s) of
	time(s) not exceeding 30 days at a time, as to them may seem fit.

### TITLE OF SHARES OF DECEASED HOLDER

58.	The executor or administrators or a holder of a succession certificate in respect of the estate of
	deceased member, not being one or two or more joint holders shall be the only persons recognised by
	the Company as having any title to the shares registered in the name of such deceased member and the
	Company shall not be bound to recognise such executors or administrators unless such executors or
	administrators shall have first obtained probate or letters of Administration as the case may be, from a
	duly constituted court in India, provided that in any case where the Directors in their absolute
	discretion think fit, the Directors may dispense with the production of probate or letters of
	Administration or Succession Certificate and register the name of any person who claims to be
	absolutely entitled to the shares standing in the name of deceased member, as member.

# TRANSMISSION

59.	Subject to the provisions contained in Article 57 hereof, any person becoming entitled to a share in
	consequence of the death, lunacy or insolvency of any member, upon producing proper evidence of the
	grant of probate or Letter of Administration or Succession Certificate or such other evidence that he
	sustains the character in respect of which he purports to act under this Article or of his title to the
	shares as the Board thinks sufficient may, with the consent of Board (which it shall not be under
	any obligation to give), be registered as member in respect of such shares, or may, subject to the
	regulations as to transfer herein before contained, transfer such shares. This Article is herein referred
	to as transmission Article.

# REFUSAL TO REGISTER IN CASE OF TRANSMISSION

60.	Subject to the provision of the Act and these Articles the Directors shall have the same right to refuse to
	register any such transmission until the same be so verified or until or unless as indemnity be given
	to the Company with regard to such registration which the Directors at their discretion shall consider
	sufficient.

# PERSONS ENTITLED MAY RECEIVE DIVIDEND WITHOUT BEING REGISTERED AS MEMBER

61.	A person entitled to a share by transmission shall, subject to the right of the Directors to retain such
	dividends or moneys as hereinafter provided, be entitled to receive any dividends or other moneys
	payable in respect of the shares.

# NO FEE ON TRANSFER OR TRANSMISSION

62.	No fee shall be charged for transfer and transmission of shares or for the registration of any Power of
	attorney, probate, letter of administration or any other similar documents. No fee shall also be
	charged for issue of new share certificates in replacement of those which are old, decrepit, and worn- out
	or where the cages on the reverse of the share certificates for recording transfers have been fully utilised.

# COMPANY NOT LIABLE FOR DISREGARD OF A NOTICE PROHIBITING REGISTRATION OF TRANSFER

63.	The Company shall incur no liability or responsibility whatsoever in consequence of their registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable right title or interest to or in such shares notwithstanding that the Company may have received a notice prohibiting registration of such transfer and may have entered such notices referred thereto in any book of the Company, and save as provided by Section 187-C of the Act, the Company shall not be bound or required to be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been
	be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some books of the Company but attend to any such notice and give effect thereto, if the Directors so think fit.

# **REGISTER OF TRANSFER**

64.	The Company shall keep a book called the "Register of Transfer" and therein shall be fairly and
	distinctly entered the particulars of every transfer, transmission of any share in the Company.

# NOMINATION FACILITY TO SHAREHOLDERS/DEBENTURE HOLDERS

65.	(a)	Every shareholder or debenture holder of the Company, may at any time nominate a person when his
		shares or debentures shall vest in the event of his death in such manner as may be prescribed under
		the Act.
	(b)	Where the shares debentures of the Company are held by more than one person jointly, joint holders may nominate a person to whom all the rights in the shares or debentures as the case may be shall vest
		in the event of death of all the joint holders in such manner as may be prescribed under the Act.
	(c)	Notwithstanding anything contained in any other law for the time being in force or in any
	(-)	disposition whether testamentary or otherwise, where a right to vest the shares or debentures, the
		nominee shall, on the death of the shareholders or debenture holder, joint holder becoming entitled to
		all the rights in such shares or debenture or as the case may be, all the joint holders in relation to such
		shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled
		in the manner, as may be prescribed under the Act.
	(d)	Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to the
		nomination to appoint any person to become entitled to shares in or debentures of the Company in
		manner prescribed under the Act, in the event of his death, during the minority.
66.		A nominee upon production of such evidence as may be required by the Board and subject as
		hereinafter provided, elect, either.
	a)	To register himself as holder of the share or debenture, as the case may be; o
	b)	(i) To make such transfer of the shares and/or debentures, as the deceased shareholder or
		debenture holder as the case may be, could have made;
		(ii) If the nominee elects to be registered as holder of the shares or debentures, himself as the case may
		be, he shall deliver or send to the Company a notice in writing signed by him stating that he so
		elected and such notice shall be accompanied with death certificate of the deceased shareholder
		or debenture holder, as the case may be.
		(iii) A nominee shall be entitled to the share dividend/interest and other advantages to which he would
		be entitled if he were to be registered holder of the shares or debentures, provided that he
		shall not be registered as a member, be entitled to exercise any right conferred by membership in
		relation to meeting of the Company.
		Provided further that the Board may, at any time, give notice requiring any such person to elect
		either to be registered himself or to transfer the shares or debentures and if the notice is not
		complied with in ninety days, the board may there after withhold payment of all the dividends,

bonuses or other dues in respect of the shares or debentures until the requirements of the notice have
been complied with.

# **EMPLOYEE STOCK OPTION**

67.	The Directors are hereby authorized to issue Equity shares or Debentures (whether or not
	convertible into equity shares) for offer and allotment to such of the officers, employees and workers of
	the Company as the Directors may select or the trustees of such trust as may be set up for the benefit
	of the Officers, Employees and workers in accordance with the terms and conditions of such scheme,
	plan or proposal as the Directors may formulate. Subject to the consent of the Stock Exchanges
	and of the Securities and Exchange Board of India, the Directors may impose the condition that
	the shares in or debentures of the Company so allotted shall not be transferable for a specified period.

# **BUY BACK OF SHARES**

determined by the Board from time to time and may make payment out of free Reserves and Surplu	
and/or Securities Premium Account and/or proceeds of any shares or other specified securities o such other funds as may be prescribed by the law in respect of such acquisition/purchase.	r

# **BORROWING POWERS**

69.	Subject to the provision of the Act and these Articles and without prejudice to the other powers conferred by these Articles the Directors shall have the power from time to time at their discretion, by a resolution passed at a meeting of the Board and not by circular Resolution, to accept deposits from members either in advance of calls or other wise and generally raise or borrow from members either in advance of calls or otherwise and generally raise or borrower secure the payment of any sum or sums of moneys for the purposes of the Company provided that the total amount borrowed at any time together with the moneys already borrowed by the Company from banks and/or financial institutions (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not, without the consent of the Company General Meeting, exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose. Such consent shall be obtained by an ordinary resolution, which shall provide for the total amount upto which, moneys may be borrowed by the Board. The expression Temporary loans in this Articles means loan repayable on demand or within six months from the date of the loans such as short term loans, cash credit arrangements, discounting of bills and the issue of other short-
	loans in this Articles means loan repayable on demand or within six months from the date of the loans such as short term loans, cash credit arrangements, discounting of bills and the issue of other short-term loans of seasonable character but does not include loans raised for the purpose of financing expenditure of a capital nature.

# CONDITIONS ON WHICH MONEYS MAY BE BORROWED

70.	Subject to the provisions of the Act and these Articles, the Director may, by a resolution passed at
	a meeting of the Board and not by circular resolution raise or secure the payment of such sum in
	such manner and upon such issue of bonds, perpetual or redeemable debentures or debentures- stock,
	or any mortgage or charge or other security on the undertaking of the whole or any part of the
	property of the Company (both present and future) including its uncalled capital for the time being.

# **SHARE WARRANTS**

# **Issue of Share Warrants**

71.	The Company may issue share warrants subject to, and in accordance with, the provisions of
	sections 114 and 115; and accordingly the Board may in its discretion, with respect to any share
	which is fully paid-up, on application in writing signed by the person registered as holder of the share,

		and authenticated by such evidence (if any) as the Board may, from time to time, require as to the
		identity of the person signing the application, and on receiving the certificate (if any) of the share,
		and the amount of the stamp duty on the warrant and such fee as the Board may from time to time
		requires to issue a share warrant.
72	(a)	The bearer of a share warrant may at any time deposit the warrant at the office of the Company,
		and so long as the warrant remains so deposited, the depositor shall have the same right of signing a
		requisition for calling a meeting of the Company, and of attending, and voting and exercising the
		other privileges of a member at any meeting held after the expiry of two clear days from the time of
		deposit, as if his name were inserted in the register of members as the holder of the shares included in
		the deposited warrant.
	(b)	Not more than one person shall be recognised as depositor of the share warrant.
	(c)	The Company shall, on two days' written notice, return the deposited share warrant to the depositor.
	(d)	Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant,
		sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other
		privilege of a member at the meeting of the Company, or be entitled to receive any notices from the
		Company.
	(e)	The bearer of a share warrant shall be entitled in all other respects to the same privileges and
	. ,	advantages as if he were named in the register of members as the holder of the shares included in the
		warrant, and he shall be a member of the Company.
	(f)	The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new
		share warrant or coupon may be issued by way of renewal in case of defacement, loss or
		destruction.
	l	

# **DIRECTORS:**

# **Number of Directors**

73.	Subject to the provision of Section 252 of the Act, the number of Directors shall not be less than
	three, and unless otherwise determined by the Company in General Meeting not more than 12
	(twelve).

**Existing Directors** 

74.	(a)	The existing Directors of the Company are:			
		(1) Smt. Sangeeta Jain			
		(2) Mr. Manoj Jain			
		(3) Mr. Ajit B. Jain			
		(4) Captain Vijay Gulati			
		(5) Mr. Bakul Mehta			
		(6) Mr.Hitesh Loonia			
		(7) Mr.Pranav Parikh			

**Managing Director not to Retire by Rotation** 

(b)	The Managing Directors shall not while he/ they may continue to hold that office be subject to
	retirement by rotation. If he/they cease to hold the office of director, he/they shall ispo facto and
	immediately cease to be Managing Director. However Whole Time Directors are liable to retire
	by rotation.

# **Retirement by Rotation**

(c)	The Directors of the Company, except the permanent Directors, shall be retiring by rotation as per
	provisions of Section 256 of the Companies Act, 1956.

# QualificationShare

(d)	A Director need not hold any shares in the capital of the Company to qualify him to be a Director of
	the Company.

# **Nominee Director**

75.	The Company may agree with any financial institution or any authority or person or State				
	Government that in consideration of any loan or financial assistance of any kind whatsoever, which				
	may be rendered by it to the Company, it shall till such time as the loan or financial assistance is				
	outstanding have power to nominate one or more Directors on the Board of the Company and from				
	time to time remove and reappoint such Directors and to fill in any vacancy caused by the death or				
	resignation of such Directors otherwise ceasing to hold office. Such financial Directors shall not be				
	required to hold any qualification shares nor shall they be liable to retire by rotation.				

# **Debenture Director**

76.	Any trust deed for securing debentures or debenture-stock may if so arranged	nged provide for the
	appointment from time to time by the Trustees thereof or by the holders,	of the debentures or
	debenture-stock of some person to be Director of the Company and may emp	power such trustee or
	holders of debenture or debenturestock from time to time to remove any Direc	tor so appointed. The
	Director appointed under these Articles here in referred to as the "Debenture	Director" means the
	Director for the time being in office under this Article. The Debenture Director	shall not be bound to
	hold any qualification shares and shall not be liable to retire by rotation or, subj	ect to the provision of
	the Act, be removed by the Company. The Trust Deed may contain such ancilla	ary provisions as may
	be arranged between the Company and the Trustees and all such provision	ons shall have effect
	notwithstanding any of the other provisions herein contained.	

# **Appointment of Alternate Directors:**

77.	The Board of Directors of the Company may appoint an alternate Director to act for a Director
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	(hereinafter called "the Original Director") during his absence for a period of not less than three
	months from the state in which the meetings of the Board are ordinarily held and such appointment
	shall have effect and such appointee, whilst he ordinarily held and such appointment shall have
	effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to receive
	notice of meetings of the Directors and to attend and vote thereat accordingly.

# **Casual Vacancy**

Cusu	Cusuur vuonney						
78.	Subject to the provisions of Section 262(2), 284(6) and other applicable provision (if any) of the Act						
		any casual vacancy occurring in the office of a Director whose period of office is liable to determine					
		by retirement by rotation may be filled up by the Directors at a meeting of the Board. Any person so					
		appointed would have held office, if the vacancy had not occurred.					

# Power to appoint ex-officio directors

101101	to appoint ex-officio directors
78a.	If at any time the Company obtains any loan or any assistance in connection there with by way of
	guarantee or otherwise from any person, firm, body corporate, local authority or public body
	(hereinafter called "the institution") or if at any time the Company issues any shares, debentures
	and enters into any contract or arrangement with the institution, whereby the institution subscribes
	for or underwrites the issue of the Company's shares or debentures or provides any assistance to
	the Company in any manner and it is a term of the relative loan, assistance, contract or agreement
	that the institution shall have the right to appoint one or more directors to the Board of the
	Company, then subject to the provisions of Section 225 of the Act and subject to the terms and
	conditions of such loan, assistance, contract or arrangement, the institution shall be entitled to
	appoint one or more director or Directors, as the case may be, to the Board of the Company and to
	remove from office any director so appointed and to appoint another in his place or in the place of
	Director so appointed who resigns or otherwise vacates his office. Any such appointment or
	removal shall be made in writing and shall be served at the office of the Company. The director or
	directors so appointed shall neither be required to hold any qualification share nor be liable to
	retire by rotation and shall continue in the office for so long as the relative loan, assistance,
	contract or arrangement, as the case may be, subsists.

# **Appointment of Additional Directors**

79.	Sub	ject to the	provisions of	of section 2	260, 284(	6) and	l other app	olicable	provisions (	if any)	of the Act,	

	the Director shall have power at any time to appoint a person(s) as Additional Director. Such Additional Director shall hold office only up to the date of the next Annual General Meeting of the Company, but shall be eligible for reelection at that meeting as a Director, provided that the number of Directors and the Additional Director together shall not exceed the maximum strength fixed by the Articles hereof Directors may act notwithstanding vacancy.
80.	A director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract 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; provided that it shall not be necessary for a Director to disclose his concern or interest in any contract or arrangement entered into or to be entered into with any other company where any of the Directors of the Company either himself or along with his relatives holds or hold two per cent of the paid-up share capital in any such other company.
81.	The continuing Directors may act notwithstanding any vacancy in their body but subject to the provisions of the Act, if the number falls below the minimum number fixed and notwithstanding the absence of a quorum, the Directors may act for the purpose of filling up vacancies or for summoning General Meeting of the Company.

# When office of Director to become vacant:

wher	1 01110	e of Director to become vacant:
82.	(a)	Subject to the provisions of Section 283(2) of the Act, the office of a Director shall become vacant if:  1. he is found to be of unsound mind by a Court of competent jurisdiction, or
		2. he applies to be adjudicated an insolvent or
		3. he is adjudged an insolvent; or
		4. he fails to pay any call made on him in respect of shares of the Company held by him, whether
		alone or jointly with others, within six months from the last date fixed for the payment of call unless
		the Central Government has by notification in the official Gazette, removed the disqualification incurred by such failure.
		5. he holds any office or place of profit under the Company or any subsidiary thereof in contravention
		of section 314 of the Act; or
		6. he absents himself from three consecutive meetings of the Board of Directors or from all meetings
		of the Board of Directors for a continuous period of three months, whichever is longer, without
		obtaining leave of absence from the Board of Directors; or
		7. he becomes disqualified by an order of the Court under Section 203 of the Act; or
		8. he is removed in pursuance of Section 284 of the Act; or
		9. he (whether he himself or by any person for his benefit or on his account) or any firm in which he
		is a partner or any private Company of which he is a Director accepts a loan, or any guarantee or
		security for a land, from the Company in contravention of Section 295 of the Act; or
		10. he acts in contravention of section 299 of the Act and by virtue of such contravention
		shall have been deemed under the Act to have vacated office, or
		11. he is convicted by a court of any offence involving moral turpitude and sentenced in respect
		thereof to imprisonment for not less than six months; or
		12. he, having been appointed a Director by virtue of his holding any office or other employment
	1.\	in the Company ceases to hold such office or other employment in the Company.
	b)	Subject to the provisions of the Act, a Director may resign his office at any time by notice in writing
		addressed to the Company or to the Board of Directors

# **Directors may contract with Company**

83.	Subject to the provisions of the Act and these Articles no director shall be disqualified by his office
	from contracting with the Company for any purpose and in any capacity whatsoever including either as
	Vendor, purchaser, agent, broker, underwriter of shares and debentures of the Company or
	otherwise, nor shall any Director so contracting or being so interested be liable to account to the
	Company for any profit realised by any such holding of that office, or of the fiduciary relationship
	thereby established, but it is hereby declared that nature of his interest must be disclosed by him and
	required approvals or sanctions be taken as required by the Act and these Articles

Register of contracts in which Directors are interested

Itegis	ter or	contracts in which directors are interested
84.	(a)	The Company shall keep one or more Registers in accordance with section 301 of the Act in which shall be entered separately 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:
		1. the date of the contract or arrangements
		2. the names of the parties hereto
		3. the principle terms and conditions thereof;
		4. in the case of a contract to which section 297 of the Act applies or in the case of a contract
		or arrangement to which sub-section (2) of section 299 of the Act applies the date on which it was placed before the Board;
	(b)	Particulars of every such contract or arrangement to which section 297 of the Act, or as the case
	(0)	may be, subsection (2) of section 299 of the Act applies, shall be entered in the relevant Registers as aforesaid;
		1. in the case of a contract or arrangement requiring the Board's approval, with in seven days (exclusive of public holidays) of the meeting of the Board at which the contract or arrangements is approved.
		2. 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 contracts or arrangements or within thirty days of the date of such other contract or arrangement which ever is later. And the Register shall be placed before the next meeting of the Board and shall then be signed by all the Directors present at the meeting;
	(c)	The Register aforesaid shall also specify, in relation to each director of the Company, the names of the firms and bodies corporate of which notice has been given by him under sub-section (3) of section 299 of the Act.
	(d)	Nothing in the foregoing sub-articles (a) (b) and (c) shall apply to any contract or arrangement for the sale, purchase or supply of any goods and materials or the cost of such services does not exceed one thousand rupees in the aggregate in any year.
	(e)	The registers as aforesaid shall be kept at the Registered office of the Company and they shall be open to inspection at such time and extracts may be taken from any of them and copies thereof maybe required by any member of the Company to the same extent in the same manner and on
		payment of the same fees as in case of the Register of Members.

Directors may be Directors of companies promoted by the Company.

85.	Director of the Company may be or may become a Director of any Company promoted by the
	Company or in which it may be interested as a Vendor, member or otherwise and subject to the
	provisions of the Act and these Articles, no such Director shall be accountable for any benefits
	received as a Director or member of such Company.

# **MEETING OF DIRECTORS**

**Meeting of Directors** 

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86.		The Directors may meet together as a Board from time to time and shall so meet at least once in
		every three months and at least four such meetings shall be held in every year, and they may adjourn and
		otherwise regulate their meetings as they deem fit. The provisions of this Article shall not be
		deemed to be contravened merely by reason of the fact that a meeting of the Board, which had been
		called in compliance with the terms herein, mentioned could not be held for want of quorum.

When meetings to be convened and notice thereof

87.	A Director or the Managing Director may at any time and the Secretary upon the request of a Director
	shall convene a meeting of the Directors. Notice of every meeting of the Directors of the Company
	shall be given in writing to every Director for the time being in India and at his usual address in India
	and to every other.

Director as provided in Section 286 of the Act Quorum

	quorum for the meeting of the Board of Directors shall be one third of the total strength of the Board of Directors(excluding Directors, if any, whose places may be vacant at the time, and any fraction contained that one third being rounded off as one) or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not interested and are present at the meeting, not being less than two shall be the quorum during such meeting. A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities powers and discretion by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.
88.	Subject to the provisions of Section 287 and other applicable provisions (if any) of the Act, the quorum for the meeting of the Board of Directors shall be one third of the total strength of the Board of

# Adjournment of meeting for want of quorum

89.	If a meeting of the Board of Directors cannot be held for want of quorum, then the meeting shall stand
	adjourned until such date and at such time and place as the Chairman may appoint and in default of
	such appointment to the same day in the next week at the same time and place or if that day is a
	public holiday till the next succeeding day which is not a public holiday, at the same time and place
	or to such day, time and place as the Directors may determine.

# Appointment of Chairman and Vice-Chairman

90.	The Board shall elect one of its members to be the Chairman of the Board and also elect one of its
	members to be Vice-Chairman of the board and the Board shall determine the period for which each of
	them is to hold such office.

# Who to preside at meeting of the Board

91.	All meetings of the Directors shall be presided over by the Chairman, if present, but if at any meeting of
	the Directors the Chairman be not present at the time appointed for holding the same, then in that case,
	the Vice-Chairman if present, shall be the Chairman of such meeting, and if the Vice-Chairman be not
	present, then in that case; the Directors shall choose one of their number then present to preside at
	the meeting.

# Questions at Board meeting how decided (casting vote)

92.	Questions arising at any meeting of the Board shall be decided by the majority of votes, and in case of
	equality of votes, the Chairman of the meeting, whether the Chairman appointed by virtue of these
	Articles or the Director presiding at such meeting shall have second or casting vote.

### **Directors may appoint committees**

	tors may appoint committees
93.	Subject to the provisions of Section 292 of the Act, the Directors may delegate any of their powers to committee consisting of such member or members of their body, as they think fit and they may from time to time revoke and discharge any such committee either wholly or in part and either as to person or purposes, but every committee so formed shall, in the exercise of the powers so delegated to strictly conform to any regulations that may from time to time be imposed on it by the Directors.
	All acts done by any such committee in conformity with such regulations and in fulfillment of the purpose of their appointment but not otherwise, shall have the like force and effect as if done by the Board. Subject to the provisions of the Act the Board may from time to time fix the remuneration to be paid to any member or members of their body constituting a Committee appointed by board in terms of these Articles and may pay the same.
	to be paid to any member or members of their body constituting a Committee appointed by board in

Meetings of committees how to be convened

	5 · · · · · · · · · · · · · · · · · · ·		
94.	The meetings and proceedings of any such committee consisting of two or more Directors shall be		
	governed by the provisions herein contained in respect of the meetings and proceedings of the		
	Directors, so far as the same are applicable thereto and are not superseded by any regulations made by		
	the Directors under the last proceeding Article.		

### Minutes of General Meetings and inspection thereof by the member

95.		1. The Company shall cause minutes of all proceedings of every General Meeting to be kept by
		making withinthirty days of the conclusion of every such meeting concerned, entries thereof in
		books kept for that purpose with their pages consecutively numbered.

- 2. Each page of every such book shall be initialed or signed and the last page of the record of proceedings of such 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 the death or liability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- 3. In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- 4. The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- 5. All appointments of Officers made at any meeting aforesaid shall be included in the minutes of the meetings.
- 6. Nothing herein contained shall require or 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 reasonably be regarded, as, defamatory of any person or
- b. is irrelevant or immaterial to the proceeding, or
- c. is detrimental to the interest of the Company.

The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds.

- 7. Any such minutes shall be evidence of the proceedings recorded therein.
- 8. The book containing the minutes of proceedings of General Meetings shall be kept at the 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.

#### Powers of the Board

1000	1 owers of the Board		
90A.		The Board may exercise all such powers of the Company and do all such acts,	and things as are
		not, by the Act, or any other Act, or by the Memorandum, or by the	ne Articles of the
		Company, required to be exercised by the Company in General	Meeting subject
		nevertheless to these Articles, to the provisions of the Act, or any	other Act and to
		such regulations being not inconsistent with the aforesaid regulations	or provisions, as
		may be prescribed by the Company in General Meeting but no regular	
		Company in General Meeting shall invalidate any prior act of the Bo	oard which would
		have been valid if that regulation had not been made. Provided tha	t the Board shall
		not, except with the consent of the Company in General Meeting:	
		a. sell, lease or otherwise dispose of the whole, or substantially t	he whole of the

- a. sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company ,or where the Company owns more than one undertaking, of the whole, or substantially the whole of any such undertaking.
- b. remit, or give time for the repayment of any debt due by a Director.
- c. invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a), or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time.

d.	borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves - that is to say, reserve not set apart for any specific purpose. Provided further that the powers specified in Section 292 of the Act shall, subject to these Articles, be exercised only at meetings of the Board, unless
	the same be delegated to the extent there in stated; or

e. contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

### **General Powers of Directors**

96.	(a)	Subject to the provisions of Section 292, 293, 293A and another applicable provisions of the Act
		and these Articles the Board of Directors of the Company shall be entitled to exercise all such
		powers and to do all such acts and things as the Company is authorized to exercise, and do. Provided,
		that the Board shall not exercise any power or do any act or thing which is directed or required
		whether by the Act or by the Memorandum or these Articles or otherwise to be exercised or done by
		the Company in General Meeting.
	(b)	No regulation made by the Company in General Meeting shall invalidate any prior act of the Board,
	` ´	which would have been valid if that regulation had not been made

#### Certain Powers of the Board

95. Without prejudice to the other powers conferred by these Articles it is hereby declared that the directors shall have following powers that is to say power: To pay preliminary or any promotional costs and charges

(a) To pay all costs, charges and expenses preliminary and incidental to the promotion establishment and registration of the Company

### To pay Commission and interest

(b) To pay and charge to the capital of the Company any commission or interest lawfully payable thereabout under the provisions of section 76 and 208 respectively of the Act.

### To acquire property

(c) Subject to the provisions of the Act and these Articles to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorized to acquire, at or for such price of consideration and generally on such terms and conditions as they may think fit, and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.

### To pay for property in cash, debentures or otherwise

(d) At their discretion and subject to the provisions of the Act to pay for any property or rights required, by, or services rendered to the Company, either wholly or partly in cash, or in shares, bonds, of the Company, and any such shares may be issued either as fully paid- up with such amount credited as bonds, debentures, debenture stock, mortgage or other' securities may be either specifically charged upon all or any part of the property of the Company and its uncalled or not so charged.

## To insure properties of the Company

(e) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings, machinery, goods, stores, produce, and other moveable property of the Company either separately or cojointly; also to insure all or any portion of the goods, produce machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of insurance effected in pursuance of this power.

### To open accounts with banks

(f) To open accounts with any bank or bankers or with any Company or firm and to pay money into and draw money from any such account from time to time as the Directors may think fit

### To secure contracts by mortgage etc.

(g) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being or in such other manner as they think fit.

### To attach conditions as to transfer of any shares

(h) To attach to any shares to be issued as the consideration or part of the consideration for any contract with or property acquired by the Company, such conditions as to the transfer thereof as they think fit.

#### To accept surrender of shares

(i) To accept from any member, on such terms and conditions as may be agreed, a Surrender of his shares or stock or any part there of, so far as may be permissible by law.

### To appoint trustees

(j) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging. to the Company or in which it is interested, or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees.

### To bring and defend suits and legal proceedings

(k) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise, concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debt due, or of any claims or demands by or against the Company.

#### To refer to arbitration

(l) To refer any claims or demand by or against the Company or any dispute or difference to arbitration and observe, perform and execute any awards made thereon.

### To act in insolvency matters

(m) To act on behalf of the Company in all matters relating to bankrupts and insolvent.

#### To give receipts

(n) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.

### To authorise acceptance

(o) To determine from time to time who shall be entitled to sign on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend, warrants, releases, contracts and documents and to give the necessary authority for such purposes.

### To invest money

(p) Subject to the provisions of the Act and these Articles to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such securities and other investments (not being shares of the Company) or without security and in such manner as they may think fit, and from time to time to vary or realise such investments provided that save as permitted by Section 49 of the Act all investments shall be made and held by the Company in its own name.

### To execute Mortgage

- (q) 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 as surety for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit, and any such mortgages may contain a power of sale and such other powers, convenience, provisions and agreements as shall be agreed.
- (r) To distribute by way of bonus amongst the staff of the Company a part of the profits of the Company and to give to any officer or other persons employed by the Company a commission on the profits of any particular .business or transactions and to charge such bonus or commission as part of the Working expenses of the Company Sharing profits
- (s) Subject to the provisions of the Act, to give to any officer or other person employed by the Company an interest in any particular business or transaction by way of a share in the general profits of the Company, and such share of profits shall be treated as a part of the working expenses of the Company

### To provide for welfare of employees and to subscribed, to charitable and other funds

(t) To provide for the welfare of employees or ex-employees of the Company and its Directors or Ex-Directors and the wives, widows and families and the dependants of such persons, by building or contributing to the building of houses, dwelling or quarters or by grant of money, pensions, gratuities, allowances, bonuses, profit sharing bonuses or benefits or any other payment or by creating and from time to time subscription or contributing to provident and other funds, profit sharing or other schemes or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals, and dispensaries, medical and other attendance's and other forms of assistance, welfare or relief as the Directors shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public or any other institutions object or purposes or for any exhibition.

# To create depreciation and other funds

(u) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to create a Depreciation Fund, Insurance

Fund, General Reserve, Reserve Fund, Sinking Fund or any special or other fund or funds or accounts or accounts to meet contingencies, or to pay Redeemable Preference Shares, debentures or debenture stock or special dividends, or for equalising dividends, or for repairing, improving, extending and maintaining any part of the property of the Company, and/or for such other purposes (including the purposes referred to in the last two preceding sub-articles) as the Directors may, in their absolute discretion think conducive to the interests of the Company and to invest the several sums so set aside or as much thereof as are required to be invested upon such investments (subject to the restrictions imposed by the Act and these Articles) as the directors may think fit and from time to time to deal with and vary any such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company notwithstanding that the matters to which the Directors apply or upon which they expend the same or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the reserve, General Reserve, or the Reserve Fund into such special funds as the Directors may think fit, and to employ the assets constituting all or any of the above funds or accounts, including the Depreciation Fund appropriated out of the net profits in the business of the Company or in the purchase in repayment of Redeemable Preference Shares, debentures or debenture stock and that without being bound to keep the same separately from the other assets and without being bound to pay or allow interests, on the same with power however to the Director at their discretion to apply or allow interests, on the same with power however to the Directors at their discretion to pay allow to the credit of such fund interest at the rate as the Directors may think proper.

### To appoint employees

(v) Subject to the provisions of the Act, to appoint and at their discretion remove or suspend managers, secretaries, officer, clerks, agents and employees for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties, and fix their salaries or emoluments and require security in such instances as they may think fit; and also without prejudice as aforesaid, from time to time 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 without prejudice to the general powers conferred by these Articles.

### To comply with local laws

(w) To comply with the requirements of any local law which the Company is not bound to comply with but which in their opinion it shall be in the interests of the Company necessary or expedient to comply with.

### **Local Board**

(x) 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 any Local Board, or any managers or agents and to fix their remuneration.

### **Delegation**

(y) Subject to the provisions of Section 292 of the Act and Article 99 from time to time and at any time to delegate to any such Local Board, or any member or members thereof or any managers or agents so appointed any of the powers, authorities and discretion's for the time being vested in the Board of Directors and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein or the Article may be

made on such terms and subject to such conditions as the Board of Directors may think fit and the Board of Directors may at any time remove any person so appointed and may annul or vary any such delegation.

### Power of attorney

At any time and from time to time by power of Attorney to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board of Directors under these presents and excluding the powers which may be exercised only by the Board of Directors, at a meeting of the Board under the Act or these Articles or by the Company in General Meeting) and for such period and subject to such conditions as the Board of Directors may from time to time think fit and any such appointment may (if the Board of Directors my think fit) be made in favour of the member or any of the member of any local Board, established as aforesaid, or in favour of any Company, or the members, directors, nominees or managers of any Company firm or otherwise in favour of any body of persons whether nominated directly or indirectly by the Board of Directors and any such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Board of Directors may think fit, and may contain powers enabling any such delegate or attorneys as aforesaid to sub-delegate all or any of the powers and authorities for the time being vested in them.

# To delegate

(aa) Subject to the provisions of the Act and these Articles, to delegate the powers; authorities and discretions vested in the Directors or any person, firm, Company, or fluctuating body of persons as aforesaid.

#### To enter into contracts etc.

- (bb) Subject to the provisions of the Act and these Articles, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company, to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.
- Without prejudice to the other powers conferred by these Articles it is hereby declared that the directors shall have following powers that is to say power: To pay preliminary or any promotional costs and charges.

### **Annual General Meeting**

The company shall in each year hold a General Meeting as its Annual General Meeting in addition 96. to any other meetings in that year. All General Meetings other than Annual General Meeting shall be Extraordinary General Meetings. 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 after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for on a time during business hours, on a day that is not a public holiday, and shall be held in the office of the company or at some other place within the city in which the office of the Company is situated as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall be entitled to attend and to be heard at any General Meeting which he attends on any part of the business, concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report (if not already attached in the Audited statement of Accounts) the proxy Register with proxies and the Register of Directors' Share holdings of which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

### **Extraordinary General Meeting**

97.	The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so
	upon a requisition in writing by any member or members holding in the aggregate not less than
	one-tenth of such of the paid-up capital as at the date carries the right of voting in regard to the
	matter in respect of which the requisition has been made.

#### Quorum

98.	Five members entitled to vote and present in person shall be a quorum in the General Meeting. No
	business shall be transacted at any General Meeting unless the quorum of the members is present at the
	time when the meeting proceeds to business.

### Chairman of the meeting

99.	The chairman of the Board of Directors or in his absence one of the Directors chosen by the Directors
	present shall preside as chairman at every General Meeting of the Company. If no Directors is
	present or if the Director present is not willing to act as Chairman, the members present shall choose one
	of the members to be a chairman.

#### Voting

99.	On a show of hands, every member present in person shall have one vote. On a poll every member
	shall have one vote in respect of one share held by him.
100.	At any General Meeting a resolution put to vote at the meeting shall be decided on show of hands unless the poll is (before or on the declaration of result of the show of hands) demanded by a member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than 1/10th of the total voting power in respect of the resolution or on which an aggregate sum of not less than Rs.50,000/- has been paid up. The demand for poll may be withdrawn at any time by the person who made the demand.
101.	Notwithstanding any thing contained in the Articles of Association of the company, the company do adopt the mode of passing a resolution by the members of the Company by means of: postal ballot and/or other ways that may be prescribed by the Central Government in this behalf in respect of any business that can be transacted by the Company in the General Meeting and particularly, resolution relating to such business as a Central Government may be notification, declare to be conducted only by postal ballot. The Company shall comply with the procedure for such postal ballot and/or other ways prescribed by the Central Government in this regard.
102.	In the case of an equality of votes whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.
103.	Votes may be given either personally or by proxy. No member shall be entitled to be present or to vote either personally or otherwise at any General Meeting or upon a poll or to be reckoned in a quorum unless all calls or other sums presently payable by him in respect of the shares in the Company have been paid 21 days prior to the date of General Meeting.
104.	The instrument appointing a proxy shall be in the form prescribed by the Act or a form as near thereto as circumstances admit and shall be signed by the appointer or his attorney duly authorised in writing or under its common seal if the appointer is a Corporation. The instrument shall be deposited at the Registered Office of the Company not less than 48 hours before the time for holding of the General Meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

# RESERVES AND CAPITALISATION

### Reserves

105.	The Board may, before recommending any dividend set aside out of the profits of the Company such
	sums as it thinks proper as a reserve which shall at the discretion of the Board, be applicable for any
	purpose to which the profits of the Company may be properly applied and pending such
	application may, at the like discretion, either be employed in the business of the Company or as
	may be permitted by the Act, applied for payment of dividend or be invested in such investments
	and in such manner or as may be permitted by the Act and as the Board may from time to time think fit.

# Capitalisation

_Capit	Capitalisation		
106.	(a)	Any general Meeting may resolve that any amounts standing to the credit of the Share Premium Account, the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and where permitted by law, from the appreciation in value of any General Reserve, or any Reserve Fund or any other Fund of the Company or in the hands of the Company and available for dividend) be capitalised.  (1) By the issue and distribution as fully paid up shares of the Company; or  (2) By crediting shares of the Company, which may have been issued to any shareholder are not fully paid up with the whole or any part of the remaining unpaid thereon. Provided that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares, of the Company to be issued to member (as herein provided) as fully paid bonus share	
	(b)	For the purpose of giving effect to any such capitalisation the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any member on the footing of the value so fixed and may vest any such case or shares in trustees pun such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangements for the acceptance allotment and sale of such shares and fractional certificates or otherwise as they may think fit.	
	(c)	Subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only such capitalisation may be affected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of the fully paid shares, and the partly paid shares, the sum so applied on the payment of such further shares and in the extinguishments or diminution of the liability on the partly paid shares shall be so applied pro-rata in proportion to the amount then already paid or credited as paid on the existing fully paid shares respectively.	
	(d)	When deemed requisite, a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled, as aforesaid and such appointment shall be effective.	

# MANAGING DIRECTOR/WHOLE-TIME DIRECTOR

Power to appoint Managing Director and whole time Director

107.	Subject to the provisions of Section 197A, 198, 267, 268, 269, 309, 310, 311, 314, 316 and 317 and
	other applicable provisions of the Act or these Articles, the Directors may from time to time appoint a
	Executive Chairman, Managing Director or Whole-time Directors with any designation, of the
	Company on such terms and conditions as may be decided by the Board or the Shareholders or any
	statutory authorities. The Executive Chairman or the Managing Director or the Whole-time
	Director will be eligible to exercise such powers as may be delegated by the Board or Shareholders.
	Payment of remuneration to the Whole time Directors shall be subject to the provisions of Section
	198, 309, 310, 311 and Schedule XIII of the Companies Act 1956.

# RECONSTRUCTION/WINDING UP

# Reconstruction

108.	On any sale of the under taking of the Company the Board or Liquidator on a winding up may, if authorized by a Special Resolution, accept fully paid or partly paid-up shares, debentures or
	securities of any other Company, whether incorporated in India or not, either then existing or to be
	formed for the purchase in whole or in part of the property of the Company, and the Board (if the profits of
	the Company permit) or the liquidator (in a winding up) may distribute such shares or securities or
	any other property of the Company amongst the members without realization, or vest the same in
	trustees for them, and any Special Resolution may provide for the distribution or appropriation of
	cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal
	rights of the members or contributors of the Company and for the valuation of such manner as the
	meeting may approve and all holders of shares shall be bound to accept and shall be bound by any
	valuation or distribution so authorised, and waive all rights in relation thereto, save only in case the
	Company is proposed to be or is in the course of being wound up, such statutory rights, if any, under
	section 494 of the Act as are incapable of being waived or excluded by these Articles.

# Distribution of Assets

109.	If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the Capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital paid up at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to rights of the holders of shares issued upon special terms and conditions.
	upon special terms and conditions.

Winding up and Distribution of assets in specie or kind

		***
110.	(a)	If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution but subject to the rights attached to any preference share capital, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, sanction of a special resolution but subject to the rights attached to any preference shares capital, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the Contributories or any of them, as the liquidators, with the like sanction shall think fit.
	(b)	If thought expedient any such division may, subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any such division shall be determined, any contributory who would be prejudiced thereby shall have right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.
	(c)	In case any shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution, by notice in writing, intimate to the liquidator to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

Right of shareholders in case of the sale

111.	A Special resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of
	the Act may, subject to the provisions of the Act, in like manner as aforesaid determined that any
	shares or other consideration receivable by the liquidator be distributed amongst the members
	otherwise than in accordance with their existing rights and any such determination shall be binding
	upon all the members subject to the rights of dissent and consequential rights conferred by the said
	section.

# INDEMNITY AND RESPONSIBILITY

Directors and others right to indemnity

112.	(a)	Subject to the provisions of Section 201 of the Act every Director of the Company or the Managing Director, Manager, Secretary and other officer or employee of the Company and the Trustee (if any) for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses (including traveling expenses) which any such Director, Managing Director, Manager, Secretary or other officer or employee and the trustees (if
		any) for the Company may incur or become liable to by reason of any contract entered in to or any act, deed or thing done by him as such Director, officer, employee or trustees or in any way in the discharge of his duties.
	(b)	Subject as aforesaid every Director, Managing Director, Manager, Secretary or other Officer or Employee of the Company or the Trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings whether civil or criminal in which judgments given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is given to him by the Court.

Directors and others not responsible for acts of others

113.	Subject to the provisions of section 201 of the Act no Director, the Managing Director or other officer
	of the Company shall be liable for the acts, omissions, neglects or defaults of any Director or officer or
	for joining in any omission or other act for conformity or for any loss or expenses suffered by the
	Company through insufficiency or deficiency, of title to any property acquired by order of the
	Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or
	upon which any of the moneys of the Company shall be invested or for any loss or damage arising
	from the bankruptcy, insolvency, or tortuous act of any person Company or corporation, with whom
	any moneys, securities or effects shall be entrusted or deposited, or for any loss occasioned by any
	error of judgment or oversight on his part.

# SECRECY CLAUSE

114.	(a)	Every director, manager, auditor, trustee, member of a committee, officer, servant agent, accountant
		or other person employed in the business of the Company shall if so required by the Directors,
		before entering upon his duties, sign a declaration pledging himself observe strict secrecy respecting all
		transactions and affairs of the Company with individuals and in relation thereto, and shall by such
		declaration pledge himself not to reveal the discharge of his duties except when required so to do
		by the Directors or by law or by the person to whom such matters relate and except so far as may be
		necessary in order to comply with any of the provisions in these presents contained.
	(b)	No member shall be entitled to visit or inspect the Company's works without the permission of the
		Directors or the Managing Director or to require discovery of or any information respecting any detail
		of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery
		of trade, or secret process, which may relate to the conduct of the business of the Company and which in
		the opinion of the Director or the Managing Director it will be inexpedient in the interest of the
		members of the Company to communicate it to the public.

# Managerial Personnel

115.	Subject to the provisions of law the Company may appoint Managing Directors or Manager or whole-
	time director and entrust the whole or in part management of the Company to him or them, but in
	doing so the Company shall duly observe provisions of Section 197-A of the Companies Act, 1956
	regarding prohibition of simultaneous appointment of different categories of managerial personnel.

Appointment of Managing Director/s or whole time Director

Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to be Managing Director/s or whole time Director/s (hereinafter referred to as Managing Director/s) of the Company for fixed term not exceeding five years for which he is or they are to hold

Director/s) of the Company, for fixed term not exceeding five years for which he is or they are to hold such office and may from time to time (subject to the provisions of any contract between him or them and company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

Managing Director/s not liable to retire by rotation

117.	A Managing Director shall not while he continues to hold that office, be subject to retirement by
	rotation and he shall not be reckoned as a director for the purpose of determining the rotation of
	retirement of Directors or in fixing the number of Directors to retire but he shall be subject to the
	same provisions as to resignation and removal as the other Directors of the Company and he shall, ipso
	facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director
	for any cause.

Remuneration of Managing Director/s

118.	The remuneration of a Managing Director, shall subject to the provisions of any contract between
	him and the Company from time to time, be fixed by the Directors in accordance with and within
	the limits prescribed by law and may be by way of fixed salary and/or commission on profit of the
	Company and he may be paid any gratuity, pension or allowance on retirement and may be given the
	benefit of any provident fund or bonus or allowance or any perquisites or benefits.

Powers of Managing Director/s

119.	The Directors may from time to time entrust to and confer upon a Managing Director or the Managing
	Directors for the time being such of the powers exercisable by them as they may think fit and may
	confer such powers for such time and to be exercised for such objects and purposes, and upon such terms
	and conditions, and with such restriction as they think fit and they may confer such powers either
	collaterally with or to the exclusion of, and in substitution for, all or any of the powers of the
	Directors in that behalf, and may from time to time revoke, withdraw, alter, or vary all or any of such
	powers.

Compensation for loss of office

120.	Payment may be made by the Company to the Managing Director or Directors by way of
	compensation for loss of office or as consideration for retirement from office or in connection with such
	loss or retirement only as permitted by Sections 318 to 321 of the Companies Act, 1956 or other
	relevant provisions of law for the time being in force.

Re-appointment of Managing Director/s

121.	The Board of Directors of the Company may subject to the provisions of the Companies Act, 1956 from
	time to time re-appoint, re-employ, or extend the term of office of all or any of the Managing Directors
	for a period not exceeding five years on one occasion.

General powers of the Company vested in Directors

122.	Subject to the provisions of the Act, the management of the business of the Company shall be vested in the
	Directors and the Directors may exercise all such powers and do all such acts and things as the
	Company is by the Memorandum of Association or otherwise authorised to exercise and do and are not
	hereby or by the provisions of the Companies Act, 1956 or any other law or otherwise directed to be
	exercised or done by the Company in General Meeting

**Casting Vote** 

123.	In the case of an equality of votes whether on a show of hands or in a circular resolution, the Chairman of the
	Board shall be entitled to a second or casting vote.

# **Fees to Directors**

124.	Every Director shall be paid out of the funds of the Company such sum not exceeding the limits
	specified under Section 310 of the Companies Act, 1956 and as the Directors may from time to time
	determine for attending every meeting of the Board or any Committee of the Board.

# **Special Remuneration to Directors**

125.	If any Director, being willing, shall be called upon to perform extra services which expression shall include work done by the Directors as a member of any committee formed by the Directors or to make any special exertions in going or residing abroad,, or otherwise for any of the purposes of the Company,
	the Board may resolve to remunerate such Director either by a fixed sum or by a percentage of profits or otherwise as may be determined by the Directors and such remuneration may be in addition to the remuneration above provided.
	In addition to the remuneration payable to them in pursuance of the aforesaid Articles, the Directors may be paid taxi or air or Railway return fare, hotel and other incidental expenses incurred by them for the purposes of attending and returning from meeting of the Board of Directors or any committee thereof or any general meeting of the Company or in connection with the business of the Company.

# The Seal, its Custody and use

126.	The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and shall provide for the safe custody of the Seal for the time being.
	Unless otherwise determined, the Common Seal of the Company shall be affixed to any instrument or document in presence of at least one Director, or Secretary of the Company or such other person as may be authorised in that behalf by the Directors, who shall sign the instrument or document to which the seal is affixed, provided nevertheless that certificates of shares may be under the signatures of such persons as provided by the Companies (Issues of Share Certificates) Rules in force from time to time.

# **Resolution by Circular**

127.	Save as expressly otherwise provided under the Companies Act, 1956, a resolution in writing
	approved by a majority of the Directors or members of any committee thereof who are then in India shall
	be valid and effectual as if it had been passed at a meeting of the Board or Committee duly convened
	and held.

### **SECTION XII - OTHER INFORMATION**

#### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Offer Document) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Offer Document, delivered to the Registrar of Companies, Maharashtra located at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at A-32, STICE, Sinnar, Nashik-422 103, (Maharashtra India), India from 10.00 a.m. to 4.00 p.m. from the date of this Offer Document to until the date of Closing of the Issue.

#### A. Material Contracts:

- 1. Memorandum of Understanding dated June 14, 2010 entered into between our Company and Ashika Capital Limited, Book Running Lead Manager to the Issue.
- 2. Memorandum of Understanding dated May 26, 2010 entered into between our Company and Cameo Corporate Services Limited, Registrar to the Issue.
- 3. Copy of Tripartite Agreement dated April 19, 2010 among our Company, CDSL and Cameo Corporate Services Limited.
- 4. Copy of Tripartite Agreement dated March 18, 2010 among our Company, NSDL and Cameo Corporate Services Limited.
- 5. Escrow Agreement dated [●] between our Company, the BRLM, the Registrar to the Issue and the Escrow Collection Banks.
- 6. Syndicate Agreement dated [●] between our Company, the BRLM and the Syndicate Members.
- 7. Underwriting Agreement dated [●] between our Company, the BRLM and the Syndicate Members.

### **B.** Material Documents:

- 1. Copy of Certificate of Incorporation dated December 2, 1991, issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli.
- 2. Copy of Fresh Certificate of Incorporation Consequent upon Change of Name dated May 22, 2007 and Copy of Certificate of Incorporation Consequent upon Change of Name on Conversion to Public Limited Company dated January 29, 2010 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli.
- 3. Memorandum and Articles of Association of our Company, as amended from time to time.
- 4. Copy of the Resolution of the Board of Directors January 4, 2010 approving the Issue.
- 5. Copy of the Resolution passed by the shareholders, in the Extra Ordinary General Meeting dated February 03, 2010 under Section 81(1A) of the Companies Act, 1956 authorising the Issue.
- 6. Copy of resolution of the meeting of Board of Directors of the company held on February 04, 2010 interalia constituting the Audit Committee, Remuneration Committee and Shareholder's / Investor's Grievance Committee and Copy of the Resolution of the meeting of Board of Directors of the company held on February 04, 2010 for reconstitution of the Shareholder's / Investor's Grievance Committee

- Copies of Annual Reports of our Company for the years ended March 31, 2005, 2006, 2007, 2008, 2009 and March 31, 2010.
- 8. Copy of the Audit Report by M/s. Ashok Dhariwal & Co., Chartered Accountants, who are subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of the ICAI, dated 28.05.2010, on the Restated Financial Information as mentioned in the DRHP.
- 9. Copy of the Certificate dated May 28, 2010 by M/s.Ashok Dhariwal & Co., Chartered Accountants who are subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of the ICAI reporting the statement of possible tax benefits as mentioned in the DRHP.
- 10. Copy of the Certificate from the, M/s. Ashok Dhariwal & Co., Chartered Accountants dated 30.06. 2010 regarding the sources and deployment of funds as on June 30, 2010.
- 11. Copies of Undertakings from VMS Industries Limited.
- 12. Legal Due Diligence Report dated May 30, 2010 by Mr. Sudhir M. Mehta, Advocate.
- 13. No Objection Certificate(s) for the proposed public issue from Indian Overseas Bank & Allahabad Bank vide their letter(s) dated February 06, 2010 & February 04, 2010 respectively.
- 14. Consents in writing from our Directors, Company Secretary & Compliance Officer, Statutory Auditors, Bankers to our Company, Bankers to the Issue, Escrow Collection Bank(s), BRLM, Members of Syndicate, Registrar to the Issue, IPO Grade Agency, Legal Advisor to the Issue to include their names in the Offer Document to act in their respective capacities.
- 15. Copy of resolution passed at the meeting of Board of Directors held on June 30, 2010 for approving this DRHP.
- 16. IPO grading report dated [●] issued by ICRA Limited.
- 17. Due Diligence Certificate dated June 30, 2010 to SEBI from Ashika Capital Limited, the Book Running Lead Manager.
- 18. Initial listing application dated [●] filed with BSE.
- 19. In principle listing approval from BSE vide their letter dated [●].
- 20. SEBI observation letter no. [●] SEBI dated [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

#### **DECLARATION**

We, the Directors of the Company, hereby declare and confirm that, all relevant provisions of the Companies Act, SEBI (ICDR) Regulations, 2009 and the guidelines issued by the Government of India or the guidelines and regulations issued by Securities and Exchange Board of India, as applicable, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or the rules made or regulations issued there under, as the case may be, and that all the said legal requirements connected with this issue as also the guidelines, instruction, etc, issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with 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 Draft Red Herring Prospectus 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 Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR COMPANY

Manoj Kumar Jain

Director

Sangeeta Jain

Whole Time Director

Ajit Kumar Jain Managing Director

Hitesh Loonig

Director

Pranav Parikh Director

*図の*といいる Bakul Mehta

Director

SIGNED BY CHIEF FINANCIAL OFFICER

Mr. Mahadev Prasad Birla.

SIGNED BY, COMRANY SECRETARY & COMPLIANCE OFFICER

Mr. Hemal Patel

Place: Ahmedabad Date: June 30, 2010