



ATUL AUTO LIMITED

(Company Registration No. 016999)

(The Company was originally incorporated as a Private Limited Company in June 18, 1986 under the Companies Act, 1956 in the State of Maharashtra. It was promoted by Mr. Jayantibhai Jagjivandas Chandra and Mr. Atul J. Chandra. The name of the Company was changed from Atul Auto (Jamnagar) Pvt. Ltd. to Atul Auto Pvt. Ltd. on August 12, 1994. The Company was subsequently converted into a Public Limited Company and fresh certificate of incorporation was obtained on August 12, 1994 from the Registrar of the Companies, Gujarat. For details, please refer page no. 79 of this Letter of Offer)

Registered Office: Survey No. 86, Plot No. 1 to 4, National Highway 8-B, Near Microwave Tower, Rajkot Gondal Highway, Village Shapar (Veraval), Taluka Kotda Sangani, Rajkot-360002, Gujarat, India.

Tel No: +91-2827-666000, **Fax No:** +91 2827-666029,

E-Mail: investorrelations@atulauto.co.in, **Website:** www.atulauto.co.in

Corporate Office: Jimmy Tower, Opp. Swaminarayan Gurukul, Gondal Road, Rajkot - 360 002, Gujarat, India.

Tel No: +91-281-6546999, **Fax No:** +91-281-2374994

Contact Person: Ms. Purvi Prashant Mehta (Company Secretary & Compliance Officer)

For private circulation to the Equity Shareholders of the Company only

LETTER OF OFFER

ISSUE OF 14,62,880 EQUITY SHARES OF ₹ 10/- EACH FOR CASH AT A PRICE OF ₹ 30/- EACH INCLUDING A PREMIUM OF ₹ 20/- PER EQUITY SHARE AGGREGATING TO AN AMOUNT OF ₹ 4,38,86,400/- TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 1 EQUITY SHARE FOR EVERY 4 EQUITY SHARES HELD ON RECORD DATE I.E. 5TH SEPTEMBER, 2011. THE ISSUE PRICE IS 3 TIMES OF THE FACE VALUE OF THE EQUITY SHARE.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer 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 Offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the offer including the risks involved. The securities offered in the issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document. **Investors are advised to refer to "Risk Factors" on Page No. 12 of this Letter of Offer before making an investment in this Offer.**

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE). The Equity Shares had been de-listed from Saurashtra Kutch Stock Exchange Limited (SKSE) in consequence to derecognition of SKSE by SEBI. The Company had de-listed its Equity Shares from Ahmedabad Stock Exchange Limited. The Equity Shares offered through this Letter of Offer are proposed to be listed on BSE. BSE is the Designated Stock Exchange. The Company has received in-principle approval from BSE for the listing of the Equity Shares to be allotted pursuant to the Issue, vide letter number DCS/PREF/JA/IP-RT/1390/10-11 dated 14th January, 2011.

LEADMANAGER TO THE ISSUE



SUMEDHA FISCAL SERVICES LIMITED

8B, Middleton Street,
Geetanjali, Room No. 6A
Kolkata-700071

Ph: (033) 2229 8936/6758/3237

Fax: (033) 2226 4140/ 2265 5830

SEBI Regn. No. INM000008753

Web Site : www.sumedhafiscal.com

E-mail: compliance@sumedhafiscal.com

Contact Person:- Mr. Jayabrata Mukherjee

REGISTRAR TO THIS ISSUE



SHAREX DYNAMIC (INDIA) PVT. LTD.

Unit 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E), Mumbai-400 072.

Ph: (022)-28515606/5644/6338

Fax: (022)-28512885

SEBI Regn. No. INR000002102

Web Site: www.sharexindia.com

E-mail: - sharexindia@vsnl.com

Contact Person:- Mr. B. S. Baliga

ISSUE PROGRAMME

| ISSUE OPENS ON | LAST DATE FOR RECEIPT OF REQUESTS FOR SPLIT APPLICATION FORMS | ISSUE CLOSES ON |
|----------------------|---|----------------------|
| 15th September, 2011 | 23rd September, 2011 | 29th September, 2011 |

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Atul Auto Limited

SECTION – I. DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Letter of Offer.

| Terms | Description |
|--|--|
| “ATUL AUTO LIMITED”, “AAL”, “the Company”, “the Issuer Company”, “ the Issuer”, “it”, “we”, “us” and “our” | Unless the context otherwise requires, refers to Atul Auto Limited, a Public Limited Company incorporated under the Companies Act, 1956. |
| Promoter and Promoter Group | Mr. Jayantibhai Jagjivandas Chandra, Mr. Mahendrakumar Jamnadas Patel, Ms. Manishaben Atulkumar Chandra, Ms. Prafulaben Jayantilal Chandra, Mr. Nirajbhai Jayantilal Chandra, Ms. Anitaben Nirajbhai Chandra, Mr. Krunal Jayantibhai Chandra, Mr. Dharmendrabhai Jagjivandas Chandra, Mr. Ashokkumar Jamnadas Patel, Ms. Ramaben Dayalal Patel, Mr. Vasantrai Kurjibhai Patel, Ms. Manjulaben Vasantrai Patel, Ms. Ramaben Jamnadas Patel, Ms. Minaben Ashokkumar Patel, Ms. Krishnaben Chetankumar Patel, Mr. Hiren Vasantrai Patel, Ms. Rekhaben Maheshbhai Chandra, Mr. Maheshbhai Jagjivandas Chandra, Mr. Bharat Jagjivandas Chandra, Ms. Ushaben Dharmendrabhai Chandra, Mr. Alpesh Bharatbhai Chandra, Ms. Kapilaben Bharatbhai Chandra, Ms. Kashiben Jagjivandas Chandra, Mr. Harishbhai Jagjivandas Chandra, Ms. Harshaben Harishbhai Chandra, Mr. Chetankumar Vasantrai Patel, Ms. Manishaben Mahendrakumar Patel, Mr. Jamnadas Kurjibhai Patel, Ms. Hetal Alpesh Chandra. |

1. CONVENTIONAL / GENERAL TERMS

| Terms | Description |
|--|--|
| Articles / Articles of Association | The Articles of Association of the Company |
| Auditors | M/s. Maharishi & Company, Chartered Accountants |
| Board of Directors | The Board of Directors of the Company or a Committee thereof, duly constituted |
| Central Excise | The Central Excise Act, 1944, as amended from time to time |
| Companies Act/Act | The Companies Act, 1956, as amended from time to time |
| Depositories Act | The Depositories Act, 1996, as amended from time to time |
| Depository | A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended from time to time |
| Depository Participant | A depository participant as defined under the Depositories Act |
| Director(s) | Director(s) of the Company unless otherwise specified |
| Employees’ State Insurance Act / ESIA | Employees’ State Insurance Act, 1948, as amended from time to time. |
| Environment Protection Act / EPA | The Environment Protection Act, 1986, as amended from time to time |
| EPS | Earnings Per Share |
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed there under |
| FIPB | Foreign Investment Promotion Board |
| Financial Year / Fiscal Year / FY | The period of twelve months ended March 31 of that particular year, unless specifically otherwise stated |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| Industrial Policy | The Industrial policy and guidelines issued there under by Ministry of Commerce and Industry, Government of India. |
| I.T. Act / IT Act | The Income Tax Act, 1961, as amended from time to time |
| Memorandum / Memorandum of Association | The Memorandum of Association of the Company |
| Non Resident | A “person resident outside India”, as defined under FEMA including FIIs |
| Non-Resident Indian | A “person resident outside India” as defined under FEMA and who is a citizen of India or is a person of Indian Origin as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time |
| Person Resident | Shall have the same meaning as ascribed to the term under the FEMA |

Atul Auto Limited

| Terms | Description |
|---|---|
| Outside India | |
| RBI Act | The Reserve Bank of India Act, 1934, as amended from time to time |
| Registered Office | Survey No. 86, Plot No. 1 to 4, National Highway 8-B, Near Microwave Tower, Rajkot Gondal Highway, Village Shapar (Veraval), Taluka Kotda Sangani, Rajkot-360002, Gujarat, India. |
| Registrar of Companies / RoC | Registrar of Companies at Ahmedabad, Gujarat |
| Rupees, INR, Rs. and ₹ | The lawful currency of India |
| Securities Act | The United States Securities Act of 1933, as amended from time to time |
| SEBI Act | The Securities and Exchange Board of India Act, 1992, as amended from time to time |
| SEBI Regulations / SEBI (ICDR) Regulations 2009 | The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, and any amendments thereto |
| SEBI (Prohibition of Insider Trading) Regulations | Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time |
| SEBI Takeover Regulations / Takeover Code | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time |
| Self Certified Syndicate Bank or SCSB | The banks which are registered with SEBI under the SEBI (Bankers to the Issue) Regulations |
| Workmen's Compensation Act | The Workmen's Compensation Act, 1923, as amended from time to time |

2. ISSUE RELATED TERMS

| Terms | Description |
|--|---|
| Abridged Letter of Offer | The Abridged Letter of Offer to be sent to the eligible Equity Shareholders of the Company with respect to this Issue, in accordance with SEBI Regulations |
| Application | Unless the context otherwise requires, the application for allotment of Equity Shares in the Issue |
| Allottee(s) | The successful applicant(s) eligible for Allotment of Equity Share(s) pursuant to the Issue |
| Allotment / Allotment of Equity Shares | Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue |
| Application Supported by Blocked Amount / ASBA | The application (whether physical or electronic) used by an Investor to make an application authorizing the SCSB to block the amount payable on application in their specified bank account |
| ASBA Investor | An applicant who is applying through a bank account maintained with SCSBs. |
| Banker to the Issue | IDBI Bank Limited |
| Bankers to the Company | 1. IDBI Bank Limited 2. HDFC Bank Limited 3. ICICI Bank Limited |
| BSE/Bombay Stock Exchange | Bombay Stock Exchange Limited, where the Equity Shares of the Company are presently listed and traded |
| CDSL | Central Depository Services (India) Limited |
| Compliance Officer | Ms. Purvi Prashant Mehta (Company Secretary & Compliance Officer) |
| Composite Application Form / CAF | The form used by an investor to make an application for allotment of Equity Shares in this Issue |
| Consolidated Certificate | In case of holding Equity Shares in physical form, the Company would issue one certificate for the Equity Shares allotted to one folio |
| Controlling Branches | Such branches of the SCSBs which coordinate applications under the Issue by the ASBA Investors with the Registrar to the Issue and the Stock Exchanges and a list of which is available at SEBI's website; that is at http://www.sebi.gov.in |
| Designated Stock Exchange | The designated stock exchange for the Issue shall be The Bombay Stock Exchange Limited |

Atul Auto Limited

| Terms | Description |
|---------------------------------------|--|
| Draft Letter of Offer / DLOF | This Draft Letter of Offer dated 06.01.2011 filed with SEBI for its observation |
| Equity Shareholder(s) | A holder(s) of Equity Shares of the Company as on the Record Date |
| Escrow Account | Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount and refunds (if any) of the amount collected to the Bidders |
| Issue | The issue of 14,62,880 Equity Shares of ₹ 10/- each for cash at a price of ₹ 30/- each including a premium of ₹ 20/- per Equity Share aggregating to an amount of ₹ 4,38,86,400/- to the Equity Shareholders on rights basis in the ratio of 1 Equity Share for every 4 Equity Shares held on Record Date i.e. 5th September, 2011 |
| Issue Closing Date | 29th September, 2011 |
| Issue Opening Date | 15th September, 2011 |
| Issue Price | ₹ 30/- per Equity Share |
| Issue Proceeds | The monies received by the Company pursuant to the Equity Shares which are Allotted pursuant to the Issue |
| Investor(s) | The Equity Shareholders of the Company on the Record Date i.e. 5th September, 2011, Renouncees and any other persons eligible to subscribe to the Issue |
| Lead Manager | Sumedha Fiscal Services Limited |
| Letter of Offer / LOF | Letter of Offer dated 19th August, 2011 as filed with the Stock Exchange after incorporating SEBI comments on the Draft Letter of Offer |
| Listing Agreement | The Equity Listing Agreement signed between the Company and The Bombay Stock Exchange Limited |
| Net Proceeds | The Issue Proceeds less the Issue Expenses. For further information about use of the Issue Proceeds and the Issue Expenses see "Objects of the Issue" on page 54 of this Letter of Offer |
| NSDL | National Securities Depository Limited |
| Record Date | 5th September, 2011 |
| Registrar to the Issue / Registrar | Sharex (Dynamic) India Pvt. Ltd. |
| Renouncee(s) | Persons who have acquired Rights Entitlements from Equity Shareholders |
| Rights Entitlement | The number of Equity Shares that an Equity Shareholder is entitled to in proportion to his / her shareholding in the Company as on the Record Date |
| Stock Exchange | BSE where the Equity Shares of the Company are presently listed |
| Working Days | Any day, other than Saturday or Sunday, on which commercial banks are open for business |
| Self Certified Syndicate Bank or SCSB | The banks which are registered with SEBI under the 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 http://www.sebi.gov.in/pmd/scsb.pdf |

3. BUSINESS / INDUSTRY RELATED TERMS AND ABBREVIATIONS

| Terms | Description |
|------------|--|
| AGM | Annual General Meeting |
| ARAI | Automotive Research Association of India |
| AS | Accounting Standards issued by "The Institute of Chartered Accountants of India" |
| ASBA | Application Supported by Blocked Amount |
| ASE | Ahmedabad Stock Exchange Limited |
| AY | Assessment Year |
| BIW | Body in White |
| BPLR | Benchmark Prime Lending Rate |
| BSE | Bombay Stock Exchange Limited |
| CAPEX | Capital Expenditure |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| CED | Cathode Electro Disposition |
| CENVAT | Central Value Added Tax |
| CERA AUDIT | Central Revenue Audit |
| CESTAT | The Customs, Excise and Service Tax Appellate Tribunal |
| CIN | Corporate Identification Number |

Atul Auto Limited

| Terms | Description |
|----------------|--|
| CNC | Computerized Numerical Control |
| CNG | Compressed Natural Gas |
| CV(s) | Commercial Vehicle(s) |
| DIN | Director's Identification Number |
| DISCOM | Distribution Company |
| DP | Depository Participant |
| DP ID | Depository Participant Identification Number |
| EBITDA | Earnings Before Depreciation, Interest, Tax and Amortization |
| ECS | Electronic Clearing Service |
| EGM | Extraordinary General Meeting |
| EPS | Earnings per Share |
| ERW | Electric Resistant Welding |
| EURO | Lawful currency of the European Union |
| FCNR Account | Foreign Currency Non Resident Account |
| FDI | Foreign Direct Investment |
| FII | Foreign Institutional Investor [as defined under Securities & Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time] registered with SEBI under applicable laws in India |
| FMCG | Fast Moving Consumer Goods |
| FY/ Fiscal | Financial Year/ Fiscal Year |
| GDP | Gross Domestic Product |
| GEDA | Gujarat Energy Development Agency |
| GERC | Gujarat Electricity Regulatory Commission |
| GETCO | Gujarat Electricity Transmission Corporation Limited |
| GIR | General Index Registry Number |
| GOI | Government of India |
| HUF | Hindu Undivided Family |
| ICAI | Institute of Chartered Accountants of India |
| IT | Information Technology |
| INR | Indian Rupee, the legal currency of the Republic of India |
| KWH | Kilo Watt Hour |
| LPG | Liquefied Petroleum Gas |
| Ltd. | Limited |
| LTV | Light Transport Vehicle |
| Mfg. | Manufacturing |
| MIG | Metal Inert Gas |
| MW | Mega Watt |
| N.A. / N/A | Not Applicable |
| NAV | Net Asset Value |
| NBFC | Non Banking Finance Corporation |
| NPA | Non Performing Assets |
| NR | Non Resident |
| NRE Account | Non Resident (External) Account |
| NRI | Non Resident Indian |
| NRO Account | Non Resident (Ordinary) Account |
| NSDL | National Securities Depository Limited |
| OCBs | Overseas Corporate Body |
| p.a. | Per Annum |
| P/E Ratio | Price / Earnings Ratio |
| PAN | Permanent Account Number |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| Q.A | Quality Assurance |
| R&D | Research & Development |
| RBI | Reserve Bank of India |
| RoNW | Return on Net Worth |
| RTGS | Real Time Gross Settlement |
| SCSB | Self Certified Syndicate Bank |
| SEBI/BOARD | Securities and Exchange Board of India |
| Securities Act | U.S. Securities Act of 1933, as amended |

Atul Auto Limited

| Terms | Description |
|--------------|--|
| SKSE | The Saurashtra and Kutch Stock Exchange |
| STT | Securities Transaction Tax |
| TAN | Tax Deduction Account Number |
| TIN | Taxpayers Identification Number |
| USD/\$/US\$ | United States Dollar, the legal currency of the United States of America |
| VAT | Value Added Tax |
| VMC | Vertical Machining Centre |
| WDV | Written Down Value |
| WEG | Wind Energy Generator(s) |

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. The Company is making this Issue of Equity Shares on a rights basis to the Equity Shareholders of the Company and will dispatch the Abridged Letter of Offer and Composite Application Form (“CAF”) to the shareholders who have an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send this Letter of Offer in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Company’s affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

European Economic Area Restrictions

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), an offer of the Equity Shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of Equity Shares to the public in that Relevant Member State at any time may be made:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than Euro 4,30,00,000 and (3) an annual net turnover of more than Euro 5,00,00,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

Provided that no such offer of Equity Shares shall result in the requirement for the publication by the Company pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “offer to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. This European Economic Area selling restriction is in addition to any other selling restriction set out below.

United Kingdom Restrictions

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The Equity Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Equity Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

NO OFFER IN THE UNITED STATES

The rights and the securities of the Company has not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the “United States” or “U.S.”) or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act (“Regulation S”)), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in this Letter of Offer are being offered in India, but not in the United States. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said Equity Shares or rights. Accordingly, the Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

Neither the Company nor any person acting on behalf of the Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who the Company or any person acting on behalf of the Company has reason to believe is, either a “U.S. person” (as defined in Regulation S) or otherwise in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. The Company is making this issue of Equity Shares on a rights basis to Equity Shareholders of the Company and the Letter of Offer and CAF will be dispatched to Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it is not a “U.S. person” (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States, and (iii) is authorised to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

The Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a “U.S. person” (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to the Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where the Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and the Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.

PRESENTATION OF FINANCIAL INFORMATION

Unless stated otherwise, the financial information used in this Letter of Offer is derived from the Company's audited restated financial statements as of 2007, 2008, 2009, 2010 and 2011 prepared in accordance with Indian GAAP, the Companies Act and SEBI Regulations which are included in this Letter of Offer and set out in the chapter titled "*Financial Statements*" beginning on page 115 of the Letter of Offer.

The Company's fiscal year commences on April 1 of each year and ends on March 31 of the next year. Unless stated otherwise, all references to a particular fiscal year are to the 12 month period ended March 31 of that year.

In the Letter of Offer, and discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

Currency of Presentation

All references to "Rupees", "INR" or "Rs." or "₹" are to Indian Rupees, the official currency of the Republic of India.

In the Letter of Offer, unless the context otherwise requires, all references to "India" are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to "UK" or the "U.K." are to the United Kingdom.

SECTION – II. RISK FACTORS

1. FORWARD LOOKING STATEMENTS AND MARKET DATA

Statements included in the Letter of Offer which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions are “forward looking statements”. Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with the Company’s expectations with respect to, but not limited to:

- General economic and business conditions in the markets in which the Company operate and in the local, regional, national and international economies;
- Changes in laws and regulations relating to the sectors/ areas in which the Company operates;
- Increased competition in the sector/ areas in which the Company operates;
- The Company’s ability to successfully implement the growth strategy and expansion plans, and to successfully launch and implement various projects and business plans for which funds are being raised through the Issue;
- The Company’s ability to meet the capital expenditure requirements;
- Fluctuations in operating costs;
- Changes in technology;
- Changes in political and social conditions in India or in countries that the Company may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which the Company is involved.

Neither the Company, Directors, the 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 SEBI requirements, the Company, the Lead Manager 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 for the Equity Shares being offered on a rights basis.

For a further discussion of factors that could cause the Company’s actual results to differ, see the sections titled “*Risk Factors*” beginning on page number 12 of the Letter of Offer respectively. 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.

Use of Market Data

Unless stated otherwise, macroeconomic and industry data used throughout the Letter of Offer has been obtained from publications prepared by Government sources, industry sources and data generally available in the public domain. Such publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although Company believes that industry data used in the Letter of Offer is reliable; it has not been independently verified.

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2. RISK FACTORS

The investors should consider the following risk factors together with all the information included in the Letter of Offer carefully, in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like “may”, “believes”, “will”, “expect”, “anticipate”, “estimate”, “plan” or other similar words. The Company’s actual results could differ from the anticipated in these forward-looking statements as a result of certain factors including those, which are set forth in the “Risk Factor” below.

Materiality:

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

- Some events may not be material individually, but may be found material collectively.
- Some events may have material impact qualitatively instead of quantitatively.
- Some events may not be material at the time of making disclosure in the Letter of Offer but may be having material impacts in the future.

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

Internal Risk Factors

1. Risk arising out of outstanding litigation against the Company and its Group/Associate Companies:

The Company and its Group/Associate Companies are involved in certain litigations, a summary of which is given hereunder:

| Sl. No. | Particulars of litigations | No. of Cases | Amount ₹ in Lacs |
|---------|---|--------------|------------------|
| 1. | Litigations filed against the Issuer Company | 67 | 1282.97 |
| 2. | Litigations filed against the Group/Associate Companies | 45 | 103.79 |
| 3. | Litigations filed by the Issuer Company | 1 | 4308.49 |
| 4. | Litigations filed by the Group/ Associate Companies | 5320 | 3787.90 |
| 5. | Litigations filed against Promoters / Directors | 1 | 12.31 |
| | TOTAL | | 9495.46 |

For further details, please refer to page no. 167 to 176 of this Letter of Offer.

2. Past non-compliances / delayed compliances with certain provisions of the Listing Agreement and SEBI (Substantial Acquisition of Shares And Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992:

The Company, in the past, has not complied with certain provisions of the Listing Agreement with the Stock Exchanges and also delayed in filing the disclosure forms as required under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992. The Company had received notices from the Stock Exchange for the above violations. However, the Company has filed all the disclosure forms with the Stock Exchange in the year 2007.

Further the Company has delayed in complying with certain provisions of the Listing Agreement with the Stock Exchange viz. clause 31(a) and 49 and also delayed in filing the disclosure forms as required under regulation 8(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 in the year 2009 and 2010. The company has been complying with the requirements listing agreement regularly since the financial year 2010-11.

In future if any delay in filing of the disclosures/requisite forms/returns by the Company, it may face penalty or the Equity Shares of the Company may get suspended for trading/delisted from the Stock Exchange, which may have a material adverse effect on trading of the Equity Shares.

3. There have been suspensions in trading of Equity Shares of the Company on BSE in the past:

Trading of the Equity Shares had been suspended twice, in 1998 and 1999, on account of non-compliance with various provisions of the listing agreement, and non-filings of returns under the Takeover Code. If trading in the

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Equity Shares is suspended in the future for any reasons whatsoever, it would severely affect shareholders' ability to dispose off the Equity Shares, and may lead to a fall in the value of the Equity Shares, thus adversely affecting the value and tradability of the Equity Shares for the period of such suspension, which may lead to loss for shareholders.

4. On standalone basis the Company has reported negative cash flows from the Investing and Financing Activities for the year 2007, 2008, 2009, 2010 and 2011.

The Company has reported negative cash flows from investment activities for the year 2007, 2008, 2009, 2010 and 2011 due to addition of fixed assets for ongoing modernization and expansion plans, and from financing activities for the year 2007, 2010 and 2011 due to repayment of loans, payment of dividend and interest to the banks. For details, please refer page no. 120.

5. One of the Object of this issue is to repay the term loan availed from IDBI Bank and hence would not resulting creation of tangible assets.

The Company has availed Term Loan from IDBI Bank amounting to ₹ 1500.00 Lacs. The Company intends to repay Term Loan amounting to ₹ 323.86 Lacs out of the Net Proceeds of the Rights Issue, For further details, see "Objects of the Issue" on page 54 of this Letter of Offer. The issue proceeds, therefore, shall not result in creation of any tangible assets.

6. The following Group/ Associate Companies/ Firms have object/business line similar to that of the Company's business:

| Name of the company | Nature of activity |
|------------------------------------|--|
| Atul Motors Private Limited | Motor car dealership. |
| Khushbu Auto Private Limited | Dealership of three wheeler at Ahmadabad. |
| Atul Chandra Finlease Pvt. Limited | Finance company which provides finance through various modes. |
| Atul Buildcon Private Limited | Construction business. |
| Atul Rachana Private Limited | Construction business. |
| Atul Auto Agency | Dealership of two wheeler at Jamnagar. |
| Atul Auto Industries | Manufactures Chakda Rickshaws. |
| Atul Automobiles | Dealer of vehicle spare parts manufactured by another Motor Company. |
| Atul Automotives | Dealers of automobiles manufactured by another Company. |
| Atul Petroleum | Operating a petrol pump at Jamnagar. |
| New Chandra Motor Cycle House | Dealer of Auto parts. |
| New Chandra Motor Cycle Agency | Trade in Auto Vehicles & Auto Parts. |
| Atul Enterprises | Distribution of spares parts manufactured by another Company. |
| Chandra Auto Centers | Trades in Spares parts. |

The above entities have some of the objects/business line similar to that of the Company's business. As on the date of filing the Letter of Offer, the aforesaid entity/ies are not directly competing with the Company and currently the Company does not have any non-compete agreement/arrangement with any of its Promoter Group/Associate Entity/ies.

The management is of the opinion that considering the wide range of area and products in which the Company operates generally there would be no conflict of interest. However, in future, if any competition comes up, then the Company will adopt necessary procedures and practices as permitted by law to address any conflict situations as and when they arise.

7. The Promoter & Promoter Group are holding an aggregate of 59.30% of the Equity Shares of the Company, which is a significant control over the management and affairs, as a result of which, the remaining shareholders may not be able to affect the outcome of shareholder voting.

As on March 31, 2011, the Promoters and Promoter Group holds an aggregate of 59.30% of the Equity Shares of the Company. As a result, the Promoters and Promoter Group, acting together, will influence the matters requiring shareholder approval, including the election of all or majority of Company's Directors and approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of Company's assets. The Promoters and Promoter Group will therefore have the ability to exercise controlling influence over Company's

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business and management affairs and may cause to take actions that may conflict with the interests of some of its shareholders.

8. Certain Group/Associate Companies/ Firms have incurred losses in the past.

The details of Profit / (Loss) after Tax for certain Group Companies/ Firms that have incurred losses in the past is as under:

(₹ in Lacs)

| Sl. No. | Group / Associate Company/ Firms | FY 2010 | FY 2009 | FY 2008 | % of shareholding of AAL |
|---------|---------------------------------------|----------|----------|---------|--------------------------|
| 1. | Atul Automobiles | (0.82) | (2.76) | 8.77 | Nil |
| 2. | Atul Chandra Finlease Private Limited | (0.01) | (0.01) | (0.01) | Nil |
| 3. | Atul Petroleum | (0.90) | 0.94 | 3.10 | Nil |
| 4. | Atul Rachna Pvt. Limited | (0.01) | (0.09) | (0.18) | Nil |
| 5. | Chandra Auto Centre | 0.00 | 0.00 | (0.19) | Nil |
| 6. | Khushbu Auto Finance Limited | (475.04) | (260.05) | (8.58) | 49.91 |
| 7. | Khushbu Auto Private Limited | (25.27) | (31.79) | 13.60 | Nil |

Note: For further details please refer page no. 144 to 157.

9. The Company has entered into certain related party transactions.

Company has entered into related party transactions with the promoters, directors, key management personnel, relatives of key management personnel and its group entities. These transactions or any future transactions with the related parties could potentially involve conflicts of interest.

The Brief of some of the major transactions for the year ended 31st March, 2011 is mentioned below:

(₹ in Lacs)

| Sr.No. | Name of Entity/ Person | Relationship | Nature of Transaction | Cumulative Value of the Transactions for the year ended 31.03.2011 | For the Year ended 31.03.2011 |
|--------|----------------------------------|------------------------------|---------------------------|--|-------------------------------|
| A) | ASSOCIATED COMPANIES | | | | |
| 1. | CURRENT ACCOUNT | | | | |
| | Khushbu Auto Finance Ltd. | Associate Co. | Current | 442.71 | - |
| | TOTAL | | | 442.71 | - |
| 2. | INTEREST RECEIVED | | | | |
| | Khushbu Auto Finance Ltd | Associate Co. | Interest Received | 28.33 | - |
| | TOTAL | | | 28.33 | - |
| B) | KEY MANAGEMENT PERSONNEL | | | | |
| 1. | REMUNERATION | | | | |
| | Shri Chandra Jayantilal Jagjivan | Chairman & Managing Director | Remuneration | 36.00 | - |
| | Shri Chandra Jayantilal Jagjivan | Chairman & Managing Director | Reimbursement of Expenses | 2.38 | - |
| | Shri Mahendrabhai J. Patel | Whole Time Director | Remuneration | 33.00 | - |
| | Shri Mahendrabhai J. Patel | Whole Time Director | Reimbursement of Expenses | 2.28 | - |
| | Shri Sunilkumar Mittal | Whole Time Director | Remuneration | 20.40 | - |
| | Shri Sunilkumar Mittal | Whole Time Director | Reimbursement | 11.51 | - |

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| | | Director | of Expenses | | |
|----|---|---|--------------------------------|----------------|----------|
| | Total | | | 105.57 | - |
| C) | ENTERPRISE OWNED OR SIGNIFICANTLY INFLUENCED BY KEY MANAGEMENT PERSONEEL OR THEIR RELATIVES: | | | | |
| | Khushbu Auto Pvt Ltd | Group Company | Sale Of Goods | 2879.24 | 450.84 |
| | Khushbu Auto Pvt Ltd | Group Company | Purchase of goods | 4.41 | |
| | Khushbu Auto Pvt Ltd | Group Company | Warranty claim exp. | 2.42 | |
| | Khushbu Auto Pvt Ltd | Group Company | After sales service | 3.95 | |
| | Khushbu Auto Pvt Ltd | Group Company | Pre-delivery inspection | 6.62 | |
| | Khushbu Auto Pvt Ltd | Group Company | Labour charges | 0.07 | |
| | Khushbu Auto Pvt. Ltd. | Enterprise Owned or Significantly Influenced By KMP | Reimbursement of Expenses | 1.28 | |
| | Khushbu Auto Pvt. Ltd. | Enterprise Owned or Significantly Influenced By KMP | Vehicle Repairing Expense | 0.61 | |
| | Total | | | 2898.60 | |
| | New Chandra Motor Cycle Agency | Group Company | Sale of Goods | 156.52 | 22.12 |
| | New Chandra Motor Cycle Agency | Group Company | Warranty claim exp. | 0.04 | |
| | New Chandra Motor Cycle Agency | Group Company | After sales service | 0.27 | |
| | New Chandra Motor Cycle Agency | Group Company | Pre delivery Inspection | 0.12 | |
| | Total | | | 156.95 | |
| | New Chandra Motor Cycle House | Group Company | Sale of Goods | 60.59 | 14.07 |
| | New Chandra Motor Cycle House | Group Company | Purchase of Goods | 8.76 | |
| | Total | | | 69.35 | |
| | Atul Auto Industries | Group Company | Sale of Goods | 1.73 | (0.02) |
| | Atul Auto Industries | Group Company | Purchase of goods | 5.87 | |
| | Atul auto industries | Group Company | After Sales Service Receivable | 0.26 | |
| | Total | | | 7.86 | |
| | Atul auto motives | Group Company | Fixed Assets | 8.20 | - |
| | Atul automotives | Group Company | Services Received | 0.12 | |
| | Total | | | 8.32 | |
| | Atul automobiles | Group Company | Services Received | 0.11 | - |
| | Total | | | 0.11 | |
| | Atul motors pvt ltd | Group Company | Services Received | 0.50 | - |
| | Atul motors pvt. Ltd. | Group Company | Interest Received | 5.05 | |
| | Total | | | 5.55 | |
| | Shri Nirajbhai Chandra | Relative of Key Managerial | Reimbursement of Expenses | 1.50 | - |

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| | | | | | |
|--------------|---------------------------|--------------------------------------|---------------------------|-------------|---|
| | | personnel | | | |
| | Shri Nirajbhai Chandra | Relative of Key Managerial personnel | Remuneration | 7.56 | - |
| Total | | | | 9.06 | - |
| | Shri Nishantbhai Lalakiya | Relative of Key Managerial Personal | Reimbursement of Expenses | 0.15 | - |

For detailed information on related party transactions refer to the section “Financial Statements – Related Party Transactions” beginning on page 134 of this Letter of Offer.

10. Company outsource some of its components’ manufacturing. Any delay to deliver in time or failure to maintain quality standards on their part may adversely affect its sales and financial performance.

Company need to outsource some of the activities and some components for its three-wheelers such as battery, tyres, engine, leafsprings etc. The said components are ready component, and can be fitted directly into the vehicle. To the extent the works are outsourced, the Company is dependent on contractors and any delay to deliver in time or failure to maintain quality standards on their part may adversely affect its turnaround time/delivery schedule and Company’s business reputation, consequently adversely affecting its sales and financial performance.

Further, there are few major suppliers of three wheeler engines in India. Company has not entered into any supply agreement with the supplier for engines. The supplier does not have any obligation to sell engines to the Company. The Company’s dependence on these suppliers makes it vulnerable to any delay in supply schedule, which may delay its production process, ability to deliver orders in time, which may have an adverse affect on its sales and financials.

11. Company is dependent upon the expertise of its Promoters, key management and technical personnel for its future performance. Company may be adversely affected if it, for any reason are unable to avail of their expertise.

The Company is dependent on the experience and the continued efforts of its Promoters who have been associated with the Company since inception. The future performance may be affected in the absence of the services of the Promoters who are involved in its day-to-day activities. Besides, the key managerial and technical personnel comprises of experienced people from varied backgrounds like engineering, design competence, process know-how, marketing, etc., who are well qualified in their respective fields and are crucial to the successful functioning of its business. Company’s ability to grow depends largely on its ability to attract, train, motivate and retain such highly skilled personnel. In the event of one or more members of its team being unable or unwilling to continue in their present positions, it may find it difficult to find suitable replacements and as a result its business could be adversely affected.

12. Deployment of issue proceeds is entirely at the discretion of the Issuer and is not subject to any monitoring by any independent agency.

The net proceeds from this Issue are expected to be used as set forth under “Objects of the Issue” on page 54 of this Letter of Offer. The use of the net proceeds is at the Company’s sole discretion and is not subject to any monitoring by any independent agency. Accordingly, investors in this Issue have to rely upon the judgment of the management, who will have considerable discretion, with respect to the use of proceeds.

13. The Company is subject to restrictive covenants in certain debt facilities availed of from its lenders.

There are restrictive covenants in agreements that the Company has entered into with the bank for borrowings. These restrictive covenants require the Company to seek the prior permission of the said bank for various activities, including amongst others, such as effecting any change in the capital structure, declaration and payment of dividends for any year in case of default on payment of any amount due to the Bank, issuing new securities, changing the ownership, shareholding pattern, Management etc. Delay or failure to obtain such consents would impact the business operations of the Company.

14. The contingent liabilities could adversely affect the financial condition of the Company.

Following are contingent liabilities which are not acknowledged as debt as on 31st March, 2011 as per audited financial statement.

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| Particulars | ₹ in Lacs | % of PAT |
|---|-----------|----------|
| Claims against the Company not acknowledge as debts: | | |
| Sales Tax | 2.03 | 0.21% |
| CST | 11.84 | 1.25% |
| Excise | 23.12 | 2.45% |
| Income Tax | 69.46 | 7.37% |
| Case Pending before consumer forum | 41.14 | 4.36% |
| Case filed by the supplier in the Court | 1117.30* | 118.52% |

*Case filed by the supplier in the court amounting to ₹ 1117.30 Lacs has already been included in litigation filed against Issuer Company.

15. The Company has made an application for registration of various trademarks under the Trade Marks Act, 1999. In case the registration is not received by the Company, the same could be used by other businesses or the competitors as such the business may suffer.

The Company has filed applications with the Trade Marks Registry for registration of certain trademarks under the relevant provisions of the Trade Marks Act, 1999, which are pending as on date of this Letter of Offer. These applications may not be allowed or third parties may challenge the validity or scope of this application or the trademark. For details, please refer page no. 73 of the Letter of Offer.

16. Company's inability to manage growth may lead to loss of opportunities and may hamper its future growth plans.

While the Company has been generally successful in execution of its business strategy in the past, the same may not hold true in future. Company may be subject to growth-related risks including capacity constraints and pressure on internal systems and controls. Company's inability to deal with such a growth could have a material adverse impact on its business, operations and prospects. In order to manage its current operations and any future growth effectively, it will need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that it will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support its operations or that it will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with such growth. Any failure on its part to scale up infrastructure and management to meet the challenges of rapid growth could cause disruptions to its business and could be detrimental to its long-term business prospects.

17. Company's success significantly depends on its management and operational teams and other skilled professionals. If it fails to retain, motivate and/or attract such personnel, its business may be unable to grow and its revenues could decline, which may decrease the value of our Equity Shares.

Company is dependent on the senior members of its management and operational team for its continued success and growth. Its success depends on its ability to attract, train, motivate and retain highly skilled professionals. If it cannot hire and retain the qualified personnel, its ability to continue to expand may be impaired and its revenues could decline.

Further there was high employee turnover during the past years, which if continue to happen, may affect company's business operations. For details please refer page no. 76.

18. The limited geographical dispersion of fuel stations for CNG & LPG and short supply of fuel for CNG & LPG vehicles may affect the sales of the Company:

The limited geographical dispersion of fuel stations for CNG & LPG and short supply of fuel for CNG & LPG vehicles may act as a dampener to the growth of the Company. The CNG & LPG fuel stations are not available in large numbers as compared to diesel/petrol fuel stations. This may adversely affect the sales for CNG & LPG vehicles.

India has approx. 36000 petrol/ diesel stations 596 LPG/ CNG stations. Hence, ratio of LPG/ CNG to Petrol/ diesel is 2.38% (approx). CNG/ LPG vehicles are comparatively less as the concept is newly developed since last 2-3 years and presently under the stage of development. In case of Issuer company, the production of CNG/ LPG vehicles are negligible in compare to Petrol/ Diesel vehicles as per production chart of last 3 years as mentioned hereunder:

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| Financial Year | Petrol | Diesel | CNG | LPPG | Total | % CNG/LPPG to total sales |
|----------------|--------|--------|-----|------|-------|---------------------------|
| 2008-09 | 0 | 11086 | 402 | 0 | 11488 | 3.50% |
| 2009-10 | 0 | 12192 | 137 | 0 | 12329 | 1.11% |
| 2010-11 | 9 | 19349 | 40 | 0 | 19398 | 0.21% |
| Total | 9 | 42627 | 579 | 0 | 43215 | 1.34% |

Source: Ministry of Petroleum & Natural Gas Government of India New Delhi (Economic Division).

19. The automobile sector requires continuous up-gradation

The automobile sector is characterized by continuous up-gradation in terms of technology, manufacturing process and design capability. Consequently, the Company has to meet with the aforesaid demands and invest continuously to upgrade technology, manufacturing process and designs and keep abreast with the latest innovations in the automobile industry. In case the Company is unable to keep pace with the growth rate of technology advancements or process change or design changes, it may be unable to meet customer expectations which would adversely affect the revenue.

20. The loss, shutdown or slowdown of operations at any of the Company's facilities could have a material adverse effect on the Company's results of operations and financial condition. Company's Haridwar Plant was closed down its operations on 02.10.2008, due to low sales volume, shortage of man power and non-availability of technology and space for manufacturing of Rear Engine Three Wheeler.

The Company's facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply interruptions, facility obsolescence or disrepair, labour disputes, natural disasters and industrial accidents. The occurrence of any of these risks could affect the Company's operations by causing production facilities to shut down or slow down. The Company's manufacturing facilities in Haridwar has been wound up which have had a material adverse impact on the Company's results of operations and financial condition in the last two years. Although the Company takes reasonable precautions to minimize the risk of any significant operational problems at its facilities, no assurance can be given that one or more of the factors mentioned above will not occur, which could have a material adverse effect on the Company's results of operations and financial condition.

21. New entry of big players in the market:

New entry of big players is a threat for the existing three-wheeler market as they are well equipped with latest technology and automated machines. The Company may face stiff competition with the new players in the market. If the Company is not able to face the competition from the new players, it will adversely affect the sales and consequently will reduce the market share, which may have an adverse affect on its financial performance.

22. Company is yet to establish marketing setup across the country:

At present major activity and market share of the Company is concentrated in the states of Gujarat, Andhra Pradesh, Assam, Jammu & Kashmir, Maharashtra, Chattisgarh, Kerala, Uttar Pradesh, Orissa, Rajasthan and Haryana. The marketing setup of the Company is gradually expanding to the southern part of the country. To establish the business in the new markets it has to incur expenditure on marketing its products. Company might not be able to establish its products in new states, which might adversely affect its expansion plans, and reduce its margins and profitability.

23. Increasing risks to the automobile industry due to rising fuel costs led by upward spiralling crude oil prices.

The recent surge in crude oil prices have increased fuel costs, which poses a significant challenge to automobile manufacturers countrywide, including the Company, especially in the commercial vehicle segments where fuel costs represent a significant portion of the operating costs of such vehicles.

24. The manufacturing facilities of the Company may be affected by natural calamities like Earthquakes, etc.

The economic activities in the Rajkot District came to standstill on account of devastating earth quake on January 26, 2001. Till date none of the manufacturing facilities have been affected by any such occurrence. However, in future, if or other natural calamity hits the Rajkot District, or any other manufacturing facilities of the Company or its sub-contractors, it may have an adverse effect on the operations and business.

25. Company is subject to risks of assuming product liability, warranty and recall costs which may adversely affect its results of operations and financial condition.

The Company is subject to risks and costs associated with product liability, warranty and recall should the Company supply defective products, components, parts, or related after-sales services, which could generate adverse publicity and adversely affect its business, results of operations and financial condition. Defects, if any, in its products could require it to undertake corrective actions or recall its products. Further, any defect in its products or after-sales services provided by authorized dealers or third parties could also result in customer claims for damages. Such actions and claims could require the Company to expend considerable resources in correcting these problems and could adversely affect demand for its products. Furthermore, defects in its products or spare parts may be covered under warranties provided by it.

26. An increase in the prices of raw materials will raise its manufacturing costs and could adversely affect its profitability.

Engines, tubular pipes for chassis and iron sheets for manufacturing the body of the vehicle, which are the basic materials needed, constitute almost 50 % of company's overall cost of total material used. Prices of the materials are subject to volatility for various reasons including international supply shortages. Any abrupt or large-scale escalation in the prices of the materials can adversely affect its profits, in case Company is unable to pass on to them to its customers. Besides, continued shortage of domestic/imported materials may adversely affect company's growth prospects and adversely disrupt its business operations. This may have a material adverse effect on its sales and financial performance.

27. Any fresh issue of shares / convertible securities in future may not always be in the interest of the existing shareholders at the material time.

Company is growing and may require further equity issuance to satisfy its capital needs. Any future equity offerings by the Company may lead to dilution of its shareholding or may affect the market price of its Equity Shares. However, the actual amount and timing of future capital requirements may differ from the Company's estimates due to a variety of reasons. Company may need to raise additional capital from time to time, depending on business requirements. Any fresh issue of shares / convertible securities would dilute the stake of existing holders, and such issuance may not be done on terms and conditions, which are favourable to the existing investors or the Company itself. If the Company decide to raise additional funds through the incurrence of debt, the interest obligations would increase, and may be subject to additional covenants, which could limit its ability to access cash flows from the operations.

28. Company's operations could be seriously affected in case of industrial unrest at its plant.

Company has production facility located at only one location and the Company has approximately 673 full-time employees as of 31st May, 2011. In case of industrial unrest and / or disruption in the day-to-day functioning of its unit it may face disruption in its production and consequent financial losses. However, there have been no past instances of industrial unrest, in the Company. Further, an increase in labour costs may adversely affect its profitability.

29. Under-utilisation, if any, of capacity of its present manufacturing facility may adversely affect its business, results of operations and financial capacity:

The Company currently has only 1 manufacturing facility, which is in Rajkot (Shapar). The capacity utilization as on March 31, 2011 in its plant is 80.50%. Since the use of production capacity is subject to several variables like availability of raw material, power, water, proper working of machinery, orders on hand, etc., it cannot be assured that in future the Company shall be able to achieve the same or higher level of capacity utilization for its manufacturing facilities. Any under-utilisation of the production capacities may adversely affect its business, results of operations and financial condition.

30. The Company's plants can be affected by technical failures. Any such failures could adversely affect the operations of the Company.

The operations of the Company plants can be affected by technical failures including malfunctioning or breakdown of equipment, which could adversely affect the business, financial condition and the operations of the Company.

31. The insurance coverage taken by the Company may not be adequate to protect against certain business risks.

Operating and managing a business involves many risks that may adversely affect the Company's operations, and thus in order to mitigate these risks to a certain extent, the appropriate risk cover is therefore a need. The Company maintains general liability insurance coverage for its employees, assets, stocks, properties etc. Company believes that its insurance coverage is generally consistent with industry practice. However, to the extent that any uninsured risks materialize or if it fails to effectively cover it for any risks, it could be exposed to substantial costs and losses that would adversely affect results of operations. In addition, the Company cannot be certain that the coverage will be available in sufficient amounts to cover one or more large claims, or that its insurers will not disclaim coverage as to any claims. A successful assertion of one or more large claims against the Company that exceeds its available insurance coverage or that leads to adverse changes in its insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect Company's results of operations.

32. If the Company is not able to obtain, renew or maintain the permits and approvals required to operate its business, this may have a material adverse effect on its business.

The Company requires certain permits and approvals to operate its businesses and/ or manufacturing facilities, including permits required by the environmental regulatory authorities. There can be no assurance that the relevant authorities will issue any such permits or approvals in the time-frame anticipated by the Company or at all. If the Company fails to renew, maintain or obtain the required permits and approvals, and licenses in a timely manner or at all, it would interrupt its operations.

33. Company's ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The amount of future dividend payments of the Company, if any, will depend upon its future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that it will be able to pay dividends.

34. Sale of Company's Equity Shares by the Promoters/ Promoter Group or other significant Shareholders may adversely affect the trading price of the Equity Shares :

Any instance of disinvestments of Equity Shares by the Promoters/ Promoter Group or by other significant shareholders, or any future issuance of convertible securities by the, may significantly affect the trading price of its Equity Shares. Such issuances of Equity Shares and convertible securities may dilute the positions of investors in the Equity Shares and could adversely affect the market price of the Equity Shares.

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

Company is subject to a daily circuit breaker imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Company's circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform the Company of the percentage limit of the circuit breaker in effect from time to time, and may change it without Company's knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares.

As a result of this circuit breaker, no assurance may be given regarding the ability of the investors to sell their Equity Shares or the price at which investor may be able to sell their Equity Shares at any particular time.

36. There is no guarantee that the Rights Equity Shares will be listed on the Stock Exchange in a timely manner or at all, and any trading closure at Stock Exchange may adversely affect the trading price of its Equity Shares.

In accordance with Indian law and practice, permission for listing of the Rights Equity Shares will not be granted until those Rights Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Rights Equity Shares to be submitted. There could be a failure or delay in listing the Rights Equity Shares on Stock Exchange. Any failure or delay in obtaining the approval would restrict investor's ability to dispose of their Equity Shares.

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37. Company's future success depends on its ability to satisfy changing customer demands by offering innovative and competitive products:

Company's competitors can gain significant advantage if they are able to offer products satisfying customer needs earlier or better than the Company is able to, which could adversely impact its sales and results of operations. There can be no assurance that customers will be receptive to Company's products in the future or that market acceptance of its future products will meet its expectations, in which case it may be unable to realize the intended economic benefits of its investments and its results of operations may be adversely affected.

38. Company has been cost competitive due to lower wage rates as compared to developed countries. However, increase in wage rates would put pressure on Company's operating margins.

Company's business is a low margin, volume driven business. It has been cost competitive due to lower wage rates as compared to developed countries. However, increase in wage rates would put pressure on its operating margins, which may have an adverse impact on its profit margins.

39. Compliance with safety or emissions standards relating to Company's products or its manufacturing facilities, or other environmental and governmental regulation, may adversely affect Company's business and results of operations.

As an automobile manufacturing Company, it is subjected to extensive governmental regulations regarding vehicle emission levels, noise, safety and levels of pollutants generated by its production facilities. Furthermore, the risk remains that legislation may impose requirements in excess of what the current planned design actions can achieve. Also, there is significant potential that consumer demands will take increasing account of fuel efficiency and emissions. While the Company is pursuing various technologies in order to meet the required standards, the costs of compliance with these required standards can be significant to its operations and may adversely impact its results of operations.

40. Certain Group Companies / Associates of AAL has unsecured loans that are payable on demand, which may adversely affect its operations and financial performance. The details of unsecured loan as on 31.03.2010 is as follows:

| (₹ in Lacs) | | | |
|-------------|--------------------------------|---|--------------------------|
| Sl. No. | Name | Amount of Unsecured Loan as at 31.03.10 | % of shareholding of AAL |
| 1. | Atul Automobiles | 73.40 | Nil |
| 2. | Atul Automotives | 115.94 | Nil |
| 3. | Atul Auto Agency | 41.43 | Nil |
| 4. | Atul Auto Industries | 21.03 | Nil |
| 5. | Atul Chandra Finlease Pvt. Ltd | 25.83 | Nil |
| 6. | Atul Enterprises | 27.46 | Nil |
| 7. | Atul Motors Pvt. Ltd. | 223.08 | Nil |
| 8. | Khushbu Auto Finance Ltd. | 848.82 | 49.91 |
| 9. | Khushbu Auto Pvt. Ltd. | 144.38 | Nil |
| 10. | New Chandra Motor Cycle Agency | 4.66 | Nil |
| 11. | New Chandra Motor Cycle House | 70.04 | Nil |

41. The object of the issue i.e capital expenditure to be financed through Rights Issue; is not appraised by any Bank or Financial Institution.

The proposed object i.e. capital expenditure, for which the funds are being raised has not been appraised by any Bank or Financial Institution and the fund requirements are based primarily on Management's estimates. There is no guarantee that the estimates will prove to be accurate, the company do not foresee any significant deviation in the estimates which would adversely impact the operations and impact sustainability of the Company in spite of the absence of any independent monitoring agency. The proceeds of the issue are at the sole discretion of the management of the Company and no independent monitoring agency has been appointed to monitor the proceeds of the issue though Company would ensure the use of funds for its stated purpose. However, as per Clause 5A of Clause 49 (II)(D) of the Listing Agreement, the Audit Committee will review with the management, the statement of uses/ application of funds raised through the rights issue, the statement of funds utilized for purposes other than those stated in the letter of offer and make appropriate recommendations to the Board to take up appropriate steps in this matter.

External Risk Factors

42. General economic conditions could have a significant adverse impact on its sales and results of operations:

The Indian automotive industry is substantially affected by general economic conditions in India. The demand for automobiles in the Indian market is influenced by factors including the growth rate of the Indian economy, availability of credit, level of disposable income among Indian consumers, interest rates, freight rates and fuel prices. In the past, economic slowdowns have harmed manufacturing industries including the automobile and automobile components manufacturing industry. There can be no assurance that the Indian economy will not experience a downturn, and weakening of economic activity. Increases in interest rates, increases in inflation rates and/or increases in fuel prices are examples of developments that could impact general economic conditions in India and could lead to a decline in the demand for automobiles in the Indian market as well as impact Company's costs, which could significantly affect its sales and future results of operations in an adverse manner.

More recently, adverse changes in economic factors including slowdown in industrial production, increase in fuel prices, higher inflation, reduction in availability of vehicle financing and higher interest rates, have impacted the demand for passenger and commercial vehicles. Such factors have impacted and are likely to continue to have an impact on the sales, product mix, costs and results of operations of automotive manufacturers, including the Company.

Consumer decisions as to whether and when to make a vehicle purchase may be affected significantly by general economic conditions, including the cost of purchasing and operating a vehicle and the availability and cost of credit and fuel. Should industry demand soften beyond Company's expectations because of slowing or negative economic growth in key markets or other factors, the results of operations and financial condition could be substantially adversely affected.

Furthermore, any downgrade in the sovereign debt rating of India by rating agencies may adversely impact Company's ability to raise additional financing and the interest rates and commercial terms on which such additional financing is available. This could have an adverse effect on Company's ability to obtain financing to fund its growth on favorable terms or at all and, as a result, could have a material adverse effect on its results of operations and financial condition.

43. Intensifying competition could materially and adversely affect its sales and results of operations.

The Indian automobile industry is highly competitive. Company faces strong competition in the Indian market from domestic automobile manufacturers. Domestic competition is likely to further intensify in the future. There can be no assurance that the Company will be able to implement its future strategies in a way that will mitigate the effects of increased competition in the Indian automotive industry.

Factors affecting competition include product quality and features, innovation and product development time, ability to control costs, pricing, reliability, safety, fuel economy, emission requirements, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely affect the financial condition and results of operations of the Company. Company's ability to maintain its competitiveness will be fundamental to its future success in existing and new markets. There can be no assurances that it will be able to compete successfully in the global automotive industry in the future.

44. A slowdown in economic growth in India or financial instability in Indian financial markets could materially and adversely affect the results of operations and financial condition.

The Company's performance and the growth of the business is dependant on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates. A slowdown in the Indian economy could adversely affect the business, including the Company's ability to implement the strategy and expand the operations. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon the business. Conditions outside India, such as slow down in the economic growth of other countries or increases in the price of oil, has an impact on the growth of the Indian economy, and government policy may change in response to such conditions. Any downturn in the macroeconomic environment in India could adversely affect the price of the shares, business and results of operations.

45. Political, economic and social changes in India could adversely affect the business.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. The business, and the market price and liquidity of the shares, may be affected by changes in the

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Government's policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect Company's business.

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

India has also witnessed civil disturbances in recent years. While these civil disturbances have not directly affected the operations of the companies, it is possible that future civil unrest, as well as other adverse social, economic and political events in India, could also adversely affect the business of the Company.

PROMINENT NOTES:

- (i) The Rights Issue comprises of 14,62,880 Equity Shares of ₹ 10/- each for cash at a price of ₹ 30/- per share (including a premium of ₹ 20/- per share) aggregating to ₹ 4,38,86,400/- in the ratio of 1 Equity Share for every 4 Equity Shares held as on 5th September, 2011 (i.e. record date)
- (ii) The Net Worth of the Company as on March 31, 2011 is ₹ 4035.76 Lacs as per the Audited Restated Financial Statement. For further details please refer to the section titled "Financial Information" beginning on page 118.
- (iii) The Book Value per Equity Share as on March 31, 2011 is ₹ 68.96/- as per Audited Restated Financial Statement, included in this Letter of Offer. For further information, see the section "Financial Information" beginning on page 118.
- (iv) All information is being made available by the Lead Manager and the Company to the existing shareholders of the Company, public and investors at large and no selective or additional information would be available only to a section of the investors or to any research analyst in any manner whatsoever.
- (v) For details on related party transactions, please refer to the section titled "Related Party Transaction" on page 134 of this Letter of Offer.
- (vi) There has been no financing arrangements made whereby the promoter group, the directors of the company and their relatives have financed the purchase by any other persons of securities of the company other than in the normal course of business of the financing entity, during the period of six months immediately preceding the date of filing of the Letter of Offer with SEBI.
- (vii) The Company, its promoters / Directors, Company's Associates or Group Companies have not been prohibited from accessing the Capital Market under any order or direction passed by SEBI. The promoters, their relatives, Issuer, Group Companies, Associate Companies are not declared as willful defaulters by RBI / Government authorities and there are no violations of securities laws committed in the past or pending against them except as mentioned in Section "Outstanding Litigations, Material Developments & Other Disclosures" on page no. 167.
- (viii) There are no relationships with statutory auditors to the Company other than auditing and certification of financial statements.
- (ix) Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue. For details, please refer the cover page.
- (x) Investors may note that in case of over subscription, the allotment shall be as per the procedure stated under the Para "Basis of Allotment" given on Page No. 260.
- (xi) Before making an investment decision in respect of this Issue, investors are advised to refer to "Basis for Issue Price" on page no. 58 of this Letter of Offer.
- (xii) For details of transactions in Equity Shares by the Promoters, Promoter Group and Directors of the Company in the last six months, please refer to "Notes to Share Capital Structure" on page no. 43 of this Letter of Offer.
- (xiii) All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSB, along with complete details of the application in the Issue such as name, address of the

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applicant, Rights Entitlement, number of Equity Shares applied for, ASBA account number and the Designated Branch of the SCSB where the application was submitted by the ASBA Investor.

- (xiv) The details of Group Companies having business or other interests in the Company are disclosed in the section titled “Financial and Other Information of Group Companies promoted/ controlled by the Promoters” on page no. 158 of this Letter of Offer.
- (xv) For details of interests of the Directors and Key Managerial Personnel, see “Management and Corporate Governance” on page no. 96 of this Letter of Offer.
- (xvi) The Lead Manager and the Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement and the Company shall continue to make all material disclosures as per the terms of the listing agreement.
- (xvii) For details of all the loans and advances made to any persons or companies in whom the Directors of the Company are interested, please refer to “Financial Information” on page no. 115 of this Letter of Offer.
- (xviii) The average cost per equity share to the Promoters is as follows:

| Sl. No. | Name of the Promoter | Average Cost per Equity Share |
|---------|----------------------|-------------------------------|
| 1. | Mr. J. J. Chandra | 15.52 |
| 2. | Mr. M. J. Patel | 13.51 |

- (xix) The contact details of the Compliance Officer is hereunder:

Ms. Purvi Prashant Mehta
(Company Secretary & Compliance Officer)
Atul Auto Limited,
Survey No. 86, Plot No. 1 to 4,
National Highway 8-B,
Near Microwave Tower,
Rajkot Gondal Highway,
Village Shapar (Veraval), Taluka
Kotda Sangani,
Rajkot-360002, Gujarat
Tel No: +91 2827-666000,
Fax No: +91 2827-666029
Email: investorrelations@atulauto.co.in
Website: www.atulauto.co.in

SECTION – III. INTRODUCTION

This is only a summary and does not contain all information that one should consider before investing in the Equity Shares offered by the Company. Investors should read this entire Letter of Offer, including the information on the section titled “Risk Factors” beginning from page no. 12 of this Letter of Offer and the section titled “Financial Information” and related notes beginning from page no.115 of this Letter of Offer before taking any decision to invest in the Equity Shares offered by the Company.

I. SUMMARY OF INDUSTRY AND BUSINESS

Summary of the Auto Industry [Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10]

The Indian Automotive Industry after de-licensing in July, 1991 has grown at a spectacular rate on an average of 17 per cent. Even with this rapid growth, the Indian Automotive Industry contribution in global terms is very low. The Automotive Mission Plan (AMP) 2006-16 aims at doubling the contribution of automotive sector in GDP by taking the turnover to \$145 billion in 2016 with special emphasis on export of small cars, MUVs, two and three wheelers and auto components. Overall production of automobiles increased from 8.47 million units in 2004-05 to 14.05 million units in 2009-10. Currently, India is the:

- Second largest two-wheeler market in the world;
- Fourth largest commercial vehicle market in the world;
- Eleventh largest passenger car market in the world;
- Fifth largest bus and truck market (by volume) in the world

Three-Wheeler Industry

The three-wheeler segment in India is currently small in size, but growing at a fair clip. The domestic sales for three-wheelers has grown at from 0.284 million units in 2003-04 to 0.440 million units in 2009-10. Three-wheelers sales recorded a growth rate of 19.87 per cent in April-September 2010. These vehicles find use as passenger vehicles (auto-rickshaws) as well as small capacity commercial vehicles (pick-up vehicles). Three-wheelers are an important element of goods transportation network in the country and provide last mile connectivity in the metro and urban markets where entry of large commercial vehicles into city limits is increasingly getting restricted. It is also the ideal and most widely used mode for goods transportation in rural and semi urban markets. Three-wheelers are also a cost effective mode for public transportation. Spurred by an increasing demand from the market, the increase in production is set to improve further driven by a buoyant economy, with increasing purchasing power and new product launches, coupled with finance schemes from automobile manufacturers and financial institutions. Exports of three-wheelers touched 0.173 million units in 2009-10. Export markets include developing and under-developed countries like Bangladesh, Sri Lanka, select African countries and Thailand (tourist attraction).

Summary of the Business

The Company is one of the manufacturer of 3-Wheelers in India. The Company manufactures 3-Wheelers in the Sub 1 tonne category targeting the passenger segment and cargo segment. In passenger segment, the Company manufactures the diesel powered carrier for carrying 3 to 6 passengers and also the CNG, LPG and Petrol driven vehicles. In the cargo segment, the Company manufactures vehicles with a rated carrying capacity of up to 0.50 tonne. Both these vehicles have been approved by the Automotive Research Association of India under the Bharat Stage II and Bharat Stage III.

The manufacture customized vehicles like tippers, hydraulic hoppers, vegetable vending vans etc. The vehicles find wide application in courier services, industrial products, laundry construction, dairies, caterers, FMCG distribution, LPG distribution etc. The Company has a fully manufacturing facility at Shapar, (Veraval) in Rajkot with a capacity to manufacture 24,000 vehicles per annum. The Company produces auto rickshaw under Atul Shakti and Atul Gem brand names. During the fiscal year ended March 31, 2010, the Company sold 12,329 vehicles.

In addition to the above mentioned manufacturing facilities, the Company also has installed two windmills, one at Village: Soda Mada, Jaisalmer, Rajasthan and the second at Village: Gandhavi, Lamba, Kalyanpur, Jamnagar, Gujarat with the power generation capacity of 1.25 MW and 0.60MW respectively. The following are the details of the windmills installed:

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| Particulars | Jaisalmer, Rajasthan | Jamnagar, Gujarat |
|----------------------|---|--|
| Year of Installation | December, 2004 | January, 2006 |
| Capacity (MW) | 1.25 | 0.60 |
| Purpose | Sale to State Electricity Board, Rajasthan | Captive (through the Gujarat Energy Development Agency) |
| Date of Agreement | 24.12.2004 | 18.02.2006 |

The electricity generated from the windmill installed in Jamnagar, Gujarat is used for captive consumption through the Gujarat Energy Development Agency while the electricity generated from the windmill installed in Jaisalmer, Rajasthan is outright sold to the State Electricity Board. In the financial year 2010-11, the windmill in Gujarat and Rajasthan has produced 1257451 & 1363715 units respectively of electricity which was sufficient to meet 94.33 per cent of the total electricity requirement for the financial year 2010-2011.

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THE ISSUE

Issue of 14,62,880 Equity Shares of ₹ 10/- each for cash at a price of ₹ 30/- each including a premium of ₹ 20/- per Equity Share aggregating to an amount of ₹ 4,38,86,400/- to the Equity Shareholders on Rights Basis in the ratio of 1 Equity Share for every 4 Equity Shares held on record date i.e. 5th September, 2011. The Issue Price is 3 times of the face value of the Equity Share.

| | |
|--|---|
| No. of Equity Shares to be issued | 14,62,880 (Fourteen Lacs Sixty two Thousand Eight hundred and Eighty only) |
| Issue Size | ₹ 4,38,86,400/-(Rupees Four Crores Thirty Eight Lacs Eighty Six Thousand and Four Hundred only) |
| Entitlement Ratio | 1:4 |
| Record Date | 5th September, 2011 |
| Face Value per Equity Share(s) | ₹ 10/- |
| Offer Price per Equity Share | ₹ 30/- |
| Equity Share outstanding prior to issue | 5,851,520 |
| Equity Share outstanding after the issue* | 7,314,400 |
| Terms of the Issue | Please see the section entitle "Terms of the Issue" on Page 248 of this Letter of Offer |

* Assuming full subscription of the Rights Issue.

Terms of Payment

On application, the aggregate amount in respect of the Equity Shares applied for in the Issue at ₹ 30/- per Equity Share, which constitutes the full amount of the Issue Price, shall be payable ("**Application Money**"). The Application Money will be applied as under:

| Particulars | Towards the Equity Share Capital | Towards the Securities Premium Account |
|--------------------|---|---|
| On application | ₹ 10/- per Equity Share | ₹ 20/- per Equity Share |

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SUMMARY OF RESTATED FINANCIAL STATEMENTS

The following tables set forth the summary financial information derived from the audited restated financial statements for the financial year ended March 31, 2007, 2008, 2009, 2010 & 2011. The audited restated financial statements have been prepared in accordance with Indian GAAP, the Companies Act and SEBI Regulations and are presented in the section titled "Financial Statements" beginning on page 115 of this Letter of Offer. The summary financial information presented below should be read in conjunction with the financial statements, and the notes thereto.

RESTATED STATEMENT OF ASSETS AND LIABILITIES (STANDALONE)

(₹ in Lacs)

| | PARTICULARS | AS AT | | | | |
|----------|--|----------|----------|----------|----------|----------|
| | | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| A | Fixed Assets | | | | | |
| | Gross Block | 6,311.47 | 5,822.56 | 4,263.92 | 3,994.30 | 3,911.14 |
| | Less: Depreciation | 2,056.17 | 1,636.32 | 1,249.11 | 1,042.49 | 818.85 |
| | Less: Impairment Provision | 9.19 | 9.19 | 7.10 | - | - |
| | Net Block | 4,246.11 | 4,177.05 | 3,007.71 | 2,951.81 | 3,092.29 |
| | Add: Capital WIP including Capital Advances | 19.01 | 104.95 | 1,469.85 | 1,028.46 | 39.40 |
| | Less: Revaluation Reserve | - | - | - | - | - |
| | <i>Net block after adjustment of Revaluation Reserve</i> | 4,265.12 | 4,282.00 | 4,477.56 | 3,980.27 | 3,131.69 |
| B | Investments | 229.95 | 229.95 | 229.95 | 229.95 | 229.95 |
| C | Current Assets, Loans & Advances | | | | | |
| | Inventories | 1,917.39 | 1,857.38 | 1,767.59 | 1,936.04 | 2,075.74 |
| | Sundry Debtors | 540.70 | 451.60 | 352.13 | 396.19 | 816.60 |
| | Cash and Bank Balances | 283.85 | 164.69 | 186.28 | 37.52 | 23.88 |
| | Loans and Advances | 228.23 | 750.81 | 772.65 | 760.02 | 630.45 |
| | TOTAL ASSETS (A+B+C) | 7,465.24 | 7,736.43 | 7,786.16 | 7,339.99 | 6,908.31 |
| D | Liabilities and Provisions | | | | | |
| | Secured Loans | 600.00 | 2,317.16 | 3,173.06 | 3,382.52 | 2,780.33 |
| | Unsecured Loans | - | - | - | - | - |
| | Current Liabilities and Provisions | 2,288.79 | 1,509.33 | 1,122.42 | 816.25 | 1,078.82 |
| | Deferred Tax Liability | 540.69 | 545.28 | 442.96 | 474.46 | 438.67 |
| | TOTAL LIABILITIES & PROVISIONS | 3,429.48 | 4,371.77 | 4,738.44 | 4,673.23 | 4,297.82 |
| E | Net Worth (A+B+C-D) | 4,035.76 | 3,364.66 | 3,047.72 | 2,666.76 | 2,610.49 |
| F | Represented by | | | | | |
| | I. Equity Share capital | 608.44 | 608.44 | 608.44 | 558.44 | 558.44 |
| | Reserves | 3,427.32 | 2,756.22 | 2,439.28 | 2,108.32 | 2,052.05 |
| | Less: Revaluation Reserve | - | - | - | - | - |
| | II. Reserves (Net of Revaluation Reserves) | 3,427.32 | 2,756.22 | 2,439.28 | 2,108.32 | 2,052.05 |
| | TOTAL (I+II) | 4,035.76 | 3,364.66 | 3,047.72 | 2,666.76 | 2,610.49 |
| G | Net Worth | 4,035.76 | 3,364.66 | 3,047.72 | 2,666.76 | 2,610.49 |

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RESTATED STATEMENT OF PROFIT AND LOSS ACCOUNT (STANDALONE)

(₹ in Lacs)

| PARTICULARS | FOR THE YEAR ENDED ON | | | | |
|--|-----------------------|------------------|------------------|-----------------|------------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| INCOME | | | | | |
| Sales: | | | | | |
| of products manufactured | 20,096.79 | 11,920.22 | 11,681.74 | 8,039.78 | 12,177.34 |
| of products traded | 10.06 | - | - | - | - |
| Total | 20,106.85 | 11,920.22 | 11,681.74 | 8,039.78 | 12,177.34 |
| Other Operational Income | 51.86 | 64.51 | 66.51 | 69.62 | 119.88 |
| Other Income | 107.61 | 122.91 | 346.43 | 94.47 | 155.74 |
| (Increase)/Decrease in Inventories | 98.49 | (76.97) | 511.63 | 1.77 | (488.48) |
| TOTAL | 20,167.83 | 12,184.61 | 11,583.05 | 8,202.10 | 12,941.44 |
| Expenditure | | | | | |
| Raw Material Consumed | 15,620.33 | 9,160.14 | 8,842.03 | 6,272.06 | 10,420.54 |
| Staff Cost | 1,054.15 | 703.41 | 566.93 | 569.50 | 556.87 |
| Other Manufacturing Expenses | 361.72 | 257.76 | 950.25 | 176.45 | 364.23 |
| Administration Expenses | 719.68 | 393.94 | 485.86 | 372.21 | 517.93 |
| Selling and distribution expenses | 409.73 | 286.95 | 168.39 | 123.75 | 203.85 |
| TOTAL | 18,165.61 | 10,802.20 | 11,013.46 | 7,513.97 | 12,063.42 |
| Earning Before Depreciation, Interest and Tax | 2,002.22 | 1,382.41 | 569.59 | 688.13 | 878.02 |
| Impairment Loss | - | 2.08 | 7.10 | - | - |
| Depreciation | 425.36 | 387.21 | 245.74 | 229.47 | 194.75 |
| Interest | 170.58 | 278.10 | 280.58 | 265.60 | 194.51 |
| TOTAL | 595.94 | 667.39 | 533.42 | 495.07 | 389.26 |
| Net Profit before tax & Extraordinary Items | 1,406.28 | 715.02 | 36.17 | 193.06 | 488.76 |
| Taxation | - | - | - | - | - |
| Current Tax | 466.69 | 158.16 | 30.66 | 25.78 | 70.71 |
| Deferred Tax | (4.59) | 102.32 | (31.49) | 35.78 | 88.12 |
| Fringe Benefit Tax | - | 0.68 | 14.26 | 3.04 | 11.78 |
| Wealth Tax | 1.50 | - | - | (0.16) | 0.50 |
| Interest on Dividend Distribution Tax | - | - | - | - | 0.22 |
| TOTAL | 463.60 | 261.16 | 13.43 | 64.44 | 171.33 |
| Net Profit before Extraordinary Items | 942.68 | 453.86 | 22.74 | 128.62 | 317.43 |
| Extraordinary items (Net of tax) | - | - | (23.22) | 1.92 | 3.04 |
| Net Profit After Tax & Extraordinary items | 942.68 | 453.86 | 45.96 | 126.70 | 314.39 |
| Balance brought forward | 2,141.12 | 1,858.21 | 1,812.25 | 1,755.99 | 1,504.21 |
| Amount available for Appropriation | 3,083.80 | 2,312.07 | 1,858.21 | 1,882.69 | 1,818.60 |
| Earning Per Share | 16.11 | 7.76 | 0.79 | 2.37 | 5.88 |

Atul Auto Limited

STATEMENT OF CASH FLOWS (STANDALONE)

(₹ in Lacs)

| PARTICULARS | FOR THE YEAR ENDED ON | | | | |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Cash Flow from Operating Activities | | | | | |
| Net Profit Before Taxation | 1,406.28 | 715.02 | 59.39 | 191.14 | 485.72 |
| Adjustments for: | | | | | |
| Depreciation | 425.36 | 387.21 | 245.74 | 229.47 | 194.75 |
| Impairment Loss | - | 2.08 | 7.10 | - | - |
| Loss/(profit) on sale of fixed assets | 2.47 | - | (23.22) | 1.92 | 3.04 |
| Interest/Dividend Income | (16.84) | - | - | - | - |
| Interest Paid | 146.15 | 316.10 | 280.58 | - | - |
| Operating Profit before Working Capital Changes | 1,963.42 | 1,420.41 | 569.59 | 422.53 | 683.51 |
| Adjustments for: | | | | | |
| Changes in Trade and Other Receivables | (89.10) | (99.47) | 44.06 | 420.41 | 422.00 |
| Change in Inventories | (60.00) | (89.79) | 168.45 | 139.70 | (1,071.58) |
| Change in Loans & Advances | 546.74 | 21.84 | (90.39) | (256.33) | - |
| Change in Current Liabilities | 646.88 | 247.05 | 340.67 | (209.40) | (472.79) |
| Change in Short Term Borrowing relating operation | (840.51) | (420.35) | (399.75) | 102.12 | 1,177.25 |
| Income taxes Paid | (494.87) | (121.67) | 32.57 | (72.23) | (141.98) |
| Net Cash Flow from Operating Activities (A) | 1,672.56 | 958.02 | 665.20 | 546.80 | 596.41 |
| Cash Flow from Investing Activities | | | | | |
| Purchase of Fixed Assets | (417.26) | (193.74) | (1,386.02) | (979.72) | (701.29) |
| Sale of Fixed Assets | 6.30 | - | 659.10 | - | - |
| Investments Purchased | - | - | - | - | - |
| Interest Received | - | - | - | - | - |
| Dividend Received | 16.84 | - | 0.00 | - | - |
| Net Cash Flow used in Investing Activities (B) | (394.12) | (193.74) | (726.92) | (979.72) | (701.29) |
| Cash Flow from Financing Activities | | | | | |
| Proceeds from Borrowings (Net of repayments) | (876.65) | (435.54) | 190.29 | 500.07 | 28.87 |
| Proceeds from issuance of capital | - | - | 335.00 | - | - |
| Interest paid | (146.15) | (316.10) | (280.58) | - | - |
| Dividend Paid | (117.03) | (29.26) | (29.26) | (43.57) | (61.25) |
| Tax on dividend paid | (19.44) | (4.97) | (4.97) | (9.94) | - |
| Net Cash Flow from Financing Activities (C) | (1,159.27) | (785.87) | 210.48 | 446.56 | (32.38) |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 119.17 | (21.59) | 148.76 | 13.64 | (137.26) |
| Cash and Cash Equivalents (opening balance) | 164.69 | 186.28 | 37.52 | 23.88 | 161.14 |
| Cash and Cash Equivalents (closing balance) | 283.86 | 164.69 | 186.28 | 37.52 | 23.88 |

Atul Auto Limited

RESTATED STATEMENT OF ASSETS AND LIABILITIES (CONSOLIDATED)

(₹in Lacs)

| | PARTICULARS | AS AT 31ST MARCH | | |
|----------|--|------------------|-----------|-----------|
| | | 2008 | 2007 | 2006 |
| A | Fixed Assets | | | |
| | Gross Block | 4,609.84 | 4,546.55 | 3,662.58 |
| | Less: Depreciation | 1,256.02 | 982.10 | 727.90 |
| | Less: Impairment Provision | - | - | - |
| | Net Block | 3,353.82 | 3,564.45 | 2,934.68 |
| | Add: Capital WIP including Capital Advances | 1,028.45 | 39.40 | 221.76 |
| | Less: Revaluation Reserve | - | - | - |
| | <i>Net block after adjustment of Revaluation Reserve</i> | 4,382.27 | 3,603.85 | 3,156.44 |
| B | Investments | 0.35 | 0.35 | 0.32 |
| C | Current Assets, Loans & Advances | | | |
| | Inventories | 1,936.04 | 2,075.74 | 1,004.16 |
| | Sundry Debtors | 401.83 | 823.93 | 909.72 |
| | Cash and Bank Balances | 347.37 | 310.71 | 193.15 |
| | Loans and Advances | 7,657.36 | 7,959.04 | 6,134.21 |
| | <i>TOTAL (A+B+C)</i> | 14,725.22 | 14,773.62 | 11,398.00 |
| D | Liabilities and Provisions | | | |
| | Secured Loans | 8,227.86 | 7,875.48 | 4,916.54 |
| | Unsecured Loans | 425.83 | 413.09 | 457.07 |
| | Current Liabilities and Provisions | 1,273.65 | 1,737.85 | 1,936.96 |
| | Deferred Tax Liability | 586.11 | 587.48 | 503.38 |
| | <i>TOTAL LIABILITIES & PROVISIONS</i> | 10,513.45 | 10,613.90 | 7,813.95 |
| E | Minority Interest | 869.20 | 873.17 | 714.19 |
| F | Net Worth (A+B+C-D-E) | 3,342.57 | 3,286.55 | 2,869.86 |
| G | Represented by | | | |
| | I. Share capital | 558.44 | 558.44 | 558.44 |
| | Reserves | 2,784.13 | 2,728.11 | 2,311.42 |
| | Less: Revaluation Reserve | - | - | - |
| | <i>II. Reserves (Net of Revaluation Reserves)</i> | 2,784.13 | 2,728.11 | 2,311.42 |
| | <i>TOTAL (I+II)</i> | 3,342.57 | 3,286.55 | 2,869.86 |
| H | Net Worth | 3,342.57 | 3,286.55 | 2,869.86 |

**Khushbu Auto Finance Limited has ceased to be the subsidiary of Atul Auto Limited from 28th February, 2009 because the holding of Atul Auto Limited in Khushbu Auto Finance Limited falls below 51% and therefore, from 1st March, 2009, it has become an Associate company and ceased to be subsidiary company. Hence as per requirement of Para 22 of AS 21 consolidated financial statement of Companies Accounting Standard Rules, 2006 as on the date of the balance sheet i.e. 31.03.2009 relationship of holding and subsidiary company does not subsist, therefore consolidated balance sheet as at 31.03.2009 is not prepared.

Atul Auto Limited

RESTATED STATEMENT OF PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

(₹ in Lacs)

| PARTICULARS | YEAR ENDED 31ST MARCH | | | |
|--|-----------------------|-----------------|------------------|------------------|
| | 2009 | 2008 | 2007 | 2006 |
| INCOME | | | | |
| Sales: | | | | |
| of products manufactured | 11,681.74 | 8,039.78 | 12,177.34 | 12,902.84 |
| of products traded | - | - | - | - |
| Total | 11,681.74 | 8,039.78 | 12,177.34 | 12,902.84 |
| Other Operational Income | 129.98 | 135.02 | 186.92 | 171.19 |
| Interest Income | 847.98 | 1,302.44 | 1,335.76 | 1,014.71 |
| Other Income | 480.09 | 204.05 | 184.34 | 30.07 |
| (Increase)/Decrease in Inventories | 511.63 | 1.77 | (488.48) | (58.43) |
| TOTAL | 12,628.16 | 9,679.52 | 14,372.84 | 14,177.24 |
| Expenditure | | | | |
| Raw Material Consumed | 8,842.03 | 6,272.06 | 10,420.54 | 10,768.81 |
| Staff Cost | 644.82 | 653.68 | 596.54 | 385.62 |
| Other Manufacturing Expenses | 957.23 | 179.51 | 365.26 | 488.06 |
| Administration Expenses | 1,233.69 | 752.99 | 679.60 | 599.99 |
| Selling and distribution expenses | 226.44 | 186.25 | 309.57 | 270.01 |
| TOTAL | 11,904.21 | 8,044.49 | 12,371.51 | 12,512.49 |
| Earning Before Depreciation, Interest and Tax | 723.95 | 1,635.03 | 2001.33 | 1,664.75 |
| Impairment Loss | 7.10 | - | - | - |
| Depreciation | 304.69 | 292.98 | 257.92 | 202.30 |
| Interest | 709.70 | 939.44 | 625.04 | 318.63 |
| TOTAL | 1,021.49 | 1,232.42 | 882.96 | 520.93 |
| Net Profit before tax & Extraordinary Items | (297.54) | 402.61 | 1118.37 | 1,143.82 |
| Taxation | | | | |
| Current Tax | 33.94 | 128.32 | 288.75 | 201.29 |
| Deferred Tax | (133.80) | (1.38) | 84.11 | 193.37 |
| Fringe Benefit Tax | 18.11 | 5.70 | 13.94 | 12.45 |
| NPA Provision | - | 141.57 | 42.08 | 5.92 |
| Wealth Tax | 0.25 | 0.00 | 0.59 | 0.53 |
| General Provision on Standard Assets & Receivable | - | - | 18.13 | - |
| Interest on Dividend Distribution Tax | - | - | 0.41 | - |
| TOTAL | (81.50) | 274.21 | 448.01 | 413.56 |
| Net Profit after Tax & before Extraordinary Items | (216.04) | 128.40 | 670.36 | 730.26 |
| Extraordinary items (Net of tax) | 23.22 | 9.82 | 3.04 | - |
| Net Profit after Tax & Extraordinary items | (192.82) | 118.58 | 667.32 | 730.26 |
| Minority Interest | 112.28 | 3.97 | 184.11 | 152.06 |
| Share of Profit of Associates | 15.79 | - | - | - |
| Net Profit after Minority Interest | (96.33) | 114.61 | 483.21 | 578.20 |
| Balance brought forward | 1,812.25 | 2,059.49 | 1,922.80 | 1,408.84 |
| Amount Available for Appropriation | 1,715.92 | 2,174.10 | 2,406.01 | 1,987.04 |
| Earning Per Share | (1.65) | 2.30 | 9.04 | 10.80 |

** The consolidated profit & loss account pertain to Atul Auto Limited, the holding company and its subsidiary, Khushbu Auto Finance Limited.

Khushbu Auto Finance Limited ceased to be the subsidiary of Atul Auto Limited from 28th February, 2009, because the holding of Atul Auto Limited in Khushbu Auto Finance Limited falls below 51% and therefore, from 1st March, 2009, it has become an Associate company and ceased to be the subsidiary company. Hence as per requirement of Para 22 of AS 21 consolidated financial statement of Companies Accounting Standard Rules, 2006, consolidated income statement is prepared only for the period 01.04.2008 to 28.02.2009.

Atul Auto Limited

STATEMENT OF CASH FLOWS (CONSOLIDATED)

(₹in Lacs)

| PARTICULARS | YEAR ENDED 31ST MARCH | | |
|---|-----------------------|------------|------------|
| | 2008 | 2007 | 2006 |
| Cash Flow from Operating Activities | | | |
| Net Profit Before Taxation | 251.22 | 1,073.25 | 1,137.90 |
| Adjustments for: | | | |
| Depreciation | 292.98 | 257.92 | 202.30 |
| Impairment Loss | - | | |
| Loss/(profit) on sale of fixed assets | 9.08 | 3.05 | |
| Operating Profit before Working Capital Changes | 553.28 | 1,334.22 | 1,340.20 |
| Adjustments for: | | | |
| Changes in Trade and Other Receivables | 422.10 | 85.79 | (268.73) |
| Change in Inventories | 139.70 | (1,071.58) | (281.10) |
| Change in Loans & Advances | 132.77 | (1,658.45) | (3,127.34) |
| Change in Current Liabilities | (292.98) | (324.84) | 1,014.29 |
| Change in Short Term Borrowing relating operation | (624.58) | 1,592.10 | 1,765.83 |
| Income taxes Paid | (249.58) | (370.88) | (168.59) |
| Net Cash Flow from Operating Activities (A) | 80.71 | (413.64) | 274.56 |
| Cash Flow from Investing Activities | | | |
| Purchase of Fixed Assets | (980.24) | (708.38) | (1,157.77) |
| Investments Purchased | - | - | (0.32) |
| Net Cash Flow used in Investing Activities (B) | (980.24) | (708.38) | (1,158.09) |
| Cash Flow from Financing Activities | | | |
| Proceeds from Borrowings (Net of repayments) | 989.70 | 1,322.87 | 752.96 |
| Proceeds from issuance of capital | | | |
| Dividend Paid | (53.51) | (83.29) | - |
| Sales tax deferred as unsecured loans | - | - | 191.05 |
| Net Cash Flow from Financing Activities (C) | 936.19 | 1,239.58 | 944.01 |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 36.66 | 117.56 | 60.48 |
| Cash and Cash Equivalents (opening balance) | 310.71 | 193.15 | 132.67 |
| Cash and Cash Equivalents (closing balance) | 347.37 | 310.71 | 193.15 |

**Khushbu Auto Finance Limited has ceased to be the subsidiary of Atul Auto Limited from 28th February, 2009, because the holding of Atul Auto Limited in Khushbu Auto Finance Limited falls below 51% and therefore, from 1st March, 2009, it has become an Associate company and ceased to be the subsidiary company. Hence, as on the date of the balance sheet i.e. 31.03.2009 relationship of holding and subsidiary company does not subsist, therefore consolidated cash flow as on 31.03.2009 is not prepared.

Atul Auto Limited

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolutions passed by the Board of Directors of the Company at its meeting held on June 25, 2010 and the resolution approved by the shareholders in the Extra Ordinary General Meeting held on August 31, 2010 it has been decided to make the following offer to the Equity Shareholders of the Company:

ISSUE OF 14,62,880 EQUITY SHARES OF ₹ 10/- EACH FOR CASH AT A PRICE OF ₹ 30/- EACH INCLUDING A PREMIUM OF ₹ 20/- PER EQUITY SHARE AGGREGATING TO AN AMOUNT OF ₹ 4,38,86,400/- TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 1 EQUITY SHARE FOR EVERY 4 EQUITY SHARES HELD ON RECORD DATE I.E. 5TH SEPTEMBER, 2011. THE ISSUE PRICE IS 3 TIMES OF THE FACE VALUE OF THE EQUITY SHARE.

Important

1. This offer is applicable only to those Equity Shareholders whose names appear as beneficial owners in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of the Equity Shares held in physical form as on 5th September, 2011 i.e. the Record Date fixed in consultation with the Designated Stock Exchange i.e., BSE.
2. Shareholders' attention is drawn to "Risk Factors" appearing on Page 12 of this Letter of Offer.
3. Please ensure that Composite Application Form ('CAF') is received along with this Letter of Offer. In case the original CAF is not received, lost or misplaced by the shareholder, the Registrar will issue a duplicate CAF on the request of the shareholder who should furnish the registered folio number/DP ID number/client ID number and his/her full name and address to the Registrar. Please note that those applicants who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. In case the original and the duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.
4. Please read this Letter of Offer and the instructions contained therein and in CAF carefully, before filling in the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. Application is liable to be rejected for any non-compliance with the terms of this Letter of Offer or the CAF.
5. All enquiries in connection with this Letter of Offer or CAF should be addressed to the Registrars to the Issue i.e. Sharex (Dynamic) India Pvt. Ltd. quoting the registered folio number/ Depository Participant (DP) Number and Client ID Number and the CAF numbers, as mentioned in the CAF.
6. The Issue will be kept open for a minimum period of 15 (Fifteen) days. If extended, with the approval of the Board, will be kept open for a maximum period of 30 (Thirty) days.
7. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI/ Stock Exchange.
8. The Lead Manager and the Company shall update this Letter of Offer and keep the public informed of any material changes till the listing and trading commences for Equity Shares offered through this Issue.
9. Shareholders' who have not received application form may apply on plain paper along with the application money.

Atul Auto Limited

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

| ISSUE OPENS ON | LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS | ISSUE CLOSES ON |
|----------------------|---|----------------------|
| 15th September, 2011 | 23rd September, 2011 | 29th September, 2011 |

| | | | |
|---|---|---|---|
| Registered Office | Survey No. 86, Plot No. 1 to 4, National Highway 8-B, Near Microwave Tower, Rajkot Gondal Highway, Village Shapar (Veraval), Taluka Kotda Sangani, Rajkot-360002, Gujarat, India. | | |
| Manufacturing Plant (Existing) | Factory | Windmill | |
| | Survey No. 86, Plot No. 1 to 4, National Highway 8-B, Near Microwave Tower, Rajkot Gondal Highway, Village Shapar (Veraval), Taluka Kotda Sangani, Rajkot-360002, Gujarat, India. | Rajasthan Village Soda Mada, Dist. Jaisalmer, Rajasthan | Gujarat Village Gandhavi, Lamba, Kalyanpur, Jamnagar, Gujarat |
| Corporate Office | Jimmy Tower, Opp. Swaminarayan Gurukul, Gondal Road, Rajkot – 360 002. Gujarat, India | | |
| Corporate Identification Number | L54100GJ1986PLC016999 | | |
| Registrar of Companies | ROC Bhawan, Opp. Rural Park Society, Behind Ankur bus stop, Naranpura, Ahmedabad-380013 Tel No: 079-27437597 Fax No: 079-27438371 Email: roc.ahmedabad@mca.gov.in | | |
| Company Secretary & Compliance Officer | Ms. Purvi Prashant Mehta Survey No. 86, Plot No. 1 to 4, National Highway 8-B, Near Microwave Tower, Rajkot Gondal Highway, Village Shapar (Veraval), Taluka Kotda Sangani, Rajkot-360002, Gujarat Tel No: +91 2827-666000, Fax No: +91 2827-666029 Email: investorrelations@atulauto.co.in | | |

Atul Auto Limited

BOARD OF DIRECTORS

The Board of Directors of the Company comprises of:



| Sl. No. | Name | Director Identification Number | Nationality | Designation | Address |
|---------|-------------------------------------|--------------------------------|-------------|------------------------------|--|
| 1. | Mr. Jayantibhai Jagjivandas Chandra | 00057722 | Indian | Chairman & Managing Director | “Kailash”, 2 Jankalyan Society, Rajkot-360001, Gujarat, India |
| 2. | Mr. Mahendrakumar Jamnadas Patel | 00057735 | Indian | Wholetime Director | B-32 Sanjay Apartment, Sardar Baug, Opp. Circuit House, Rajkot-360001, Gujarat, India |
| 3. | Mr. Sunil Kumar Mittal | 01826756 | Indian | Wholetime Director | Ashok Nagar, Baramati, Pune-413102, Maharashtra, India |
| 4. | Mr. Vijay Kishanlal Kedia | 00230480 | Indian | Director | 501, Renaissance, 5th Floor, 40 Gulmohar Road, Juhu, Vileparle (West), Mumbai-400049, Maharashtra, India |
| 5. | Mr. Rajeshbhai Hasubhai Dhruva | 00525985 | Indian | Director | Jay Kunj, 13 Milan Society, B/H. Swaminarayan Temple, Off Kalawad Road, Rajkot-360001, Gujarat, India |
| 6. | Mr. Sureshbhai Tulsidas Kaneria | 00765620 | Indian | Director | Raatrani, Flat No. 901, Panchvati Society, St. No. 1, Rajkot-360005, Gujarat, India |
| 7. | Mr. Ramniklal Gordhandas Kotecha | 01930272 | Indian | Director | 14/15 Ramkrishna Nagar, Pushpkunj, Rajkot-360001, Gujarat, India |
| 8. | Mr. Hakubhai Jadavbhai Lalakiya | 00357726 | Indian | Director | ‘Sargam’, 3 Maruti Nagar, Airport Road, Rajkot-360001, Gujarat, India |

For further details please refer to section “Management and Corporate Governance” on page no. 96 of this Letter of Offer.

LISTING

The existing Equity Shares of the Company is listed on the Bombay Stock Exchange Limited (BSE). The Equity Shares had been de-listed from Saurashtra Kutch Stock Exchange Limited (SKSE) in consequence to derecognition of SKSE by SEBI. The Company had de-listed its equity shares from Ahmedabad Stock Exchange Limited. The Equity Shares offered through this Letter of Offer are proposed to be listed on BSE. BSE is the Designated Stock Exchange. The Company has received in-principle approvals from BSE for the listing of the Equity Shares to be allotted pursuant to the Issue, vide letter number DCS/PREF/JA/IP-RT/1390/10-11 dated 14th January, 2011.

ISSUE MANAGEMENT TEAM

| | |
|---|---|
| <p>LEAD MANAGER TO THE ISSUE:</p>  <p>SUMEDHA adding values to value</p> <p>Sumedha Fiscal Services Limited 8B, Middleton Street, Geetanjali, Room No.6A Kolkata-700071 Ph: (033) 2229 8936/6758/3237 Fax: (033) 2226 4140/ 2265 5830 SEBI Regn. No. INM000008753 Web Site : www.sumedhafiscal.com E-mail : compliance@sumedhafiscal.com Contact Person:- Mr. Jayabrata Mukherjee</p> | <p>REGISTRAR TO THE ISSUE:</p>  <p>Sharex Dynamic (India) Pvt. Ltd. Unit 1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai-400 072. Ph: (022)-28515606/5644/6338 Fax: (022)-28512885 SEBI Regn. No. INR000002102 Web Site: www.sharexindia.com E-mail : - sharexindia@vsnl.com Contact Person:- Mr. B. S. Baliga</p> |
| <p>LEGAL ADVISOR TO THE ISSUE:</p> <p>Mr. Indravadan Ravjibhai Patel, Advocate 1, 3rd Floor, “Chanakya” Near Dinesh Hall, Behind Income Tax Office, Off Ashram Road, Ahmedabad -380009. Ph: 079 - 2658 1214 Fax: 079 - 2658 0961 E-mail: irpatel51@hotmail.com</p> <p>BANKER TO THE ISSUE:</p> <p>IDBI Bank Limited Unit No.2 Corporate Park, Near Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400 071. Ph: (022) 66908402 Fax: (022) 66908424 SEBI Regn. No. INBI00000076 Web Site: www.idbibank.com E-mail : - mn.kamat@idbi.co.in Contact Person:- Mr. M.N. Kamat.</p> | <p>AUDITORS:</p> <p>Maharishi & Co., Chartered Accountants (Firm Reg. No. 124872W) “Aparna”, Behind Jivandeep Hospital, Limda Lane, Jamnagar 361001, Gujarat. Ph: 0288-2665023/5024/2637 Fax: 0288-2661612 E-mail: prashant@jainandmaharishi.com Web Site: www.maharishiandco.com Contact Person: Prashant Maharishi (Partner) (Membership No.: 41452)</p> <p>BANKERS TO THE COMPANY:</p> <p>IDBI Bank Limited Amrishi, Nr. K.K.V. Circle, Kalawad Road, Rajkot- 360005 Gujarat. Ph.: 0281-6565919 Fax: 0281-2588212 Web Site: www.idbibank.com E-mail: pravin.bharti@idbi.co.in Contact Person: Mr. Pravin Bharti</p> <p>HDFC Bank Limited 1st Floor, Near Pramukh Swami Arcade, Opp. Old Gaisford Cinema, Dr. Yagnik Road, Rajkot - 360001 Ph.: 0281- 6535311/ 2231630 Fax: 0281- 2464499 Web Site: www.hdfcbank.com E-mail: mayur.patel@hdfc.com Contact Person: Mr. Mayur Patel</p> <p>ICICI Bank Limited 433, Nalanda Society, Near Kotecha Circle Kalawad Road, Rajkot- 360005. Ph.: 0281- 2572849/ 2572851 Fax: 0281 2571131 Web Site: www.icicibank.com E-mail: abhishek.kumawat@icicibank.com Contact Person: Mr. Abhishek Kumawat</p> |

Atul Auto Limited

Note: Investors are advised to contact the Registrar to the Issue/ Compliance Officer in case of any pre issue / post issue related problems such as non-receipt of letters of allotment/ credit of allotted Equity Shares in the respective beneficiary accounts, refund orders etc.

Self Certified Syndicate Bankers

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI website.

APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (ASBA): Eligible Equity Shareholders may apply through ASBA process. ASBA can be availed by all the Eligible Equity Shareholders. The Eligible Equity Shareholders are required to fill the ASBA form and submit to their bank which in turn will block the amount in the account as per the authority contained in ASBA form and undertake other tasks as per the specified procedure. On allotment, amount will be unblocked and account will be debited only to the extent required to pay for allotment of shares. Hence there will be no need of refunds etc. ASBA form can be submitted to several banks, the list of such banks are given in the ASBA form and is available on website of SEBI at www.sebi.gov.in

For more details on the ASBA process, please refer to the details given in ASBA form and also please refer to the section "Terms of the Issue" beginning on page 248 of this Letter of Offer.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount Blocked, ASBA account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

STATEMENT OF INTERSE ALLOCATION OF RESPONSIBILITIES AMONGST LEAD MANAGER

Sumedha Fiscal Services Limited is the sole Lead Manager to the Issue and all the responsibilities relating to coordination and other activities in relation to the Issue shall be performed by them.

CREDIT RATING

This is being a Rights Issue of Equity Shares, no credit rating is required.

IPO GRADING

This being a Rights Issue of Equity Shares, IPO grading is not required.

DEBENTURE TRUSTEES

As the issue consists of the Equity Shares, the appointment of Debenture Trustees is not required.

PROJECT APPRAISAL/ APPRAISING AGENCY

The requirement of proposed utilisation of proceeds of the Issue has been estimated by the Company and the same has not been appraised by any bank, financial institution or other independent agency.

MONITORING AGENCY

As this being an Issue of Equity Shares for less than ₹ 50,000 lacs appointment of monitoring agency in terms of sub-regulation (1) of Regulation 16 of the SEBI (ICDR) Regulations 2009 is not required. The Board of Directors will monitor the use of the proceeds of this Issue as per clause 49 of the Listing Agreement.

BOOK BUILDING PROCESS DETAILS

Not Applicable

UNDERWRITING

The Present Rights Issue is not underwritten by any third party. However the Promoters/ Promoter Group have confirmed vide their letter dated 01.10.2010, that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. The Promoters / Promoter Group also intend to subscribe to any unsubscribed portion of the Issue such that not less than 90% of the Issue is subscribed. As a result of this subscription and consequent

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allotment, the Promoters/ Promoter Group may acquire Equity Shares over and above their Rights Entitlement, which may result in an increase of Promoter's shareholding above its current shareholding and including their allotment pursuant to Rights Entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoters through this Issue, if any, and allotment of Equity Shares will not result in a change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) and other applicable regulations of the Takeover Code.

As such, there is no intention other than meeting the requirements indicated in the section on "Objects of the Issue" on page 54 of this Letter of Offer, there is no other intention / purpose for this Issue, including no intention to delist the Company, even if, as a result of allotments to the Promoters in this Issue, their shareholding in the Company exceeds its current shareholding. The Promoters / Promoter Group shall subscribe to the above mentioned unsubscribed portion as per the relevant provisions of law. Pursuant to this allotment to the Promoters/ Promoter Group of any unsubscribed portion, over and above its Rights Entitlement, the Company and the Promoters undertake to comply with the Listing Agreement and other applicable laws.

Subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Such acquisition by them of additional Equity Shares shall (i) not result in a change of control of the management of the Company, and (ii) be exempt from the applicability of Regulations 11 and 12 of the Takeover Code in terms of the proviso to Regulation 3(1)(b)(ii) and other applicable regulations of the Takeover Code. The subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and the Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements. As such, other than meeting the requirements indicated in the section titled "Objects of the Issue" of this Letter of Offer, there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in the Company exceeds their current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion as per the provisions of applicable law.

For further details please refer to section titled "Terms of the Issue – Basis of Allotment" beginning on page 260 of this Letter of Offer.

IMPERSONATION

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who

- (a) makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment of a term which may extend to five years."

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the issued amount, the entire subscription shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount (i.e. 15 days after closure of the Issue), then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under sub-sections (2) and (2A) of Section 73 of the Act.

AUTHORITY FOR THE PRESENT ISSUE

The Issue is being made pursuant to a resolution passed under Section 81(1) of the Companies Act by the Board of Directors at its meeting held on June 25, 2010 and subsequently approved by the shareholders at the Extra Ordinary General Meeting of the Company held on August 31, 2010. The Board of Directors also determined the Issue Price as ₹ 30/- per Equity Share and the Rights Entitlement as 1 Equity Share for every 4 fully paid-up Equity Shares held as on the Record Date i.e. 5th September, 2011. The Issue Price has been arrived in consultation with the Lead Manager. The issue and allotment of the Equity Shares to resident and Non-resident Equity Shareholders and other eligible applicants in the Issue is under the automatic route pursuant to Circular 1 of 2010.

ALLOTMENT LETTERS / REFUND ORDERS

Company will issue and dispatch letters of allotment / share certificates / demat credit or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of fifteen (15) days from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the BSE, whichever is earlier), then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of Section 73 of the Act. The Board of Directors declares that funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act. The Promoters intend to subscribe to the full extent of their entitlement in the Issue. The Letter of Allotment / Refund Order would be sent by registered post/speed post to the sole/first applicant's registered address. Such Refund Orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole / first applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

DECLARATION BY THE BOARD ON CREATION OF SEPARATE ACCOUNT

The Board of Directors declares that funds received against this Issue will be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956.

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THE PRINCIPAL TERMS OF LOANS AND ASSETS CHARGED AS SECURITY

| Name of Lender | Date of Sanction | Type of the loan facility | Purpose | Sanction Amount (₹ In lacs) | Rate of Interest | Securities Offered | Repayment |
|----------------|------------------|--|---|-----------------------------|--|--|--|
| IDBI Bank Ltd. | 28.12.2007 | Term Loan | To Part Finance the Company's diversification scheme of manufacturing Rear Engine (RE) vehicles | 1500.00 | The term loan carry interest BPLR-less 150 basis points (exclusive of interest tax. If any) payable on the first day of every calendar month. The present BPLR is 13.25% | i. 1 st pari-passu charge on all movable & immovable assets, present & future ii. 2 nd pari-passu charge on all current assets of the company iii. Irrevocable and unconditional personal guarantees of the promoters viz. Mr. J.J. Chandra and Mr. M.J. Patel. | Repayable in 24 quarterly instalments of ₹ 62.50 lacs each commencing from January 1, 2010 |
| IDBI Bank Ltd. | 13.05.2011 | Cash Credit Facilities (CC) | Working Capital Requirement | 1500.00 | BBR+ 2.60% p.a. (presently BBR is 10% p.a) payable monthly. | i. Primary Security: First Charge on the current assets of the company viz. Stocks and Book Debts both present and future ii. Collateral Security: Second pari-passu charge on the entire fixed assets of the company iii. Third party Guarantees: a) Shri J. J. Chandra b) Shri M. J. Patel | On Demand/ Due Date |
| | | Short Term Loan (Inner Limit to CC) | Working Capital Requirement | 750.00 | To be decided at the time of draw down (exclusive of interest, tax, other levies/duties) | | On Due Date |
| | | Letter of Credit (LC) (Inner Limit to CC) | Working Capital Requirement | 500.00 | | | On Due Date |
| | | Revolving Letter of Credit (Inner Limit to LC) | Working Capital Requirement | 500.00 | | | On Due Date |
| | | Treasury Limit (Inner Limit to CC) | For Treasury operations | 100.00 | | | On Demand/ Due Date |

Negative Covenants in the credit terms of the Bankers:

Term Loan facility of ₹ 1500.00 Lacs from IDBI Bank Limited

During the currency of the credit facilities, the Company shall to the satisfaction of IDBI:-

1. Not escrow its future cash flows or create any charge or lien or interest of whatsoever nature thereon without the prior approval of IDBI.
2. During the tenure of the loan, it shall not declare and pay any dividends on equity capital, in case it is in default on payment of any amounts due to IDBI.
3. Agree to broad base its Board by inclusion of additional independent professionals to the satisfaction of IDBI.
4. Agree that IDBI shall have a right to appoint a Nominee Director on the Board of Directors of the Company.
5. Agree that the IDBI may, at its discretion, withhold disbursement of the amount of the loan equivalent to provision against margin money for working capital in the cost of the project.

Cash Credit facility of ₹ 1500.00 Lacs from IDBI Bank Limited

1. IDBI reserves the right to withdraw the facilities in the event of any change in circumstances including but not limited to a material change in ownership / shareholding pattern / management of the firm.
2. Company shall not divert the facilities to inter-corporate deposits, debentures, stocks and shares, real estate business, etc. In case of diversion to other uses, the facilities will be withdrawn forthwith and will also attract penal interest @ 2% over and above the rate charged till the repayment.
3. In the event of default in performance of any of the aforesaid covenants IDBI shall have right to review the facilities including stipulation of additional security and terms & conditions.

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II. CAPITAL STRUCTURE

The share capital structure of the Company and the related information is as under:

| Particulars | (₹ In Lacs) | |
|---|---------------|--------------------------------|
| | Nominal Value | Aggregate Value at Issue Price |
| A. AUTHORISED: 80,00,000 Equity Shares of ₹ 10/- each | 800.00 | |
| B. ISSUED, SUBSCRIBED & PAID UP CAPITAL: 58,51,520 Equity Shares of ₹ 10/- each | 585.15 | |
| C. PRESENT ISSUE: Issue of 14,62,880 Equity Shares of ₹ 10/- each for cash at a price of ₹ 30/- each including a premium of ₹ 20/- per Equity Share to the Equity Shareholders on Rights Basis in the ratio of 1 Equity Share for every 4 Equity Shares held on record date i.e. 5th September, 2011. | 146.29 | 438.86 |
| D. PAID UP SHARE CAPITAL AFTER THE ISSUE: 73,14,400 Equity Shares of ₹ 10/- each | 731.44 | |
| E. SHARE PREMIUM ACCOUNT | | |
| Before the Issue | | 551.06 |
| After the Issue | | 843.64 |

The share capital statement is prepared on the assumption that the Proposed Rights Issue of 14,62,880 Equity Shares @ ₹ 30 will be fully subscribed.

The Company does not have any outstanding warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further Equity Shares of the Company.

Notes to the Share Capital Structure

1. Changes in the Authorised Share Capital of the Company since incorporation:

| Date of Meeting | Particulars of Increase/ Modifications | No. of Shares | Cumulative No of Shares | Cumulative Authorised Capital (₹) |
|-----------------|--|---------------|-------------------------|-----------------------------------|
| 18.06.1986 | Incorporation | 50,000 | 50,000 | 5,00,000 |
| 01.08.1991 | Increased from ₹ 5 Lacs to ₹ 30 Lacs | 2,50,000 | 3,00,000 | 30,00,000 |
| 24.01.1992 | Increased from ₹ 30 Lacs to ₹ 50 Lacs | 2,00,000 | 5,00,000 | 50,00,000 |
| 30.07.1994 | Increased from ₹ 50 Lacs to ₹ 800 Lacs | 75,00,000 | 80,00,000 | 8,00,00,000 |

2. The present capital structure of the Company has been built-up as under:

| Date of Allotment | Number of Equity Shares | Face Value (₹) | Issue Price (₹) | Consideration | Nature of Allotment | No. of Equity Shares Cumulative | Cumulative paid up Share Capital (₹) |
|-------------------|-------------------------|----------------|-----------------|---------------|--|---------------------------------|--------------------------------------|
| 27.07.1986 | 6350 | 10 | 10 | Cash | Private placement to promoters and relatives | 6350 | 63500 |

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| Date of Allotment | Number of Equity Shares | Face Value (₹) | Issue Price (₹) | Consideration | Nature of Allotment | No. of Equity Shares Cumulative | Cumulative paid up Share Capital (₹) |
|-------------------|-------------------------|----------------|-----------------|---------------|--|---------------------------------|--------------------------------------|
| 07.12.1991 | 243650 | 10 | 10 | Cash | Private placement to promoters and relatives | 250000 | 2500000 |
| 15.06.1992 | 150000 | 10 | 10 | Cash | Private placement to promoters and relatives | 400000 | 4000000 |
| 31.03.1994 | 100000 | 10 | 10 | Cash | Private placement to promoters and relatives | 500000 | 5000000 |
| 06.12.1994 | 400000 | 10 | 10 | Nil | Bonus Allotment (In the Ratio of 4:5) | 900000 | 9000000 |
| 30.12.1994 | 900000 | 10 | 10 | Cash | First Rights Issue | 1800000 | 18000000 |
| 14.05.1996 | 3300300 | 10 | 22 | Cash | Initial Public Issue | 5100300 | 51003000 |
| 28.03.1999 | (640700) | 10 | - | - | Forfeiture of shares | 4459600 | 44596000 |
| 29.01.2001 | 891920 | 10 | 10 | Nil | Bonus Allotment (In the Ratio of 1:5) | 5351520 | 53515200 |
| 08.05.2008 | 500000 | 10 | 67 | Cash | Preferential Allotment | 5851520 | 58515200 |

3. The details of shareholding of the promoters and promoter group including details of lock-in, pledge of and encumbrance on such shares as on 31.03.2011 are as follows:

| Sl No | Particulars | Total Shares held | | Shares pledged or otherwise encumbered | | |
|-----------|-------------------------------------|-------------------|-------------------------------|--|-------------------------------|-------------------------------|
| | | No. of Shares | As a % of Total No. of Shares | No. of Shares locked in | As a % of Total No. of Shares | As a % of Total No. of Shares |
| A. | Promoters | | | | | |
| I. | Indian | | | | | |
| 1. | Mr. Jayantibhai Jagjivandas Chandra | 236,288 | 4.04 | - | - | - |
| 2. | Mr. Mahendrakumar Jamnadas Patel | 92,616 | 1.58 | | | |
| | Total Promoters' Holding | 328,904 | 5.62 | | | |
| B. | Promoter Group | | | | | |
| I. | Indian | | | | | |
| 3. | Ms. Manishaben Atulkumar Chandra | 228,592 | 3.91 | - | - | - |
| 4. | Ms. Prafulaben Jayantilal Chandra | 98,600 | 1.68 | - | - | - |
| 5. | Mr. Nirajbhai Chandra | 66,520 | 1.14 | - | - | - |
| 6. | Ms. Anitaben Nirajbhai Chandra | 83,320 | 1.42 | - | - | - |
| 7. | Mr. Krunal | 46,040 | 0.79 | - | - | - |

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| Sl No | Particulars | Total Shares held | | | | | Shares pledged or otherwise encumbered | | |
|-------|---|-------------------|-------------------------------|-------------------------|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|
| | | No. of Shares | As a % of Total No. of Shares | No. of Shares locked in | As a % of Total No. of Shares | As a % of Total No. of Shares | Shares pledged or otherwise encumbered | As a % of total no. of Shares | As a % of Total No. of Shares |
| | Jayantibhai Chandra | | | | | | | | |
| 8. | Mr. Dharmendrabhai Jagjivandas Chandra | 422,442 | 7.22 | - | - | - | - | - | - |
| 9. | Mr. Ashokkumar Jamnadas Patel | 45,648 | 0.78 | - | - | - | - | - | - |
| 10. | Ms. Ramaben Dayalal Patel | 40,668 | 0.69 | - | - | - | - | - | - |
| 11. | Mr. Vasantraai Kurjibhai Patel | 52,800 | 0.90 | - | - | - | - | - | - |
| 12. | Ms. Manjulaben Vasantraai Patel | 63,768 | 1.09 | - | - | - | - | - | - |
| 13. | Ms. Ramaben Jamnadas Patel | 75,504 | 1.29 | - | - | - | - | - | - |
| 14. | Ms. Minaben Ashokkumar Patel | 1,000 | 0.02 | - | - | - | - | - | - |
| 15. | Ms. Krishnaben Chetankumar Patel | 42,456 | 0.72 | - | - | - | - | - | - |
| 16. | Mr. Hiren Vasantraai Patel | 46,320 | 0.79 | - | - | - | - | - | - |
| 17. | Ms. Rekhaben Maheshbhai Chandra | 64,080 | 1.10 | - | - | - | - | - | - |
| 18. | Mr. Maheshbhai Jagjivandas Chandra | 430,022 | 7.35 | - | - | - | - | - | - |
| 19. | Mr. Bharat Jagjivandas Chandra | 325,302 | 5.56 | - | - | - | - | - | - |
| 20. | Ms. Ushaben Dharmendrabhai Chandra | 57,140 | 0.98 | - | - | - | - | - | - |
| 21. | Mr. Alpesh Bharatbhai Chandra | 48,720 | 0.83 | - | - | - | - | - | - |
| 22. | Ms. Kapilaben Bharatbhai Chandra | 29,840 | 0.51 | - | - | - | - | - | - |
| 23. | Ms. Kashiben Jagjivandas Chandra | 226,392 | 3.87 | - | - | - | - | - | - |
| 24. | Mr. Harishbhai Jagjivandas Chandra | 388,262 | 6.63 | - | - | - | - | - | - |
| 25. | Ms. Harshaben Harishbhai Chandra | 48,480 | 0.83 | - | - | - | - | - | - |
| 26. | Mr. Chetankumar Vasantraai Patel | 73,512 | 1.26 | - | - | - | - | - | - |
| 27. | Ms. Manishaben Mahendrakumar Patel | 27,700 | 0.47 | - | - | - | - | - | - |
| 28. | Mr. Jamnadas Kurjibhai Patel | 57,216 | 0.98 | - | - | - | - | - | - |
| 29. | Ms. Hetal Alpesh Chandra | 50,640 | 0.87 | - | - | - | - | - | - |
| | Total Promoter Group holding | 3,140,984 | 53.68 | - | - | - | - | - | - |
| | Total Promoters Promoter Group Holding | 3,469,888 | 59.30 | | | | | | |

Note: - As on date of this Letter of Offer, there are no shares pledged by the promoters & promoter group of the Company.

4. Details of Shares purchased/sold by the Promoters/ Promoter Group, Directors of the Company and their immediate relatives in the last six months immediately prior to the date of filing of the Letter of Offer

The Promoters and Promoter Group, Directors of the Company and their immediate relatives have not purchased or sold, directly or indirectly, any Equity Shares during a period of six months immediately preceding the date of this Letter of Offer except the following:

| Name | Sale Quantity | Purchase Quantity | Date of sale | Price (₹) |
|-----------------------------------|---------------|-------------------|--------------|-----------|
| Ms. Manishaben Atulkumar Chandra | 37,500 | - | 21.04.2010 | 47 |
| Ms. Minaben Ashokkumar Patel | 20,000 | - | 20.04.2010 | 46 |
| Ms. Prafulaben Jayantilal Chandra | 37,500 | - | 21.04.2010 | 47 |

5. None of the Promoters, Promoter Group Entities, Directors or the relatives thereof have financed the purchase of the Equity Shares of the Company by any other person or entity during the period of six months immediately preceding the date of filing the Letter of Offer.
6. As on the date of this Letter of Offer, there are no outstanding options or securities or warrants or debentures or any other instrument convertible into equity shares that have been issued by the Company.
7. The Company, its Promoters, Directors, and/or the Lead Manager have confirmed vide their letter dated 19th July, 2011 that they will not enter into any 'buy-back' and/or 'standby arrangement' for purchase of Equity Shares of the Company offered through this Letter of Offer.
8. Since the entire money of ₹ 30/- per share (₹ 10 face value plus ₹ 20/- premium) is being called on application, all the successful applicants will be issued fully paid-up Equity Shares only.
9. There are no partly paid-up equity shares as on the date of filing of the Letter of Offer.
10. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in para "Basis of Allotment" beginning on page no. 260 of this Letter of Offer.
11. The Company has not revalued its Fixed Assets in the last five years.
12. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
13. The Company has a total of 1537 Equity Shareholders as on date of filing of the Letter of Offer with the SEBI.
14. **Shares issued otherwise than for cash:**

Company has not issued any equity shares for consideration other than cash except the following:

The Company has issue two Bonus Issues till date, as detailed below:

| Date | No. of Shares | Face Value | Capitalisation Amount (₹) | Ratio |
|-------------|---------------|------------|---------------------------|-------|
| 06.12.1994 | 400000 | 10 | 40,00,000/- | 4:5 |
| 29.01.2001* | 891920 | 10 | 89,19,200/- | 1:5 |

* On 29.01.2001 the Company had issued 891920 Equity Shares as Bonus to 1300 shareholders in the ratio of 1:5.

Details of Allotment in 1st Bonus Issue of 400000 Equity Shares are as follows:

| Sl. No. | Date | Name of Allottees | Number of Shares Allotted |
|---------|------------|-------------------------------------|---------------------------|
| 1. | 06.12.1994 | Mr. Atul Jagjivandas Chandra | 33,480 |
| 2. | 06.12.1994 | Mr. Jayantibhai Jagjivandas Chandra | 25,640 |
| 3. | 06.12.1994 | Mr. Jagjivan Karsandas Chandra | 37,480 |

| Sl. No. | Date | Name of Allottees | Number of Shares Allotted |
|---------|-------------|--|---------------------------|
| 4. | 06.12. 1994 | Ms. Prafulaben Jayantilal Chandra | 12,000 |
| 5. | 06.12. 1994 | Ms. Kashiben Jagjivandas Chandra | 37,480 |
| 6. | 06.12. 1994 | Mr. Bharat Jagjivandas Chandra | 33,480 |
| 7. | 06.12. 1994 | Ms. Kapilaben Bharatbhai Chandra | 4,000 |
| 8. | 06.12. 1994 | Mr. Maheshbhai Jagjivandas Chandra | 33,480 |
| 9. | 06.12. 1994 | Ms. Rekhaben Maheshbhai Chandra | 4,000 |
| 10. | 06.12. 1994 | Mr. Dharmendrabhai Jagjivandas Chandra | 33,480 |
| 11. | 06.12. 1994 | Ms. Ushaben Dharmendrabhai Chandra | 4,000 |
| 12. | 06.12. 1994 | Ms. Manishaben Atulkumar Chandra | 4,000 |
| 13. | 06.12. 1994 | Mr. Harishbhai Jagjivandas Chandra | 33,480 |
| 14. | 06.12. 1994 | Ms. Hansha Harish Chandra | 4,000 |
| 15. | 06.12. 1994 | Mr. Mahendrakumar Jamnadas Patel | 9,040 |
| 16. | 06.12. 1994 | Mr. Ashokkumar Jamnadas Patel | 9,120 |
| 17. | 06.12. 1994 | Mr. Chetankumar Vasantrai Patel | 9,680 |
| 18. | 06.12. 1994 | Mr. Vasantrai Kurjibhai Patel | 9,600 |
| 19. | 06.12. 1994 | Ms. Manjulaben Vasantrai Patel | 9,520 |
| 20. | 06.12. 1994 | Ms. Krishnaben Chetankumar Patel | 7,040 |
| 21. | 06.12. 1994 | Mr. Navinkumar Bhagwanjibhai Patel | 3,520 |
| 22. | 06.12. 1994 | Mr. Umeshkumar Bhagwanjibhai Patel | 3,520 |
| 23. | 06.12. 1994 | Ms. Ramaben Jamnadas Patel | 8,960 |
| 24. | 06.12. 1994 | Mr. Jamnadas Kurjibhai Patel | 9,040 |
| 25. | 06.12. 1994 | Mr. Bhagwanjibhai Karamshibhai Patel | 6,960 |
| 26. | 06.12. 1994 | Mr. Gordhandas D Patel | 7,040 |
| 27. | 06.12. 1994 | Mr. Dayalal Gordhandas Patel | 6,960 |

Note: The Issuer Company has complied with the provision Clause 2(VI)(D)(2)(s) of Schedule VIII of SEBI (ICDR) Regulations, 2009 with respect to its Bonus Issue dated 29.01.2001 and Preferential Issue dated 08.05.2008.

15. Reduction of share capital:-

The Company has forfeited 6,40,700 Equity Shares on March 28, 1999, thus the Paid up Share Capital of the Company has been reduced to the extent of ₹ 64,07,000/- and forfeiture account under Share Capital has been credited by ₹ 23,28,850/-.

16. Promoter's contribution & Lock in requirements

The Issue being a Rights Issue, provisions of Promoters contribution and lock-in are not applicable as per Regulation 34 (C) of SEBI (ICDR) Regulations, 2009.

17. Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

Company has not issued any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Regulations or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

18. Company has not made any issue of Equity Shares at a price lower than the issue price during preceding one year from date of this Letter of Offer.

19. Presently, Company does not have any proposal or intention to alter its capital structure by way of split or consolidation of the denomination of Equity Shares or issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or Qualified Institutions Placement within a period of six months from the date of opening of this Issue.

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20. The Lead Manager and/or its associates do not hold any Equity Shares in the Company.

Shareholding Pattern of the Company as on 31.03.2011.

| Category of Shareholder | No. of Share holders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Shares | | Shares pledge or otherwise encumbered | |
|--|----------------------|---------------------|---|--|-------------------|---------------------------------------|-------------------------------|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of Shares | As a % of total No. of Shares |
| (A) Shareholding of Promoter and Promoter Group | | | | | | | |
| (1) Indian | | | | | | | |
| Individuals / Hindu Undivided Family | 29 | 3,469,888 | 3,469,888 | 59.30 | 59.30 | - | - |
| Sub Total | 29 | 3,469,888 | 3,469,888 | 59.30 | 59.30 | | |
| (2) Foreign | - | - | - | - | - | - | - |
| Total Shareholding of Promoter and Promoter Group (A) | 29 | 3,469,888 | 3,469,888 | 59.30 | 59.30 | - | - |
| (B) Public Shareholding | | | | | | | |
| (1) Institutions | | | | | | | |
| Foreign Institutional Investors | - | - | - | - | - | - | - |
| Mutual Funds/ UTI | - | - | - | - | - | - | - |
| Financial Institutions/ Banks | - | - | - | - | - | - | - |
| Venture Capital Funds | - | - | - | - | - | - | - |
| Sub Total | - | - | - | - | - | | |
| (2) Non-Institutions | | | | | | | |
| Bodies Corporate | 90 | 8,72,562 | 8,72,562 | 14.91 | 14.91 | - | - |
| Individuals | | | | | | | |
| Individual shareholders holding nominal share capital up to ₹ 1 lac | 1,336 | 4,60,298 | 3,23,542 | 7.87 | 7.87 | - | - |
| Individual shareholders holding nominal share capital in excess of ₹ 1 lac | 17 | 7,42,407 | 7,42,407 | 12.69 | 12.69 | - | - |
| Any Other (Specify) | - | - | - | - | - | - | - |
| Clearing Members | 4 | 1,657 | 1,657 | 0.03 | 0.03 | - | - |
| Overseas Corporate Bodies | 1 | 400 | - | 0.01 | 0.01 | - | - |
| Non Resident Indians | 60 | 3,04,308 | 71,508 | 5.20 | 5.20 | - | - |
| Sub Total | 1,508 | 23,81,632 | 20,11,616 | 40.70 | 40.70 | - | - |
| Total Public | | | | | | - | - |

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| Category of Shareholder | No. of Share holders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Shares | | Shares pledge or otherwise encumbered | |
|---|----------------------|---------------------|---|--|-------------------|---------------------------------------|-------------------------------|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of Shares | As a % of total No. of Shares |
| Shareholding (B) | 1,508 | 23,81,632 | 20,11,616 | 40.70 | 40.70 | | |
| Total (A)+(B) | 1,537 | 58,51,520 | 54,81,504 | 100.00 | 100.00 | - | - |
| (C) Shares held by Custodians and against with Depository Receipts have been issued | - | - | - | - | - | - | - |
| Total (A)+(B)+(C) | 1,537 | 58,51,520 | 54,81,504 | | 100.00 | - | - |

21. Details of shareholders (other than Promoter/Promoter Group) holding more than one per cent of the share capital of the Company as on 31.03.2011 is as follows:

| Sr. No. | Name of the shareholder | Number of shares | Shares as a percentage of total number of shares. |
|--------------|--|------------------|---|
| 1 | Dayabhai Gordhandas Patel | 75,172 | 1.28 |
| 2 | Jaikishan Rahi - HUF | 63,000 | 1.08 |
| 3 | Kamal Kumar Jalan Securities Private Limited | 2,27,722 | 3.89 |
| 4 | Kedia Securities Private Limited | 5,00,000 | 8.54 |
| 5 | Vijay Kishanlal Kedia | 3,14,426 | 5.37 |
| TOTAL | | 11,80,320 | 20.17 |

22. Top 10 Shareholders are as follows:

a) Details of Top 10 shareholders as on the date of filing this Letter of Offer are as follows:

| Sl. No. | Name of the Shareholders | Relationship | Equity Shares (Face value of ₹ 10/- each) | % of pre-issue capital |
|---------|------------------------------------|--|---|------------------------|
| 1. | Kedia Securities Pvt. Ltd. | Director promoted co. | 500000 | 8.55% |
| 2. | Maheshbhai Jagjivandas Chandra | Promoter Group | 430022 | 7.35% |
| 3. | Dharmendrabhai Jagjivandas Chandra | Promoter Group | 422442 | 7.22% |
| 4. | Harishbhai Jagjivandas Chandra | Promoter Group | 388262 | 6.64% |
| 5. | Bharat Jagjivandas Chandra | Promoter Group | 325302 | 5.56% |
| 6. | Vijay Kishanlal Kedia | Director | 314426 | 5.37% |
| 7. | Manishaben Atulkumar Chandra | Promoter Group | 228592 | 3.91% |
| 8. | Jayantibhai Chandra | Promoter/ Chairman & Managing Director | 236288 | 4.04% |
| 9. | Kashiben Jagjivandas Chandra | Promoter Group | 226392 | 3.87% |

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| | | | | |
|-----|---------------------------------------|-------------|----------------|---------------|
| 10. | Kamal Kumar Jalan Securities Pvt.Ltd. | Not related | 167322 | 2.86% |
| | TOTAL | | 3239048 | 55.37% |

b) Top 10 shareholders as on ten days prior to the date of filing this Letter of Offer are as follows:

| Sl. No. | Name of the Shareholders | Relationship | Equity Shares (Face value of ₹ 10/- each) | % of pre-issue capital |
|---------|--|--|---|------------------------|
| 1. | Kedia Securities Pvt. Ltd. | Director promoted co. | 500000 | 8.55% |
| 2. | Maheshbhai Jagjivandas Chandra | Promoter Group | 430022 | 7.35% |
| 3. | Dharmendrabhai Jagjivandas Chandra | Promoter Group | 422442 | 7.22% |
| 4. | Harishbhai Jagjivandas Chandra | Promoter Group | 388262 | 6.64% |
| 5. | Bharat Jagjivandas Chandra | Promoter Group | 325302 | 5.56% |
| 6. | Vijay Kishanlal Kedia | Director | 314426 | 5.37% |
| 7. | Jayantibhai Chandra | Promoter/ Chairman & Managing Director | 236288 | 4.04% |
| 8. | Manishaben Atulkumar Chandra | Promoter Group | 228592 | 3.91% |
| 9. | Kashiben Jagjivandas Chandra | Promoter Group | 226392 | 3.87% |
| 10. | Kamal Kumar Jalan Securities Pvt. Ltd. | Not related | 167322 | 2.86% |
| | TOTAL | | 3239048 | 55.37% |

c) Top 10 shareholders two years prior to the date of filing of this Letter of Offer are as follows:

| Sl. No. | Name of the Shareholders | Relationship | Equity Shares (Face value of ₹ 10/- each) | % of pre-issue capital |
|---------|------------------------------------|--|---|------------------------|
| 1. | Kedia Securities Pvt. Ltd. | Director promoted co. | 500000 | 8.55% |
| 2. | Maheshbhai Jagjivandas Chandra | Promoter Group | 430022 | 7.35% |
| 3. | Dharmendrabhai Jagjivandas Chandra | Promoter Group | 422442 | 7.22% |
| 4. | Harishbhai Jagjivandas Chandra | Promoter Group | 388262 | 6.64% |
| 5. | Bharat Jagjivandas Chandra | Promoter Group | 325302 | 5.56% |
| 6. | Vijay Kishanlal Kedia | Director | 314426 | 5.37% |
| 7. | Manishaben Atulkumar Chandra | Promoter Group | 266092 | 4.55% |
| 8. | Jayantibhai Chandra | Promoter/ Chairman & Managing Director | 236288 | 4.04% |
| 9. | Kashiben Jagjivandas Chandra | Promoter Group | 226392 | 3.87% |
| 10. | SureshBhai Dalpatram Pandya | Not related | 209280 | 3.58% |
| | TOTAL | | 3318506 | 56.73% |

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23. Shareholding of the Promoter Group Prior and Post this Issue:

| Sl. No. | Particulars | Pre Issue | | Post Issue | |
|-----------|---|------------------|--------------|------------------|--------------|
| | | No. of Shares | % Holding | No. of Shares | % Holding |
| A. | Promoters | | | | |
| I. | Indian | | | | |
| 1. | Mr. Jayantibhai Jagjivandas Chandra | 236,288 | 4.04 | 2,95,502 | 4.04 |
| 2. | Mr. Mahendrakumar Jamnadas Patel | 92,616 | 1.58 | 1,15,568 | 1.58 |
| | Total Promoters Holding (A) | 328,904 | 5.62 | 4,11,069 | 5.62 |
| B. | Promoter Group | | | | |
| I. | Indian | | | | |
| 3. | Ms. Manishaben Atulkumar Chandra | 228,592 | 3.91 | 2,85,993 | 3.91 |
| 4. | Ms. Prafulaben Jayantilal Chandra | 98,600 | 1.68 | 1,22,882 | 1.68 |
| 5. | Mr. Nirajbhai Chandra | 66,520 | 1.14 | 83,384 | 1.14 |
| 6. | Ms. Anitaben Nirajbhai Chandra | 83,320 | 1.42 | 1,03,864 | 1.42 |
| 7. | Mr. Krunal Jayantibhai Chandra | 46,040 | 0.79 | 57,784 | 0.79 |
| 8. | Mr. Dharmendrabhai Jagjivandas Chandra | 422,442 | 7.22 | 5,28,100 | 7.22 |
| 9. | Mr. Ashokkumar Jamnadas Patel | 45,648 | 0.78 | 57,052 | 0.78 |
| 10. | Ms. Ramaben Dayalal Patel | 40,668 | 0.69 | 50,469 | 0.69 |
| 11. | Mr. Vasantrai Kurjibhai Patel | 52,800 | 0.90 | 65,830 | 0.90 |
| 12. | Ms. Manjulaben Vasantrai Patel | 63,768 | 1.09 | 79,727 | 1.09 |
| 13. | Ms. Ramaben Jamnadas Patel | 75,504 | 1.29 | 94,356 | 1.29 |
| 14. | Ms. Minaben Ashokkumar Patel | 1,000 | 0.02 | 1,463 | 0.02 |
| 15. | Ms. Krishnaben Chetankumar Patel | 42,456 | 0.72 | 52,664 | 0.72 |
| 16. | Mr. Hiren Vasantrai Patel | 46,320 | 0.79 | 57,784 | 0.79 |
| 17. | Ms. Rekhaben Maheshbhai Chandra | 64,080 | 1.10 | 80,458 | 1.10 |
| 18. | Mr. Maheshbhai Jagjivandas Chandra | 430,022 | 7.35 | 5,37,608 | 7.35 |
| 19. | Mr. Bharat Jagjivandas Chandra | 325,302 | 5.56 | 4,06,681 | 5.56 |
| 20. | Ms. Ushaben Dharmendrabhai Chandra | 57,140 | 0.98 | 71,681 | 0.98 |
| 21. | Mr. Alpesh Bharatbhai Chandra | 48,720 | 0.83 | 60,710 | 0.83 |
| 22. | Ms. Kapilaben Bharatbhai Chandra | 29,840 | 0.51 | 37,303 | 0.51 |
| 23. | Ms. Kashiben Jagjivandas Chandra | 226,392 | 3.87 | 2,83,067 | 3.87 |
| 24. | Mr. Harishbhai Jagjivandas Chandra | 388,262 | 6.63 | 4,84,945 | 6.63 |
| 25. | Ms. Harshaben Harishbhai Chandra | 48,480 | 0.83 | 60,710 | 0.83 |
| 26. | Mr. Chetankumar Vasantrai Patel | 73,512 | 1.26 | 92,161 | 1.26 |
| 27. | Ms. Manishaben Mahendrakumar Patel | 27,700 | 0.47 | 34,378 | 0.47 |
| 28. | Mr. Jamnadas Kurjibhai Patel | 57,216 | 0.98 | 71,681 | 0.98 |
| 29. | Ms. Hetal Alpesh Chandra | 50,640 | 0.87 | 63,635 | 0.87 |
| | Total Promoter Group holding (B) | 3140984 | 53.68 | 39,26,370 | 53.68 |
| | Total Promoters / Promoter Group Holding (A+B) | 3,469,888 | 59.30 | 43,37,439 | 59.30 |

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24. Shareholding of the Company Prior and Post this issue:

| Category of Shareholder | | Pre Issue | | Post Issue | |
|-------------------------|--|------------------|---------------|------------------|---------------|
| | | No. of Shares | % Holding | No. of Shares | % Holding |
| (A) | Shareholding of Promoter and Promoter Group | | | | |
| (1) | Indian | | | | |
| | Individuals / Hindu Undivided Family | 3,469,888 | 59.30 | 4,337,439 | 59.30 |
| | Sub Total | 3,469,888 | 59.30 | 4,337,439 | 59.30 |
| (2) | Foreign | - | - | - | |
| | Total Shareholding of Promoter and Promoter Group (A) | 3,469,888 | 59.30 | 4,337,439 | 59.30 |
| (B) | Public Shareholding | | | | |
| (1) | Institutions | | | | |
| | Foreign Institutional Investors | - | - | - | |
| | Mutual Funds/ UTI | - | - | - | |
| | Financial Institutions/ Banks | - | - | - | |
| | Venture Capital Funds | - | - | - | |
| | Sub Total | - | - | - | |
| (2) | Non-Institutions | | | | |
| | Bodies Corporate | 8,72,562 | 14.91 | 10,90,577 | 14.91 |
| | Individuals | | | | |
| | Individual shareholders holding nominal share capital up to ₹ 1 lac | 4,60,298 | 7.86 | 5,74,912 | 7.86 |
| | Individual shareholders holding nominal share capital in excess of ₹ 1 lac | 7,42,407 | 12.69 | 9,28,197 | 12.69 |
| | Any Other (Specify) | | | | |
| | Clearing Members | 1,657 | 0.03 | 2,195 | 0.03 |
| | Overseas Corporate Bodies | 400 | 0.01 | 731 | 0.01 |
| | Non Resident Indians | 3,04,308 | 5.20 | 3,80,349 | 5.20 |
| | Sub Total | 23,81,632 | 40.70 | 29,76,961 | 40.70 |
| | Total Public Shareholding (B) | 2,381,632 | 40.70 | 29,76,961 | 40.70 |
| | Total (A)+(B) | 5,851,520 | 100.00 | 73,14,400 | 100.00 |
| (C) | Shares held by Custodians and against with Depository | - | - | | |

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| | | | | | |
|--------------------------|--------------------------------------|------------------|---------------|-----------|---------------|
| | Receipts have been issued | | | | |
| Total (A)+(B)+(C) | | 5,851,520 | 100.00 | 73,14,400 | 100.00 |

SECTION – IV. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

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

1. Repayment of Term Loan
2. Towards business expansion in few more states of the Country
3. Expenses towards Rights Issue

The Object Clause of the Memorandum of Association of the Company, enable it to undertake the existing activity and the activities for which the funds are being raised by the Company through the present Rights Issue.

TOTAL FUND REQUIREMENT

The summary of the requirement of funds for the Objects of the Issue is as follows:

(Amount ₹ in Lacs)

| Particulars | Total |
|---|---------------|
| Repayment of Term Loan | 323.86 |
| Expenses towards business expansion in few more states of the Country | 100.00 |
| Rights Issue Expenses | 15.00 |
| TOTAL | 438.86 |

No part of the Rights Issue proceeds will be paid by the Company, as consideration to Promoters, Directors, Company's Key Managerial Personnel or to Associate or Group Companies promoted by the Promoter in the normal course of business.

MEANS OF FINANCE

The aforesaid requirement of funds is proposed to be entirely financed by the Net Proceeds of the Issue. Thus, provisions of the SEBI Regulations in connection with firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the proposed Issue, does not apply to the Company.

(Amount ₹ in Lacs)

| Particulars | Total |
|---|---------------|
| Proceeds of the Rights Issue of 14,62,880 Equity Shares of ₹ 10/- each at a premium of ₹ 20/- per Equity Share (Issue Price ₹ 30/-) | 438.86 |
| TOTAL | 438.86 |

In case of a shortfall in the Net Proceeds, the Company may explore options including utilizing the internal accruals.

PROPOSED DEPLOYMENT OF FUNDS

The following table summarises intended use and deployment of funds:

(Amount ₹ in Lacs)

| Sl. No. | Activities | Total estimated amount | Already deployed up to 30.06.2011 | Balance to be deployed* |
|---------|--|------------------------|-----------------------------------|-------------------------|
| 1. | Repayment of Term Loan | 323.86 | - | 323.86 |
| 2. | Business expansion in few more states of the Country | 100.00 | 27.58 | 72.42 |
| 3. | Rights Issue Expenses | 15.00 | 5.13 | 9.87 |
| | Total | 438.86 | 32.71 | 406.15 |

* Balance amount to be deployed in the calander year 2011.

The fund requirement set out in the table above is based on the current business plan of the Company. In view of the dynamic and competitive environment of the industry in which the Company operate, needs to revise the business plan from time to time and consequently the capital requirements may also change. The Company may have to revise the estimated costs, funding allocation and fund requirements owing to factors such as economic and business conditions, increased competition, and other external factors which may not be within the control of the management and may entail rescheduling and revising the planned expenditure and funding requirement and

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increasing or decreasing the expenditure for a particular purpose from the planned expenditure at the discretion of the management.

It is confirmed that the entire objects of the issue could be met through the issue proceeds alone. In case of any increase in the actual utilisation of funds earmarked for the above objects, such additional funds for a particular activity will be met by way of such means available to the Company, including from internal accruals. If the actual utilisation towards any of the aforesaid objects is lower than what is stated above, such balance will be used for future growth opportunities, including funding existing objects, if required, general corporate purposes and/or any other project, activity or initiative the Company may undertake.

Details of the Objects

1. Repayment of Term Loan

The Company has availed Term Loan from IDBI Bank amounting to ₹ 1500.00 Lacs. The Company intends to repay the Term Loan amounting to ₹ 323.86 Lacs out of the Net Proceeds of the Rights Issue, which will enable the Company to improve the debt equity ratio. The detail of the Term Loan from IDBI is detailed in the table below.

| Particulars | Term Loan with IDBI |
|--|--|
| Nature of Loan | Rupee Term Loan under Project Finance Scheme |
| Object of the Loan | To part finance the company's diversification scheme of manufacturing Rear Engine (RE) vehicles. |
| Nature of Interest Charge | Monthly |
| Disbursed Amount (₹ in Lacs) | 1500.00 |
| Outstanding as on March 31, 2011 (₹ in Lacs) | 600.00 |
| Repayment to be made in FY 2011 (₹ in Lacs) | 323.86 |
| Rate of interest on the Loan | IDBI BPLR minus 150 bps (present rate is 13.25%) |
| Security | i) 1 st pari-passu charge on all the movable and immovable assets, present and future ii) 2 nd pari passu charge on all current assets of the co. iii) Irrevocable and unconditional personal guarantees of the promoters viz. Mr. J.J.Chandra & Mr. M.J.Patel |
| Repayment Schedule | Repayable in 24 Quarterly Instalment of ₹ 62.50 lacs each commencing from January 1, 2010. |

M/s Maharishi & Company, Chartered Accountants has confirmed vide their Letter dated 12.11.2010 that Term Loan as specified above have been used for the purposes for which they were raised.

2. Business expansion in new states

The Company proposes to invest in few more states to expand overall business activity. The Company intend to utilise ₹ 100.00 Lacs for the opening of new offices in nine different states. The amount has been estimated based on the past experience of the company and information provided by the marketing department. The total funds required for the opening of new offices have not been appraised by any appraising agency. The Company has not obtained any quotation for the proposed capital expenditure for the opening of new office at eleven different locations.

Cost break-up for setting up new offices in nine different states in India

The management estimated cost for setting of new offices in nine different states primarily comprises of deposits, infrastructure and logistics, advertisement cost and other establishment cost. The Company typically enter into an agreement with the dealers for the distribution activity of the product.

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The management estimated cost break-ups for setting of new offices in nine states are as follows:

| Sl. No. | Particulars | Amount (₹ in Lacs) |
|---------|----------------------------|-----------------------|
| 1. | Infrastructure & Logistics | 50.12 |
| 2. | Advertisement Cost | 42.94 |
| 3. | Deposits | 6.94 |
| | Total | 100.00 |

Schedule of Implementation for setting of new offices

| Sl. No. | Location | Schedule of Implementation | Total | Expenses (₹ in Lacs) | Expenses Incurred | Balance to be incurred |
|---------|-------------------------------|--|-----------|-------------------------|-------------------|------------------------|
| 1. | Bihar | Office opened in the month of December 2010 | 1 | 12.14 | 6.57 | 5.82 |
| 2. | Haryana | Office opened in the month of September 2010 | 1 | 9.70 | 1.77 | 7.73 |
| 3. | Jharkhand | Office opened in the month of December 2010 | 1 | 8.68 | 2.80 | 5.64 |
| 4. | Karnataka | Office opened in the month of December 2010 | 1 | 15.38 | 8.32 | 7.06 |
| 5. | Punjab | Office opened in the month of September 2010 | 1 | 8.73 | 2.07 | 6.66 |
| 6. | Tamil Nadu | Nov. 2011 | 1 | 14.71 | -- | 14.71 |
| 7. | National Capital Region (NCR) | Office opened in the month of September 2010 | 1 | 8.35 | 1.77 | 6.78 |
| 8. | Madhya Pradesh | July 2011 | 1 | 14.86 | -- | 14.86 |
| 9. | Uttar Pradesh | Office opened in the month of September 2010 | 3 | 7.43 | 4.27 | 3.16 |
| | Total | | 11 | 100.00 | 27.58 | 72.42 |

Note: The above mentioned data are internal estimates of the Management of the Company.

3. Rights Issue Expenses

The total expenses of the Rights Issue are estimated to be approximately ₹ 15.00 Lacs. The Rights Issue related expenses include, among others, issue management fees, registrar fees, printing and distribution expenses, auditors fees, legal fees, advertisement expense, etc. The total expenses for the Rights Issue are 3.43 % of the Issue size. The following table gives break-up of estimated Issue expenses:

| Sl. No. | Particulars | Amount (₹ in Lacs) | % of Total Issue Expenses | % of Total Issue Size |
|---------|--|--------------------|---------------------------|-----------------------|
| 1. | Fees of Lead Manager, Registrar, Legal Advisor, Auditors, etc. | 9.20 | 61.33 % | 2.10 % |
| 2. | Printing & Stationery, Distribution, Postage, etc. | 2.00 | 13.33% | 0.45 % |
| 3. | Advertisement & Marketing Expenses | 1.00 | 6.67% | 0.23 % |
| 4. | Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.) | 1.50 | 10.00% | 0.34 % |
| 5. | Contingencies | 1.30 | 8.67% | 0.30 % |
| | TOTAL | 15.00 | 100.00% | 3.42 % |

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SOURCES AND DEPLOYMENT OF FUNDS

As per certificate dated 27.07.2011 received from M/s Maharishi & Company, Chartered Accountants, the Company has deployed a sum of ₹ 32.71 lacs up to 30.06.2011 towards the proposed Rights Issue of the Company. The breakup of the expenses incurred and sources of funds are as under:

| Particulars | Amount (₹ in Lacs) |
|----------------------------|--------------------|
| Deployments of Fund | |
| Infrastructure & Logistics | 7.83 |
| Advertisement Cost | 16.76 |
| Deposits | 2.99 |
| Rights Issue Expenses | 5.13 |
| Total | 32.71 |

| Particulars | Amount (₹ in Lacs) |
|-------------------------|--------------------|
| Means of Finance | |
| Internal Accrual | 32.71 |
| Total | 32.71 |

BASIC TERMS OF THE ISSUE

For the details, please refer to "Issue Information" beginning on page no. 248 of this Letter of Offer.

BRIDGE LOAN

The company has not raised any bridge loan which will be repaid from the issue proceeds.

INTERIM USE OF FUNDS

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

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BASIS FOR ISSUE PRICE

The Issue Price has been determined by the Board of Directors in their meeting held on June 25, 2010.

Investors should also refer to “Risk Factors” and “Auditor’s Report” beginning on pages no. 12 and 115 respectively, of this Letter of Offer to get a more informed view before making any investment decision.

The Face Value of the Equity Shares is ₹ 10/- each and the Issue Price of ₹ 30/- is 3 times the Face Value.

QUALITATIVE FACTORS

The Company believe that following are some of the qualitative factors, which need to be considered for determining the basis of Issue Price:

- The Company has been in this business for more than two decades.
- Company’s promoters have hands on experience in the auto industry.
- Company has a dedicated Research & Development team constantly working to develop more efficient vehicles.
- The Company has launched diesel vehicles having substantial advantage in terms of fuel economy over petrol driven vehicle.
- The Company has also launched CNG & LPG vehicles which are having good demand, looking into cost effectiveness and environment friendly product.
- The Company has started expanding its reach to new markets.
- Company has completed range of three wheelers to cater any market segment.

The Company has launched diesel vehicles having substantial advantage in terms of fuel economy over petrol driven vehicle. Diesel vehicles are more fuel economical over petrol vehicles as it gives more mileage, more carrying capacity and cost effectiveness. Comparison of petrol and diesel vehicle is under:

| Parameters | Petrol Vehicles | Diesel Vehicles |
|-------------------|-----------------|-----------------|
| Mileage | 30km/ per ltr. | 32km/ per ltr. |
| Carrying Capacity | 350 Kg. | 500 Kg. |
| Price per ltr. | 67 approx. | 42 approx. |

Source: ARAI.

QUANTITATIVE FACTORS

The information presented in this section is derived from Company’s restated standalone financial statements prepared in accordance with India GAAP.

1. Earnings per share (EPS) of Face Value ₹ 10/-

| Particulars | Basic EPS (in ₹) | Diluted EPS (in ₹) | Weights |
|---------------------------------------|---------------------|-----------------------|---------|
| Financial year ended 31st March, 2011 | 16.11 | 16.11 | 3 |
| Financial year ended 31st March, 2010 | 7.76 | 7.76 | 2 |
| Financial year ended 31st March, 2009 | 0.79 | 0.79 | 1 |
| Weighted Average | 10.77 | 10.77 | |

Note:

The earnings per share has been computed by dividing the adjusted profit / (loss) after tax but before Extraordinary Items by weighted average number of equity shares outstanding during the year. The Earnings per share has been calculated in accordance with Accounting Standard 20 on “Earnings per Share” issued by ICAI.

2. Price/Earning (P/E) ratio in relation to Issue Price of ₹ 30/-

- a. P/E based on the basic EPS of financial year ended March 31, 2011, is 1.86 times at the Issue Price
- b. P/E based on the diluted EPS of financial year ended March 31, 2011, is 1.86 times at the Issue Price.
- c. Industry P/E (Auto):

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| Particulars | P/E (X)* | P/E ratio based on current available market price** |
|--------------------|----------|---|
| Lowest | 8.85 | 7.90 |
| Highest | 20.81 | 21.20 |
| Industry Composite | 19.28 | 16.40 |

*(Source: Capital Market, Vol. 25/22, Dec.27, 2010, Jan.09, 2011, Category "Auto")

** (Source: Volume No 26 And Issue no 10 (July 11 - 24, 2011) , Category "Auto")

3. Average Return on Net worth (RONW)

| Year ended | RONW (%) | Weights |
|------------------------------|--------------|---------|
| March 31, 2011 | 23.36 | 3 |
| March 31, 2010 | 13.49 | 2 |
| March 31, 2009 | 1.51 | 1 |
| Weighted Average RONW | 16.43 | |

Note: The return on net worth has been computed by dividing the adjusted profit / (loss) after tax but before Extraordinary Items, by net worth excluding Revaluation Reserve as at the end of the year.

4. Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS of ₹ 16.11 for the year ended March 31, 2010 is 26.33%

5. Net Asset Value (NAV) per Equity Share

| Particulars | NAV per Equity Share (₹) |
|------------------------------|--------------------------|
| As on March 31, 2011 | ₹ 68.98 |
| After the Issue | ₹ 57.18 |
| Issue Price per Equity Share | ₹ 30.00 |

6. Comparison of Accounting Ratios

| Company | Face Value (₹) | EPS (₹) | P/E | RONW % | NAV per Equity Share (₹) |
|------------------------------|----------------|---------|-------|--------|--------------------------|
| Atul Auto Limited | 10 | 16.11 | 1.86* | 23.36 | 68.98 |
| Bajaj Auto Limited | 10 | 88.50 | 16.4 | 70.16 | 169.70 |
| Maharashtra Scooters Limited | 10 | 17.10 | 21.20 | 10.58 | 184.00 |
| Scooters India Limited | 10 | - | - | - | (11.20) |

(Source: Capital Market, Volume No 26 And Issue no 10 (July 11 - 24, 2011), Category "Auto")

*Calculated based on issue price of ₹ 30 per Equity Share.

STATEMENT OF TAX BENEFITS

Date: 5th July, 2011

**The Board of Directors
Atul Auto Limited
Survey no 86, Plot No 1 to 4
Village Shapar (Veraval), Near Microwave Tower
Rajkot Gondal Highway, Taluka Kotda Sangani
Dist. Rajkot
Gujarat**

Dear Sirs,

Sub.: Statement of Possible Direct Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to Atul Auto Limited (The "Company") and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. 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 contained in the Annexure 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
- * Conditions prescribed for availing the benefits have been / would be met with.

Our views expressed in the Annexure are based on the information, explanations and representations obtained from you and our understanding of the business activities and operations of the company. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of the 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 Atul Auto Limited and shall not, without our prior written consent, be disclosed to any other person, Maharishi & Co. shall not be liable to Atul Auto Limited for any claims, liabilities or express 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.

This certificate is provided solely for the purposes of assisting the addressee company in discharging its responsibilities under the securities and Exchange Board of India (Issue of capital and Disclosure Requirements) regulations, 2009.

For Maharishi & Co.
Chartered Accountants
Registration No. 124872W

Prashant M. Maharishi
Partner
Membership No. 41452

Atul Auto Limited

Annexure:

The following key direct tax benefits are available to the Company and the prospective shareholders under the current direct tax laws in India.

The tax benefits listed below are the possible benefits available under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperative it forces in the future, they may or may not choose to fulfill. This statement is only intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences of the subscription, purchase, ownership or disposal etc. of shares. In view of the individual nature of tax consequent and the changing tax laws, each investor is advised to consult their own tax advisor with respect to specific tax implications arising out of their participation in the issue.

I. SPECIAL TAX BENEFITS

There are no special benefits available to the Company.

There are no special benefits available to the shareholders of the Company.

II. GENERAL TAX BENEFITS

1. General benefits available to the Company under the Act.

(A) Business Income

1. Depreciation:

The Company is entitled to claim depreciation on specified tangible and intangible assets owned by it and used for the purpose of its business under section 32 of the Act at specified rates.

In case of new machinery or plant (other than ships and aircrafts), that is acquired and installed by the Company, it is entitled to additional depreciation equal to twenty per cent of the actual cost of such machinery or plant subject to conditions specified in section 32 of the Act.

Unabsorbed depreciation, if any, for an assessment year can be carried forward and set off against income from any source in subsequent assessment years in accordance with section 32 of the Act.

2. Expenditure incurred on Voluntary Retirement Scheme

In accordance with section 35DDA of the Act, the Company is eligible to deduction in respect of expenditure incurred in connection with voluntary retirement of its employees, of an amount equal to 1/5th of such expenses every year for a period of 5 years subject to the conditions specified therein.

3. MAT credit

As per section 115JAA(1A) of the Act, the Company is eligible to claim credit for MAT paid for any assessment year commencing on or after April 1, 2006 against income-tax payable under the normal provisions of the Act in subsequent assessment years. MAT credit shall be allowed for any assessment year to the extent of difference between the tax payable as per the normal provisions of the Act and the tax paid under section 115JB for that assessment year. Such MAT credit is available for set-off up to 10 years immediately succeeding the assessment year in which the MAT credit becomes allowable.

4. Research & Development expenses

Under section 35 of the Income tax Act and subject to the provisions and conditions specified therein, the company would be entitled to a weighted deduction of

- One and one fourth times of the payments made to an approved scientific research association or
- One and one fourth times of the payments to a company to be used by it for scientific research or to a research association in which has its objects the undertaking of research in social science or statistical research or to university, college or other institutions for research in social science and statistical research

5. Incentive benefits

Company is also entitled to deductions under section 80 IA (4)(iv) w.r.t. windmills of the assessee subject to terms and condition contained therein up to 100% of profit or gain derived from such business for ten consecutive assessment years at the option of the company out of fifteen years from the year in which windmills started generating powers.

6. Other benefits

- The Company is eligible under section 35D of the IT Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of undertaking, for period of five successive years subject to the limits provided and the conditions specified under the said section.
- The Company will be entitled to claim expenditure incurred in respect of amalgamation or demerger of an undertaking under section 35DD of the IT Act in five equal annual installments.
- The Company will be entitled to claim expenditure incurred in respect of voluntary retirement under Section 35DDA of the IT Act in five equal annual installments.

(B) CAPITAL GAINS:

a) Long Term Capital Gain (LTCG)

Capital Gains arising from the transfer of a capital asset being shares held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) of the Act or a zero coupon bonds, held by an assessee for more than 12 months will be long term in nature.

In respect of any other capital assets, LTCG means capital gain arising from the transfer of an asset, held by an assessee for 36 months.

b) Short Term Capital Gain (STCG)

STCG means capital gain arising from the transfer of capital asset being Share held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10 (23D) of the Act or a zero coupon bonds, held by an assessee for 12 months or less.

In respect of any other capital assets, STCG means capital gain arising from the transfer of an asset, held by an assessee for 36 months or less.

c) Tax Treatment

- (i) LTCG arising on transfer of equity shares of a company or units of an equity oriented fund (as defined which has been set up under a scheme of a mutual fund specified under section 10(23D) of the Act are exempt from tax under section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT) and subject to conditions specified therein.
- (ii) Income by way of LTCG exempt under section 10(38) of the Act is to be taken into account in computing the book profit and income tax payable under section 115JB of the Act.
- (iii) As per section 48 of the Act and subject to the conditions specified in that section, LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government) and depreciable assets, is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.
- (iv) As per section 112 of the Act, LTCG is taxed @ 20% (plus applicable surcharge and cess).
- (v) However, if such tax payable on transfer of listed securities or units or Zero coupon bonds exceed 10% of the LTCG, without indexation benefit, the excess tax shall be ignored for the purpose of computing the tax payable by the assessee.
- (vi) As per section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined, which has been set up under a scheme of a mutual fund specified under

section 10(23D)), are subject to tax at the rate of 15% (plus applicable surcharge and cess) provided the transaction is chargeable to STT. No deduction under chapter VI-A of the Act shall be allowed from such income.

- (vii) STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined, which has been set up under a scheme of a mutual fund specified under section 10(23D) of the Act), where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable surcharge and cess).
- (viii) As per section 71 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against STCG well as LTCG. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent 8 years.
- (ix) As per section 71 read with section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against LTCG. Balance loss, if any, shall be carried forward and set-off against LTCG arising during subsequent 8 years.
- (x) As per section 54EC of the Act, capital gains arising from the transfer of a long term capital asset shall be exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in specified bonds issued by the following and subject to the conditions special therein:
 - National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;
 - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1856.

If only part of the capital gains is reinvested, the exemption shall be available on a proportionate basis.

(C) OTHER INCOME:

(a) Dividend Income:

Dividend (both interim and final), if any, received by the Company on its investments in shares of another Domestic Company shall be exempt from tax under section 10(34) read with section 115-O of the Act.

(b) Income from Mutual Funds:

Income received in respect of units of a mutual fund specified under section 10(23D) of the Act (other than income arising from transfer of such units) shall be exempt from tax under section 10(35) of the Act.

2. General benefits available to the Members of the Company under the Act.

(A) Resident Members

(a) Dividend income:

Dividend, (both interim and final), if any, received by the resident shareholders from a Domestic Company shall be exempt from tax under section 10(34) read with section 115-O of the Act.

(b) Capital gains:

- (i) Benefits outlined in Paragraph 1(B) of section 2 above are also applicable to resident shareholders.
- (ii) In addition, a resident shareholder, being an individual or a Hindu Undivided Family (HUF) will be entitled to exemption under section 54F of the Act. Under this section, LTCG arising from transfer of shares shall be exempt from tax if net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, for purchase of a new

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residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein.

(B) Non-Resident Indians/Members Other than FIIs and Foreign Venture Capital Investors

(a) Dividend Income:

Dividend (both interim and final), if any, received by the non-resident shareholders from a Domestic Company shall be exempt from tax under section 10(34) read with section 115-O of the Act.

(b) Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.

The above Statement of Possible Indirect 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. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date.

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INTEREST OF THE PROMOTERS AND DIRECTORS TO THE PROJECT OR OBJECTS OF THE ISSUE

No part of the Issue proceeds will be paid by the Company as consideration to Promoters, Directors, Key Managerial Personnel, Associates, Affiliates or members of the Promoter Group except otherwise in the ordinary course of business.

None of the Promoters and Directors of the Company has any interest in the project or objects of the issues except to the extent of their shareholding in the Company.

There is no strategic or financial partner to the project / objects of the issue.

SECTION – V. DETAILS OF THE ISSUER COMPANY

INDUSTRY OVERVIEW

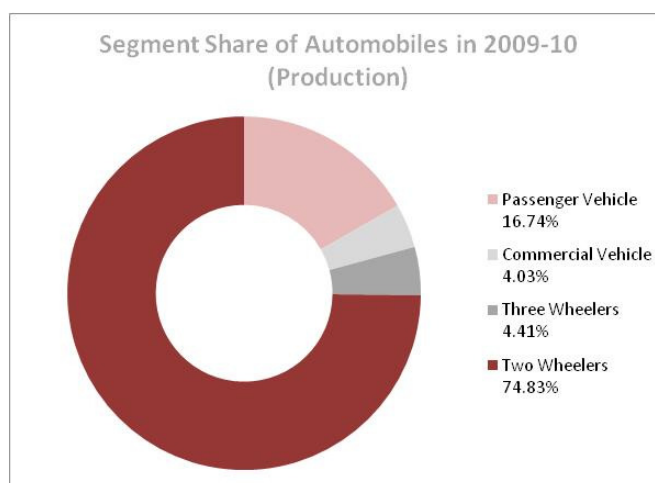
The information in this section is derived from various government publications and other industry sources. Neither the Company nor the Lead Manager has independently verified such data/ information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information. The data in this section has been sourced from the following industry/ government reports:

- (i) IBEF Industry sector report: Automobiles
- (ii) Society of Indian Automobile Manufacturers (SIAM)
- (iii) <http://www.nhai.org/roadnetwork.htm>(NHAI)

Auto Industry

The Indian Automotive Industry after de-licensing in July, 1991 has grown at a spectacular rate on an average of 17 per cent. Even with this rapid growth, the Indian Automotive Industry contribution in global terms is very low. The Automotive Mission Plan (AMP) 2006-16 aims at doubling the contribution of automotive sector in GDP by taking the turnover to \$145 billion in 2016 with special emphasis on export of small cars, MUVs, two and three wheelers and auto components. Overall production of automobiles increased from 8.47 million units in 2004-05 to 14.05 million units in 2009-10. Currently, India is the:

- Second largest two-wheeler market in the world;
- Fourth largest commercial vehicle market in the world;
- Eleventh largest passenger car market in the world;
- Fifth largest bus and truck market (by volume) in the world



Automobile Production Trend

| Vehicle Category | Number of Vehicles | | | | | | |
|--------------------|--------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Passenger | 989560 | 1209876 | 1309300 | 1545223 | 1777583 | 1838593 | 2351240 |
| Commercial | 275040 | 353703 | 391083 | 519982 | 549006 | 416870 | 566608 |
| Three Wheelers | 356223 | 374445 | 434423 | 556126 | 500660 | 497020 | 619093 |
| Two Wheelers | 5622741 | 6529829 | 7608697 | 8466666 | 8026681 | 8419792 | 10512889 |
| Grand Total | 7243564 | 8467853 | 9743503 | 11087997 | 10853930 | 11172275 | 14049830 |

Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10

Automobile Domestic Sales Trend

| Vehicle Category | Number of Vehicles | | | | | | |
|--------------------|--------------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Passenger | 902096 | 1061572 | 1143076 | 1379979 | 1549882 | 1552703 | 1949776 |
| Commercial | 260114 | 318430 | 351041 | 467765 | 490494 | 384194 | 531395 |
| Three Wheelers | 284078 | 307862 | 359920 | 403910 | 364781 | 349727 | 440368 |
| Two Wheelers | 5364249 | 6209765 | 7052391 | 7872334 | 7249278 | 7437619 | 9371231 |
| Grand Total | 6810537 | 7897629 | 8906428 | 10123988 | 9654435 | 9724243 | 12292770 |

Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10

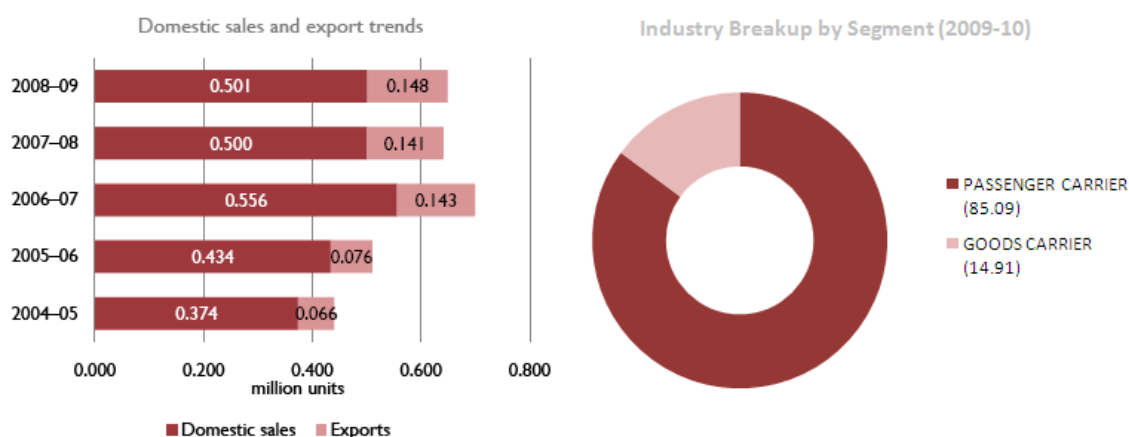
Automobile Exports Trend

| Vehicle Category | Number of Vehicles | | | | | | |
|--------------------|--------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Passenger | 129291 | 166402 | 175572 | 198452 | 218401 | 335729 | 446146 |
| Commercial | 17432 | 29940 | 40600 | 49537 | 58994 | 42625 | 45007 |
| Three Wheelers | 68144 | 66795 | 76881 | 143896 | 141225 | 148066 | 173282 |
| Two Wheelers | 265052 | 366407 | 513169 | 619644 | 819713 | 1004174 | 1140184 |
| Grand Total | 479919 | 629544 | 806222 | 1011529 | 1238333 | 1530594 | 1804619 |

Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10

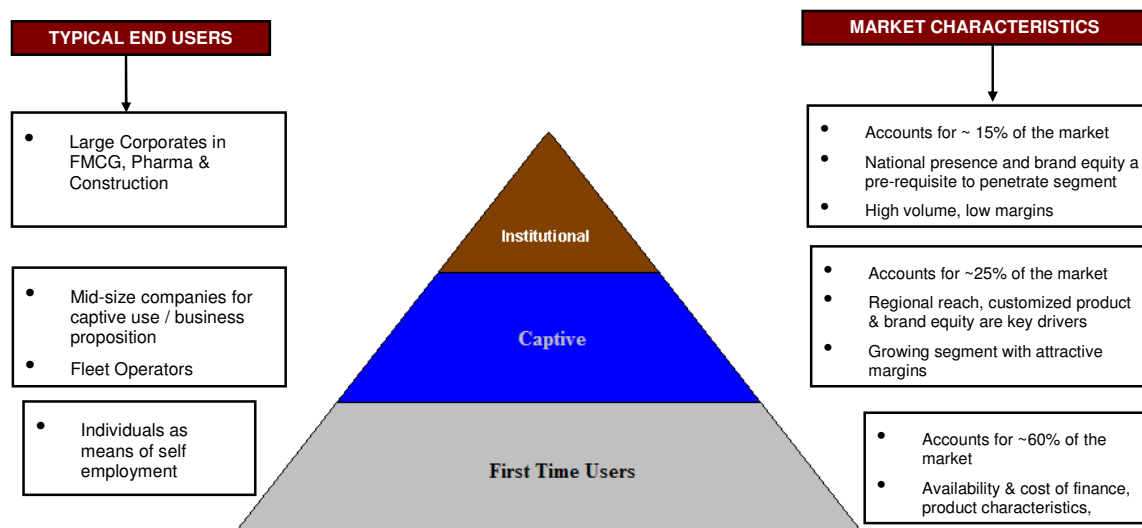
Three-Wheeler Industry

The three-wheeler segment in India is currently small in size, but growing at a fair clip. The domestic sales for three-wheelers has grown at from 0.284 million units in 2003-04 to 0.440 million units in 2009-10. Three-wheelers sales recorded a growth rate of 19.87 per cent in April-September 2010. These vehicles find use as passenger vehicles (auto-rickshaws) as well as small capacity commercial vehicles (pick-up vehicles). Three-wheelers are an important element of goods transportation network in the country and provide last mile connectivity in the metro and urban markets where entry of large commercial vehicles into city limits is increasingly getting restricted. It is also the ideal and most widely used mode for goods transportation in rural and semi urban markets. Three-wheelers are also a cost effective mode for public transportation. Spurred by an increasing demand from the market, the increase in production is set to improve further driven by a buoyant economy, with increasing purchasing power and new product launches, coupled with finance schemes from automobile manufacturers and financial institutions. Exports of three-wheelers touched 0.173 million units in 2009-10. Export markets include developing and under-developed countries like Bangladesh, Sri Lanka, select African countries and Thailand (tourist attraction).



Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10

Usage Pattern of 3 wheelers



Growth in consumer driven industries such as Retail, Pharma, FMCG and the infrastructure story has been driving growth for 3 wheelers in the past

Road Infrastructure Development

Pradhan Mantri Gram Sadak Yojana (PMGSY) programme has been revised and the Government unveiled the Bharat Nirman programme, where the development of rural roads is one of the core activities. The government has also approved investments in National Highways Development Project (NHDP) and PMGSY.

The Road Sector in India

The Indian road network, at approximately 3.3 million kilometers in length, is the second longest road network in the world after that of the United States of America. For the purpose of management and administration, roads in India are divided into the following categories: (1) "National Highways" which are intended to facilitate medium and long distance inter-city/state passenger and freight traffic across the country (2) "State Highways" which are supposed to carry the traffic along major centers within each state (3) "Major District Roads" having the secondary function of linkage between main roads and rural roads and (4) "Other District Roads" and "Village Roads" provides villages accessibility to meet their social needs as also the means to transport agriculture produce from the village to nearby markets.

| Indian Road Network | Length (In Kilometers) |
|-----------------------|------------------------------|
| Expressways | 200 |
| National Highways | 70,548 |
| State Highways | 1,31,899 |
| Major District Roads | 4,67,763 |
| Rural and Other Roads | 26,50,000 |
| Total Length | 33 Lacs Kms. (Approx) |

Source: NHAI, 2009-10

Roads form the most common mode of transportation and accounted for about 80% of passenger traffic and 65% of freight, making them the main arteries for travelling across the country. This share has improved significantly from 32% of passenger traffic and 12% of freight traffic as of 1950-51. The National Highways, which account for only

about 2% of the total road network, carry nearly 40% of the total road traffic. Vehicle numbers have been growing at an approx average above 10% per annum over the last five years.

Out of 66,590 kilometers of National Highways network, 12% of the total length comprises of roads with at least four-lanes, 56% of the total length comprises of roads with two-lanes and 32% of the total length comprises of roads with single/intermediate lane only. The need for expansion and improvement of roads in India is widely recognized due to the usage cost for vehicles (including fuel and maintenance) which is 20% higher due to poor road conditions. Also, the average distance covered on highways per day in India is significantly lower than in developed countries. Further, a large number of traffic deaths each year are attributable to poor road conditions.

Factors affecting Vehicle Demand

- **Economic Growth:** Overall freight movement in the country is a function of industrial and agricultural growth. High growth in GDP reflects higher economic activity, which typically results in transportation of more freight and hence higher demand for commercial vehicles.
- **Interest Rates and Availability of Finance:** Automobile sales are heavily dependent on the availability of retail finance. Higher interest rate and stringent lending norms can adversely affect the demand. On the other hand, lower interest rates stimulate demand as it result in lower cost of acquisition.
- **Cost of Fuel:** Demand for commercial vehicles is driven to a considerable extent by the profitability of the truck operator. The profitability of truck operators remains very sensitive to diesel prices, as any increase in fuel price results in higher operating cost, although fuel prices in India continue to be artificially supported at lower levels by the government.
- **Taxes and Duties:** Reduction in excise duties and the introduction of VAT regime can act as catalyst for higher demand of automobiles. A cut in excise duty reduces prices, which, if passed on, enhances the affordability for buyers.
- **Disposable Income of Consumers:** Increase in per capita income and standard of living in the country results in higher demand for cars. Greater penetration of cars in semi-urban and rural areas can also result in higher demand.
- **Regulation of Safety and Emission Standards:** Environmental and safety regulations may need to be addressed by upgrading technology which may result in higher cost, which in turn can affect the demand for automobiles.
- **Share of Road Transport:** Improvement in road infrastructure is expected to enable a more effective distribution of goods and increase in passenger movement across the country and hence higher demand for automobile vehicles. Indian Government in undertaking various projects, like Golden Quadrilateral, to improve the road infrastructure. The adoption of hub and spoke model will boost the demand for small commercial vehicles. On the other hand, competition and new initiatives from railways, such as reducing unit cost to improve efficiency and dedicated freight corridor, may keep a check on rising share of roads in freight movement.
- **Restriction on Overloading:** While legislation on overloading of goods exists, strict compliance and enforcement of such legislation is generally lacking in India. Stricter enforcement of such legislation can stimulate demand as transporter may need to buy more vehicles.
- **Price Sensitivity:** The passenger car market, particularly the mini and compact segments, is highly price-sensitive, with emphasis on value for money. Indian consumers usually prefer compact cars that are fuel-efficient with low operating and maintenance costs.
- **Brand Building and New Product Launches:** Due to increase in choice available to the consumer, the demand for a particular brand of a car is a function of customer perception and satisfaction. Further, new product launches provide significant push to car sales, as customers are tempted to bring forward their decision to purchase vehicles.

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HISTORY & CORPORATE STRUCTURE

History & Background of the Company

Atul Auto Limited was incorporated pursuant to a certificate of incorporation dated June 18, 1986 (bearing Registration No. 016999 and Corporate Identification Number L54100GJ1986PLC016999 issued by the Registrar of Companies, Gujarat) as a Private Limited Company and was converted into Public Limited Company with effect from 12th August, 1994.

The Company was originally promoted by Mr. Jayantibhai Jagjivandas Chandra and Mr. Atul J. Chandra.

The Company was originally incorporated as a Private Limited Company on 18th June, 1986 under the Companies Act, 1956, in the State of Maharashtra. The Registered Office of the Company was transferred to Jamnagar in the State of Gujarat on 24th January, 1992. Subsequently on 20th April, 1994 the Registered Office was transferred to Dist. Rajkot, Gujarat. The name of the Company was changed from Atul Auto (Jamnagar) Private Limited to Atul Auto Private Limited on 12th August, 1994. The Company was subsequently converted into a Public Limited Company and fresh certificate of incorporation was obtained on 12th August, 1994 from the Registrar of the Companies, Gujarat. The Company set up its plant at Shapar (Rajkot district), Gujarat, with financial assistance from GSFC. Its commercial production commenced in July 1992. The Company manufactures diesel three wheelers like 6-seater auto rickshaws, pick-up vans for local transportation of goods and chassis of passenger vehicles. The Company has set-up its first Wind Mills, in the year 2004 Jaisalmer, Rajasthan and its second Wind Mill for captive use at Jamnagar, Gujarat in the year 2006.

The Company manufactures 3-wheelers in the Sub 1 tonne category targeting the passenger segment and cargo segment. In passenger segment, the Company manufacture the diesel powered carrier for carrying 3 to 6 passengers and also the CNG, LPG and Petrol driven vehicles. In the cargo segment, the Company manufacture vehicles with a rated carrying capacity of up to 0.50 tonne. Both these vehicles have been approved by the Automotive Research Association of India under the Bharat Stage II and Bharat Stage III.

Main Objects of the Company

To design, develop, manufacture, assemble, buy, sell, distribute, import, export, alter, remodel, hire exchange repair, service and otherwise deal in all classes of Automotives Including Two -Wheelers and Three-Wheelers of every kind and description, motor cars, jeeps, trucks, motor lorries, station wagons, tractors, commercial vehicles and carriages, whether propelled mechanically or by steam, oil, gas, petrol, diesel, spirit, electricity or any other power or energy or otherwise name called.

Major Events in the History of the Company

The Important Events / Milestones achieved by the Company are summarized hereunder:

| Year | Events |
|------|---|
| 1986 | Incorporated as Atul Auto(Jamnagar) Private Limited incorporated in Maharashtra |
| 1992 | Set up plant at Rajkot for manufacturing of three wheelers |
| 1992 | Started Commercial Production |
| 1994 | Developed 750 kg steering vehicle |
| 1996 | Initial Public Offer of ₹ 536.25 Lacs at a premium of ₹ 12/- per share |
| 2000 | 'Atul Shakti' 1 tonne 3 wheeler launched (stopped production of 750 kg steering vehicle) |
| 2002 | Khushbu Auto Finance Limited became a subsidiary of the Company |
| 2004 | Commissioning Certificate received for first wind mill project at Jaisalmer, Rajasthan |
| 2005 | Introduced CNG/LPG and Petrol vehicles and setup of modern paint shop |
| 2006 | Commissioning of Haridwar plant with capacity of 12,000 RE Three Wheeler vehicles per annum |
| 2006 | Commissioning Certificate received for second wind mill project at Jamnagar, Gujarat for captive use. |
| 2007 | Company has to undergo thru first ever bad phase on account of defective engines fitted in 3 wheelers supplied by Lombardini India Pvt. Ltd. Company has started conceiving project for RE Three Wheeler. |
| 2008 | On account of low sales volume and overall slowdown in economy management has decided to wind up the activities at Haridwar and sold out the plant, and transferred the machineries at Shapar Plant. |

Atul Auto Limited

| | |
|------|---|
| 2009 | Khushbu Auto Finance Ltd., ceased to be subsidiary of the Company w.e.f. February 28, 2009. |
| 2009 | Company rolled out commercial production of RE three wheeler and started expanding its marketing wings in other states. Company registered the PAT of ₹ 454 lacs as compared to ₹ 46 lacs in the previous year. |
| 2011 | Company has launched improvised version for its front engine three wheeler under brand name of “ATUL SMART” to develop the market. |

Changes in the Memorandum of Association since inception

Dates on which some of the main clauses of the Memorandum of Association of the Company has been altered citing the details of Amendment as under:

1. Change in Name Clause

| Sl. No. | Particulars | Date |
|---------|---|------------|
| 1. | Change in Name from “Atul Auto (Jamnagar) Private Limited” to “Atul Auto Private Limited” | 12-08-1994 |
| 2. | Change in Name from “Atul Auto Private Limited” to “Atul Auto Limited” | 12-08-1994 |

2. Change in Object Clause

| Sl. No. | Particulars | Date |
|---------|---|------------|
| 1. | Clause 95 in the “Other Object” clause has been inserted by passing the Special Resolution through Postal Ballots and results of which was declared in the General Meeting of members held on 16th September, 2004. | 16-09-2004 |

3. Change in Registered Office

| Sl. No. | Particulars | Date |
|---------|---|------------|
| 1. | Change in Address of Registered Office from “Billy Bungalow” M.G. Road, Ghatkoper (East), Bombay to M/s. Mobile Spares (Bombay), 6, R.P. Joshi Building, Dr. D.D. Sathe Marg, Bombay – 400004. | 06.04.1991 |
| 2. | Change in Address of Registered Office from M/s. Mobile Spares (Bombay), 6, R.P. Joshi Building, Dr. D.D. Sathe Marg, Bombay – 400004 to C-2, 68/92, G.I.D.C, Estate, Jamnagar-301004, Gujarat, under the order of C.L.B. Western Regn. Bombay bearing date 03-12-1991. | 24-01-1992 |
| 3. | Change in Address of Registered Office from C-2, 68/92, G.I.D.C, Estate, Jamnagar to Village Shapar, Near Microwave Tower, On Rajkot-Gondal Highway, Village Shapar (Veraval), Taluka Kotda Sangani, Rajkot-360002, Gujarat. | 20-04-1994 |

4. Change in Authorized Share Capital

| Date | Particulars of Increase/ Modifications | No. of Shares | Cumulative No of Shares | Cumulative Authorised Capital (₹) |
|------------|--|---------------|-------------------------|-----------------------------------|
| 18.06.1986 | Incorporation | 50,000 | 50,000 | 5,00,000 |
| 01.08.1991 | Increased from ₹ 5 Lacs to ₹ 30 Lacs | 2,50,000 | 3,00,000 | 30,00,000 |
| 24.01.1992 | Increased from ₹ 30 Lacs to ₹ 50 Lacs | 2,00,000 | 5,00,000 | 50,00,000 |
| 30.07.1994 | Increased from ₹ 50 Lacs to ₹ 800 Lacs | 75,00,000 | 80,00,000 | 8,00,00,000 |

Subsidiary

The Company has no subsidiary as on the date of this Letter of Offer.

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Manufacturing Facility

Manufacturing Plant at Rajkot

The Company has manufacturing plant at Rajkot which has a capacity to manufacture 24,000 vehicles per annum. The capacity utilization of this plant as on 31st March 2011 is at 80.50%.

The plant is built on a land area of 13 acres, which is owned by the Company. The plant consists of the following different sections:

a) Machine Shop

The machine shop at Shapar plant consists of various machines like, VMC & CNC machines, gear shaper and surface machines, lathe machines etc. We are manufacturing the gear box in the plant. All kinds of machine work on various components is being done in the plant to ascertain the preciseness and better quality of critical components and assemblies.

b) Paint Shop

The Company has installed the conveyerised and automated paint shop at Shapar plant. All kind of painting job is being done like, painting on chassis, front show, rear body, etc., are being done in the factory for better quality and finishing of the vehicle.

c) Fabrication of chassis and body

Like Machine shop, the Company has developed fabrication shop also. The Company has installed press machines, hexo machines, sheet bending machines, jigs and fixtures etc., in the fabrication shop. The Company fabricate the chassis inside the plant on specified fixtures. Further, various types of rear bodies are being fabricated in the plant to ascertain the better strength, quality and outlook of the vehicle.

d) Assembly line

The Company has developed well equipped conveyerised assembly line for assembling the sub assemblies, main assemblies. Thereafter, these sub/main assemblies are fitted on the chassis to make the complete vehicle.

CAPACITY & CAPACITY UTILISATION

Licensed & Installed Capacity for the past three years:

| YEAR | UNIT OF MEASUREMENT | Plant Location | Installed Capacity (In Single Shift) | Actual Production | Capacity Utilisation (in %) |
|---------|---------------------|----------------|---|-------------------|--------------------------------|
| 2010-11 | 3 Wheelers vehicals | Shaper Plant | 24000 | 19321 | 80.50% |
| 2009-10 | 3 Wheelers vehicals | Shaper Plant | 24000 | 12379 | 52.00% |
| 2008-09 | 3 Wheelers vehicals | Shaper Plant | 24000 | 11469 | 48.00% |

Future Capacity Utilisation

| Year | Unit of Measurement | Plant Location | Installed Capacity (In single shift) | Expected Production | Expected Capacity Utilisation (In %) |
|---------|---------------------|----------------|---|---------------------|---|
| 2011-12 | 3-Wheelers Vehicles | Shaper Plant | 24000 | 22000 | 92.67 |
| 2012-13 | 3-Wheelers Vehicles | Shaper Plant | 24000 | 24000 | 100.00 |

The Company proposes to achieve the projected based on upward trend in production during recent past and additionally on the basis of the following:

- Setting up of new offices at different location for better geographical reach for marketing the product.
- Improvement in demand of 3-wheelers due to better GDP growth.

Atul Auto Limited

INTELLECTUAL PROPERTY RIGHTS

The Company has the following intellectual property:

Trade Marks

The Company has applied for the Registration of Trademark with the Registrar of Trademarks, Ahmedabad. The detail of which are as follows:

| Trade Marks | Application Date | Application Number | Description of Goods | Class | Application Status |
|---------------------|-------------------|--------------------|--|-------|----------------------|
| “Atul Shakti” | January 23, 2002 | 1076038 | All types of Three Wheeler Auto, 6 Passenger, 3 Passenger, Spare Parts & all items in Automobile Line included in Class 12 | 12 | Registered |
| “Atul Gem” | March 30, 2009 | 1801201 | All kinds of three wheelers and four wheelers vehicles and parts thereof included in Class 12 | 12 | Registered |
| “Atul Smart” | January 28, 2010 | 1914478 | All kinds of three wheeler vehicles and parts thereof included in Class 12 | 12 | Pending Registration |
| “Atul” | November 20, 2008 | 1756153 | All kinds of three wheelers and four wheelers vehicles and part thereof included in Class 12 | 12 | Pending Registration |
| “Atul Auto Limited” | November 20, 2008 | 1756154 | All kinds of three wheelers and four wheelers vehicles and part thereof included in Class 12 | 12 | Registered |
| “Atul Group” | November 20, 2008 | 1756155 | All kinds of three wheelers and four wheelers vehicles and part thereof included in Class 12 | 12 | Registered |

Patents

The Company has registered following Patents with the Government of India, Patent Office.

| Applicant | Patent Design | Date of Issue | Date of Expiry |
|-------------------|---|---------------|----------------|
| Atul Auto Limited | Atul Rickshaw (Atul Gem and Vehicle design) | May 21, 2009 | May 20, 2024 |

Atul Auto Limited

PROPERTY

Details for the various properties used for the corporate operations and undertaking the business are as mentioned below:

| Land and Building | | | | | | | |
|--------------------------|--|---|----------------------|------------------------|---|--|------------------------------|
| Sl. No. | Schedule of the Property / Location | Area | Consideration (In ₹) | Freehold/ Leased | Date of Purchase/ Document No/ | Name of the Vendor | Remarks |
| 1. | Plot No. 1 & 4 Shaper, Veraval, Taluka- Kotda Sangani, Dist- Rajkot | Plot No. 1: 8916.25 Sq. Meter Plot No. 4: 2150.50 Sq. Meter Total Area: 11066.75 Sq. Meter | 11,74,375/- | Registered Freehold | 14.12.1994 Doc. No.: 3066/1/30-1994 | Khushbu Auto Pvt. Ltd. | First charge of IDBI Bank |
| 2. | Plot No. 2 & 3 Shaper, Veraval, Taluka- Kotda Sangani, Dist- Rajkot | Plot No. 2: 9108.79 Sq. Meter Plot No. 3: 2146.25 Sq. Meter Total Area: 11255.04 Sq. Meter | 4,52,127/- | Registered Freehold | 15.07.1991 Doc. No. 2740/1/14-1991 | Shri Jagdishbhai Kanjibhai Lukka Jammagar | First charge of IDBI Bank |
| 3. | Land - Shaper, Veraval, Taluka- Kotda Sangani, Dist- Rajkot | 7689.00 Sq. Meter | 30,33,319/- | Registered Freehold | 02.09.2004 Doc. No. 4585/1/11-2004 | Shri Bharat Chandra Shri Dharmendra Chandra Shri Harish Chandra Shri Ashok Kumar Patel | First charge of IDBI Bank |
| 4. | Amidhar Commercial Complex, Opp. Samrat Hotel, Cenral Road, 1st Floor, Rajkot | Shop No. 1: 68.60 Sq. Meter | 9,60,100/- | Registered Freehold | 24.08.2004 Doc. No. 3843/1/21-2004 | Shri Jayantibhai J. Chandra HUF Shri Bharatbhai J. Chandra HUF Shri Maheshbhai J. Chandra HUF Shri Dharmendrabhai J. Chandra HUF | First charge of IDBI Bank |
| 5. | Jimmy Tower Office, Opp. Swaminarayan Gurukul, Gondal Road, | Shop No. 9: 42.51 Sq. Meter Shop No. 10: 42.51 Sq. Meter Shop No. 11: 42.51 Sq. Meter Shop No. 12: 42.51 Sq. Meter Shop No. 112: 43.07 Sq. Meter Shop No. 113: 43.07 Sq. Meter | 1,12,19,198/- | Registered Freehold | 20.03.2003 Doc. No. 1120-2003 | Shri Jayantibhai J. Chandra HUF Shri Bharatbhai J. Chandra HUF Shri Maheshbhai J. Chandra HUF Shri Dharmendrabhai J. | First charge of IDBI Bank |

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| Sl. No. | Schedule of the Property / Location | Area | Consideration (In ₹) | Freehold/ Leased | Date of Purchase/ Document No/ | Name of the Vendor | Remarks |
|---------|--|---|---|---------------------|---|---|---------|
| | Rajkot | Shop No. 114: 102.79 Sq. Meter Total Area: 358.97 Sq. Meter | | | | Chandra HUF Shri Harishbhai J. Chandra HUF Smt. Manishben Atulbhai Chandra Smt. Meenaben Ashokbhai Patel Smt. Manishben Mahendrabhai Patel | |
| 6. | Rani Tower Building, Flat No. A/901, 9th Floor, Rani Tower, Kalawad Road, Rajkot | 68.28 Sq. Meter | 422100/- | Registered Freehold | 10.03.2006 Doc. No. 2724/2/19-2006 | Shri Hiteshbhai Kaneria Shri Sureshbhai Kaneria Shri Rameshbhai Kaneria Shri Bharatkumar Chandra Shri Harishbhai Chandra Shri Kurjibhai Jiyrajbhai HUF Shri Tulidas Kaneria Shri Manishbhai Kaneria Smt. Manishben Kaneria Atul Buildcon Pvt. Ltd. | Nil |
| 7. | Rajasthan Windmill Village: Soda Mada, Dist.:Jaisalmer, Rajasthan | Mada: 0.26 Hector Soda: 0.55 Hector Total: 0.81 Hector of 'Suzlon' make WTG | ₹ 225/- p.a. to Govt. of Rajasthan for the period of 19 years | Leasehold | Date of Agreement: 17.03.2005 Agreement No. 2863 | Sub Lease is made between Suzlon Energy Limited and Atul Auto Limited for development of 1.25 MW wind farm project | Nil |
| 8. | Gujarat Windmill Demised Land at Village Gandhavi, Talika Kalyanpur, Dist.: Jamnagar | 0.50 Hector for 1 No. of 'Suzlon' make S 52 – 75m WTG | ₹ 5000/- p.a. for the period of 20 years | Leasehold | Date of Agreement: 14.11.2005 Agreement No. 2404 | Sub Lease is made between Suzlon Energy Limited and Atul Auto Limited for development of 0.60 MW wind farm project | Nil |

Note: No director, promoter or a proposed director of the Company had any interest, direct or indirect, in property completed or acquired within the two preceding years.

Atul Auto Limited

Members

As on the date of this Letter of Offer total number of members in the Company is 1537.

Employee & Labour Relations

As of 31st May, 2011, the Company has approximately 673 full-time employees for its operations. Currently, the employees are not represented by any labour unions.

| Sl. No. | Particulars (Departments) | Number of Employees |
|---------|---------------------------------------|---------------------|
| 1. | Marketing & Warranty | 52 |
| 2. | Production, Assembly, Paint shop etc. | 81 |
| 3. | Human Resource | 18 |
| 4. | Accounting – Finance, Excise & Legal | 24 |
| 5. | Others | 85 |
| 6. | Company Worker | |
| | Skilled | 280 |
| | Unskilled | 133 |
| 7. | Contract Worker | |
| | Skilled | 38 |
| | Unskilled | 11 |
| | TOTAL | 722 |

Atul Auto Limited

Changes in Employees during last 3 years

| Year | Average No. of Employees | Joining | Left Organization | Average No. of employees in a month |
|---------|--------------------------|---------|-------------------|-------------------------------------|
| 2007-08 | 486 | 81 | 194 | 451 |
| 2008-09 | 436 | 245 | 247 | 422 |
| 2009-10 | 478 | 244 | 191 | 460 |
| 2010-11 | 596 | 575 | 416 | 673 |

In addition to a basic salary and ad hoc performance linked incentives, the company provides a number of benefits to its employees, such as Medical Expenses, Housing or Rent Assistance, Annual Leave, Provident Fund and Gratuity Schemes, Super-Annuation Schemes with LIC, Leave Travel Allowance, Subsidies Canteen and Tea facilities, Staff Bus facilities, CUG Mobile SIM etc.

Subsidiaries

As on the date of this Letter of Offer the Company has no Subsidiaries. Khushbu Auto Finance Limited has ceased to be the subsidiary of Atul Auto Limited from February 28, 2009.

Shareholders Agreement

The Company has not entered into any Shareholders Agreement.

Summary of Key Agreements

Detailed below are summaries of agreements entered into by the Company.

The Company has entered into Power Purchase Agreement with the Rajasthan Vidhyut Parivahan Nigam Limited and Gujarat Energy Transmission Corporation Limited.

Key terms of the Power Purchase Agreement dated December 24, 2004 between Atul Auto Limited and Suzlon Energy Limited and Jodhpur Vidyut Vitran Nigam Limited

1. The Company at its sole cost and expense, shall acquire and maintain in effect all clearances, consent, permits, licenses and approvals as may be necessary from time to time from any regulatory/ competent authority in order to enable it to perform its obligations under the Power Purchase Agreement for the construction, operation and maintenance of the power plant and for the use of the power plant to produce and deliver electricity into State Grid/ Distribution System.
2. The Company shall deposit with the Rajasthan Electricity Regulatory Commission ("RREC") a refundable amount of ₹ 1 Lac per MW as security deposit towards completion of the project within the stipulated time.
3. Term of the Agreement shall be 20 years from the date of commercial operation of the power plant provided that the Power Plant shall be commissioned for operation in the month of December 2004 unless extended by State Government/ RREC.
4. Upon a request by the Company, the Distribution Licensee of the area shall provide, at the sole cost and expense of the Company, the electrical energy for the construction, testing and start up and commissioning of the Power Plant.
5. The price to be paid by the Discom, net of all GoR and local taxes and duties as may be leviable on generation and/or sale of electricity for all electricity made available and sold by the Company to Discom shall be base on the tariff specified as follows:
 - The Discom would pay a rate of ₹ 3.32 per kwh. For power supplied from the Company during the year 2003-04 which shall be increased at a simple rate of 2% (of ₹ 3.32) each year on April 1 of the year for a period of up to 10 years i.e. up to year 2012-13 with base year 2003-04 rounded-off to the nearest second decimal place. Thereafter, from year 2013-14 and onwards a fixed rate of ₹ 3.92 per unit for a period upto the 20th year of the project shall be payable.

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6. The power Purchase Agreement may be terminated either by the Company or the Discom only in the event of default by Discom or the Company.
7. Default by Discom will mean non-payment of electricity charges for a period of consecutive three months.
8. Default by the Company shall mean non-supply of total net electricity generated and delivered at the Delivery Point for a period of three months for reasons exclusively to the Company.

Key terms of the Power Purchase Agreement dated February 18, 2006 between Atul Auto Limited and Gujarat Energy Transmission Corporation Limited

The Company has been permitted by the Gujarat Energy Development Agency (GEDA) to set up a Wind Farm of 0.600 MW capacity. The Company hereby opts to wheel the energy generated at the Wind farm to its own manufacturing unit, 70% of Generation and 30% of Generation in the State of Gujarat as per the terms and conditions specified under the agreement.

1. The eligible period of the agreement will be 20 (twenty) years from the date of commencement of operation by the Wind farm or the life span thereof, whichever is earlier.
2. The Company being a Registered Industrial Undertaking within the meaning contained in the Policy is desirous of wheeling the Energy to the other companies of its ownership as mentioned under the recital of this Agreement in accordance with the provision of the Policy. The Company has selected this option for making it operative during the entire eligibility period.
3. The Company will compensate GETCO for such wheeling of power by 4% in the form of Energy for Wheeling of Power from the Wind Farm to other Companies of its ownership.
4. The Company will be exempted from the payment of electricity duty on the quantum of Energy Wheeled.
5. The Company will be eligible to Bank the surplus energy with its principle energy supplier for a maximum period of 6 months from the date of its generation and injection into the GETCO Grid System. The energy not utilised within this period, will be deemed to have lapsed for any other purpose for which the Company is otherwise held eligible under this Agreement.
6. The Company will be allowed exemption from imposition of Demand Cut to the extent of 30% of the Installed Capacity of the Wind farm.
7. The Wheeling and Banking Agreement shall be governed by the provisions of Open Access Regulations determined by GERC from time to time as per power conferred to GERC under the Electricity Act 2003.
8. This agreement will be subject to pre-matured termination by mutual consent only by giving a written notice to the other Party. The notice period for this purpose will be three months from the date of issue of the notice. Neither Party will owe any liability to the other Party on this account.
9. The energy generated at the Wind farm will be metered and measured by GETCO and GEDA on monthly basis at sending end sub-station of the Wind Farm. The qualifying energy to be wheeled or sold (as the case may be) will be computed on the basis of this measurement. The cost of Metering Equipment will be borne by the Company. The detailed specifications for the Metering Equipment shall be approved by GETCO.
10. No duty shall be payable on the sale of energy by wheeling to the group companies or directly to GETCO.
11. The Company will owe payment of Reactive Energy Charge to GETCO as may be determined by the GETCO.

Strategic Partners

Company has no strategic partners as on the date of this Letter of Offer.

Financial Partners

Company has no financial partners as on the date of this Letter of Offer.

Atul Auto Limited

Business Overview

The Company is one of the manufacturer of 3-Wheelers in India. The Company manufactures 3-Wheelers in the 1 tonne category targeting the passenger segment and cargo segment. In passenger segment, the Company manufactures the diesel powered carrier for carrying 3 to 6 passengers and also the CNG, LPG and Petrol driven vehicles. In the cargo segment, the Company manufactures vehicles with a rated carrying capacity of up to 0.50 tonne. Both these vehicles have been approved by the Automotive Research Association of India under the Bharat Stage II and Bharat Stage III.

The manufacture customized vehicles like tippers, hydraulic hoppers, vegetable vending vans etc. The vehicles find wide application in courier services, industrial products, laundry construction, dairies, caterers, FMCG distribution, LPG distribution etc. The Company has a fully manufacturing facility at Shapar, (Veraval) in Rajkot with a capacity to manufacture 24,000 vehicles per annum. The Company produces auto rickshaw under Atul Shakti and Atul Gem brand names. During the fiscal year ended March 31, 2011, the Company sold 19,321 vehicles.

In addition to the above mentioned manufacturing facilities, the Company also has installed two windmills, one at Village: Soda Mada, Jaisalmer, Rajasthan and at Village: Gandhavi, Lamba, Kalyanpur, Jamnagar, Gujarat with the power generation capacity of 1.25 MW and 0.60MW respectively. The following are the details of the windmills installed:

| Particulars | Jaisalmer, Rajasthan | Jamnagar, Gujarat |
|----------------------|--|---|
| Year of Installation | December, 2004 | January, 2006 |
| Capacity (MW) | 1.25 | 0.60 |
| Purpose | Sale to State Electricity Board, Rajasthan | Captive (through the Gujarat Energy Development Agency) |
| Date of Agreement | 24.12.2004 | 18.02.2006 |

The electricity generated from the windmill installed in Jamnagar, Gujarat is used for captive consumption through the Gujarat Energy Development Agency while the electricity generated from the windmill installed in Jaisalmer, Rajasthan is outright sold to the State Electricity Board. In the financial year 2010-11, the windmill in Gujarat and Rajasthan has produced 1257451 & 1363715 units of electricity which was sufficient to meet 94.33 per cent of the total electricity requirement for the financial year 2010-11.

Collaborations/ Tie-up/ Association/ Other agreements:

The Company has not entered into any technical or financial collaboration with any entity.

Infrastructure Facilities

Raw Materials

The required raw materials for assembly of the vehicle are as under:

- Chassis: The chassis is made in the fabrication shop and BIW (Body in White) on fixtures by welding the tubular pipes and angles.
- Front Show: The Company has developed the toolings for front show, which is with the supplier, who supplies the front show from the toolings and sends to the plant.
- Rear body: The rear body of the vehicle is fabricated as per the requirement of customer. The Company makes the bodies in the fabrication shop inside the plant as well as sources from Body Manufacturers as per requirement.
- Engine: The engine is procured from Greaves Cotton Limited.
- Tyres: Tyres for the vehicles are procured from MRF and CEAT.
- Battery : It is sourced from Exide Limited

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Utilities

Power

For the facilities at Rajkot, the Company has a high voltage connection from the Paschim Gujarat Vij Company Ltd. of 1250 KVA. The windmill installed in Jamnagar, Gujarat, is under a wheeling agreement where we get a set-off against the power consumption at existing plant. In addition, the Company is having 2 DG sets having a capacity of 300 KVA each and 1 DG set having a capacity of 75 KVA.

Land

The land of 13 acres, on which the plant is situated, is owned by the Company.

Water

Water is being used for manufacturing as well as general purposes. The said water requirement is met by the deep wells and submersible pumps fitted in the premises.

Technology

The Company has a manufacturing plant at Rajkot which has a capacity to manufacture 24,000 vehicles per annum. The plant consists of the following different sections:

❖ Machine Shop

The machine shop at Shapar plant consists of various machines like, VMC & CNC machines, gear shaper and surfacer machines, lathe machines etc. The Company manufactures gear boxes in the plant. All kinds of machine work on various components is being done in the plant to ascertain the preciseness and better quality of critical components and assemblies.

❖ Paint shop & CED Facilities

The Company has installed the conveyerised and automated paint shop & CED (Pre Paint Treatment) at Shapar. All kinds of painting jobs like, painting on chassis, front show, rear body, etc., are being done in the factory for better quality and finishing of the vehicle.

❖ Fabrication of chassis and body

Like Machine shop, the Company has developed a fabrication shop & BIW (Body In White). The Company has also installed, spot welding line, press machines, hexo machines, sheet bending machines, jigs and fixtures etc., in the fabrication shop. The facility is there to fabricate the chassis inside the plant on specified fixtures. Further, various types of rear bodies are being fabricated in the plant to ascertain the better strength, quality and outlook of the vehicle.

❖ Assembly line

The Company has developed a well equipped conveyerised assembly line for assembling the sub assemblies, main assemblies. Thereafter, these sub/main assemblies are fitted on the chassis to make the complete vehicle.

Manpower

The manufacturing process requires an appropriate mix of skilled, semi-skilled and unskilled labour, which is readily available. The Company recruits people from the industry depending on its requirement. The Company also engages labour on contract basis for doing non-routine type of work as and when required. The Company believes that it has maintained a cordial relationship with its employees. The Company hires contract labourers on a need basis and the same are easily available through registered contractors.

Atul Auto Limited

Manufacturing Process

AUTO MANUFACTURE

1. Chassis Manufacturing:

Atul Shakti is tubular structure made from ERW pipe. Raw material is received from suppliers to adhere to quality standards. Pipes are first sent for radius cutting and radius bending and then the complete tubular chassis fixture with MIG welding process which gives crack free and uniform weldment; the other sheet metal components like front tube cover, body, bonnet, & floor mounting brackets are mounted with the help of all mounting fixtures, then the complete chassis goes for hand grind process. Then the complete chassis is sent for painting.

Atul Gem Rear Engine Three Wheeler is manufactured as MONOCOQUE type, wherein chassis and cabin will be integral part, various body parts are sourced from JBM Auto Ltd who are having expertise in manufacturing various external parts like:

1. Dome Assembly
2. Cabin Panel
3. Back Panel & Roof Panel
4. Doors at Right and Left side
5. B- Pillar
6. Chasis
7. Wind Shield

All above parts are being welded with state of art technology in BIW (Body In White) Shop, specially erected for Atul Gem.

The Company has sourced the Spot welding equipments, welding machines from Nash Robotics & Automation Pvt. Ltd. and PMA Automotive Pvt. Ltd. for supply of fixtures, hand held jigs etc.

2. Chassis Painting:

Automobile finishing requires highly decorative performance and corrosive protective properties. No rusting of body steel after 6-12 year's running is relied on the finishing protection.

The company has adopted superior technology already used by other companies in industry to match offering of its products. For that company is using CED (Cathode Electro Deposition) technology over normal spraying for primer.

In CED process the object is being dipped in to the tank of CED primer means the primer goes to every nook & corner of body/parts. Primer is the main protective surface from weather & corrosion.

The Three Wheeler is dipped into tank containing CED primer wherein the primer is deposited on the entire three wheelers. Thus, every nook and corner of the Three Wheeler is painted.

3. Rear Axle Assembly

Rear axle assembly is assembled during subassembly stage of axle housing, differential housing, rear brake plates, rear brake drum, tyre & wheel rim. Once the rear axle assembly is ready for mounting with chassis, it is mounted with the chassis.

4. Front Show Mounting:

Lower and Upper Front show supplied by vendor in primer painted condition goes to paint shop for required paint demanded by customer. After this process upper & lower front show is assembled together and goes in assembly conveyer for assembly with chassis, floor, inner mudguard and outer mudguard, front show pipe, diesel tank & utility box mounting.

Atul Auto Limited

Incase of Atul Gem since its moncoque type chassis, lower show is an integral part of the chassis it self , hence only upper show (wind shield) is fitted.

5. Vehicle Assembly

Now upper and lower cone bearing is mounted with front tube, after that diesel filter is fitted with chassis. Then horn & wiring harness are assembled and connected with dash board points, head lights & horn.

Next pre assembled front suspension assembly along with steering rod, front fork, trailing link, front shock absorber is fitted with front tube, then front wheel fitting with trailing link. In next stage engine mounting plate/pad & gear box mounting plate is fitted with chassis. Then, the pre assembled power pack assembly along with engine, gear box, & clutch duly tested is mounted on engine mounting & gear box mounting plates.

Hand brake is mounted with front tube cover plate, then all cables like decompression cable, stop cable, speedometer cable, earthing cable are mounted on chassis. Then, rear shock absorber, 3 - way union and all hose pipes are mounted with chassis, after that steering handle is mounted on steering rod of front suspension assembly.

Now, pre assembled brake pedal assembly is fitted along with rear brake pipes fitting, then bundy tube is fitted with chassis. Now, vehicle is bled for removing the air from hydraulic hose pipes.

Next, pre assembled propeller assembly is fitted with power pack and differential assembly. Then silencer and reverse gear rod are fitted. Next all cables and diesel pipes are connected with engine.

Now, the remaining wiring harness connections are done with engine, battery, handle switch & wiper motor, which assembly is mounted earlier on upper front show inside top.

At the last station of the vehicle assembly line, fitting of bonnet with driver seat and special bolt is fitted with handle bar assembly. Finally before vehicles goes to PDI, diesel tank is filled with diesel for testing at PDI.

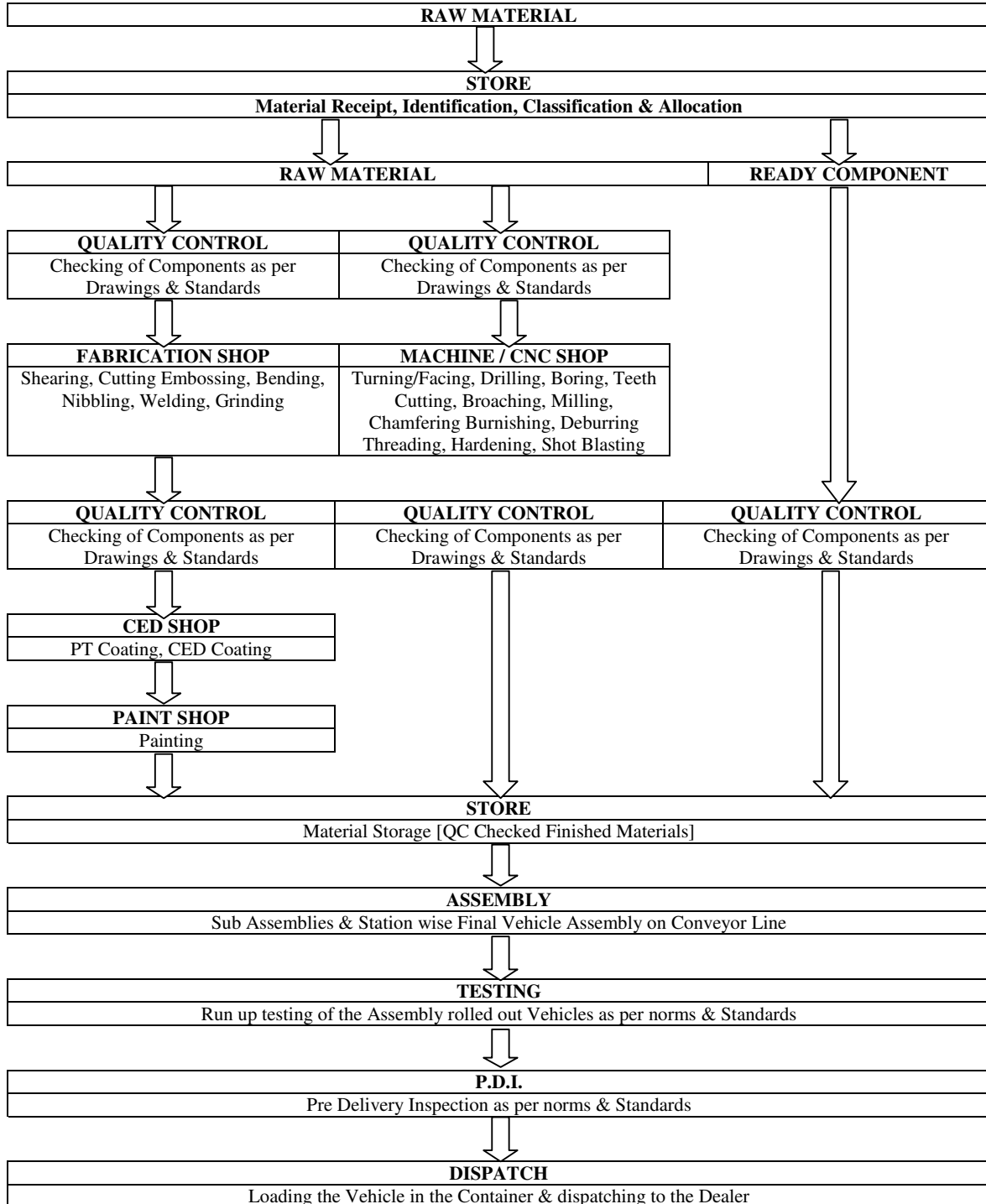
6. Pre delivery Inspection Department (P.D.I.)

Now the complete vehicle goes to PDI for testing on dynamometer where specific torque is applied at specific speed to test the vehicle on three rollers and the test results are observed and recorded.

Atul Auto Limited

Manufacturing Flow Chart:

AUTO MANUFACTURE



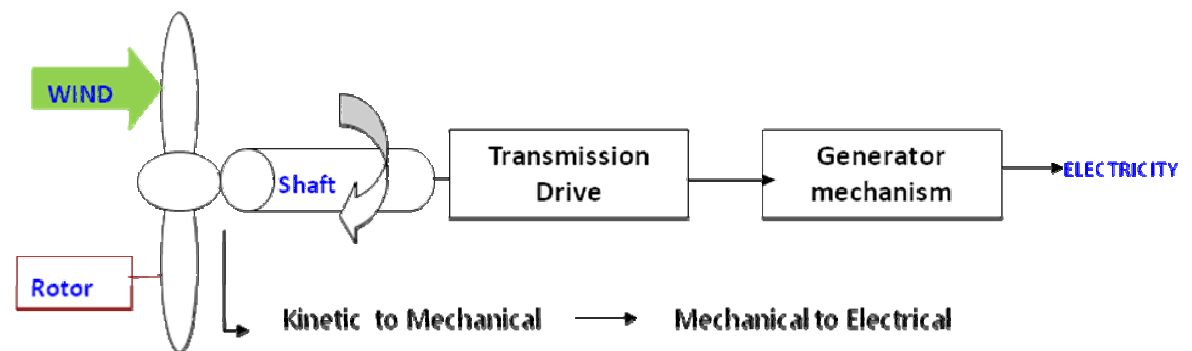
Atul Auto Limited

Manufacturing Process

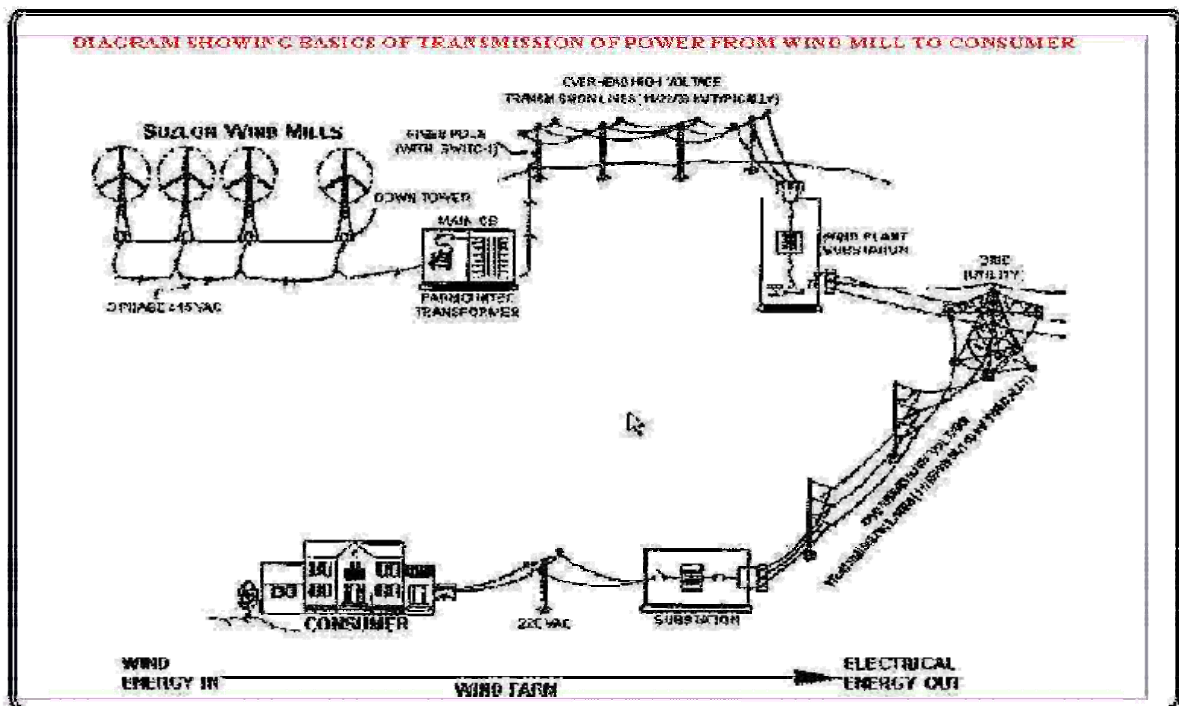
WIND MILL ENERGY

A set of turbine blades mounted on a metallic hub, to seize power from the up-stream wind this in turn drives the generator to produce electric power. The generator, along with its associated components is housed in a common enclosure, called Nacelle. The turbine blades and the nacelle are mounted on the tower, for better reach to un-obstructed wind. The power captured by the turbine blades is transferred to the generator through the drive train. Since in most of the WEGs, the rotor moves at a fixed speed a gearbox is included in the drive train which increases the speed at the generator and of the shaft. A yaw mechanism turns the Nacelle and the rotor assembly to face the wind as it changes its direction. The Control Panel at/close to the base of tower monitors various parameters and working conditions on continuous basis. The power control features and sensors incorporated in the machines maneuver to extract optimum output from the wind within its entire speed range up to 25 m/s, beyond which all operations are stopped to avoid structural overload under severe weather.

Manufacturing Flow Chart:



The above flow depicts the principle and mechanism of generating power from wind, Thereafter, the power generated by wind turbines is conditioned properly so as to feed the local grid as shown in below picture.



Atul Auto Limited

Products:

The company's existing products are various types of Front Engine & Rear Engine Three Wheelers under the brand name "Atul Shakti" & "Atul Gem".

The broad categories of the Products are as follow:

1. Goods Carriers
2. Passenger Carriers
3. Special Purpose Vehicle

The details of the products are given below:

1. Goods Carriers

- a. Pickup Van Standard
- b. Delivery Van
- c. Pickup Van Highdeck

2. Passenger Carriers

- a. 3+1 Passenger Carriers
- b. 4 +1 Passenger
- c. 6 + 1 Passenger

3. Special Purpose Vehicle

- a. Chicken Carrier
- b. Tipper
- c. Water Tank Carrier
- d. Soft Drink Carrier
- e. Mobile Shop
- f. Hopper
- g. Bio Hazard
- h. Vegetable Vending

Atul Shakti & Atul Gem (Loading)

It is suitable for transportation of small volumes of cargo from transit station to main offices and vice versa. It has a capacity of 500 kgs and is fitted with 7.5 HP, 4 stroke air cooled engine. It has distinct advantages over the other pick up vans, which have mostly petrol engines. Other unique features of the vehicle include auto ignition start, fuel efficiency etc. The company has introduced different types of vehicles to cater to the specific demand of the customers like Pack Body Vehicles, Soft Drink Carrier, High Deck, Chicken Carrier, Hydraulic Tipper, Ice – Cream shoppe, Hooper, Water tank carrier and Open Box type body etc.

Atul Shakti & Atul Gem (Passenger Rickshaw)

This vehicle has an approved capacity to carry 3 passengers (excluding driver) or in terms of pay load capacity it can carry 500 kgs. The vehicle is fitted with 7.5 HP, 4 strokes Air cooled diesel engine having handle bar, auto start and dry clutch facilities.

Atul Auto Limited

Approach to Marketing & Marketing Set-up

Marketing and distribution are the major activities for automobile companies and the success of the automobile company dependent to a great extent on the efficiency of its marketing and distribution function. The marketing operations of the Company have grown over the last few years. It is believed that the Company has carved out a name for itself in the 3-Wheeler Industry. The Company has build up a marketing set up in the following manner in order to capture the major geographical segment in domestic and as well as overseas market and achieve the multiple growth for the Company.

The Company is currently engaged in the activity of producing various kinds of 3-wheelers for the passenger and the cargo segment. Currently, the Company is having a network of 107 dealers spread across 10 states. There is a plan to increase the sales and strengthen the existing reach and penetrate the market further. The Company proposes to expand the dealer network to 140 by end of 2011 and enter new locations like Bihar, Jharkhand, Orissa, Karnataka, Punjab, Hariyana and Tamil Nadu etc. From the current presence in 10 states, we aim to be present in 20 states by 2011.

Atul Shakti & Atul Gem has been well accepted in the market due to its reliability, versatility, comfort, fuel economy and strong after sales backup, with the Company focus on the common man who actually uses these vehicles on a day-to-day basis. The Research and Development team is devoted to developing low cost products of advanced technology & quality keeping in mind the common man.

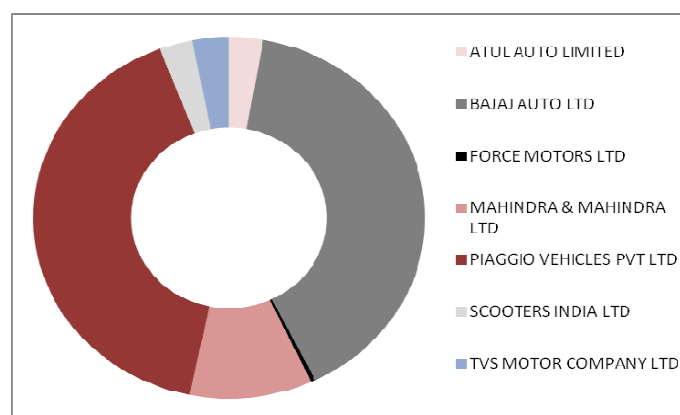
Business Strategy [Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10]

The Company is in the manufacturing of 3-Wheeler for more than two decades and has grown to the present level by developing quality of products, building trust in the customers. The Company wants to leverage this strength to its benefit in future so as to become an effective player in the 3-Wheeler Industry. To provide best quality products and services to the customers is the main business strategy of the Company. Keeping in view the same, the business strategy of the Company is as under:

- ❖ Increase in product portfolio
- ❖ Adopting a pro-active marketing policy
- ❖ Improve upon after sales service
- ❖ Widening the dealer base across geographies
- ❖ Optimum utilization of the production capacity
- ❖ Set up of retail finance tie-up team

Competitive Strength

The 3-Wheeler industry in India is currently small in size, but growing at a flair clip. The Company faces competition from different companies in India. The production of 3-Wheelers in India has increased from 356223 vehicles in 2003-04 to 619093 vehicles in 2009-10. The domestic sales have increased from 284078 vehicles in 2003-04 to 440368 vehicles in 2009-10. The 3-Wheelers domestic market share in the year 2010 is as follows.



Source: Society of Indian Automobile Manufacturers (SIAM), 2009-10

Atul Auto Limited

The Company believes that it is well positioned to enhance its market share on account of its competitive strengths that include the following:

- The Company has been in this business for more than three decades.
- Company's promoters have hands on experience in the auto industry
- Company has a dedicated Research & Development team constantly working to develop more efficient vehicles.
- The Company has launched diesel vehicles having substantial advantage in terms of fuel economy over petrol driven vehicle.
- The Company has also launched CNG & LPG vehicles which are having good demand, looking into cost effectiveness and environment friendly product.
- Company has started expanding its reach to new markets.
- Company has complete range of three wheelers to cater any market segment.

Weakness

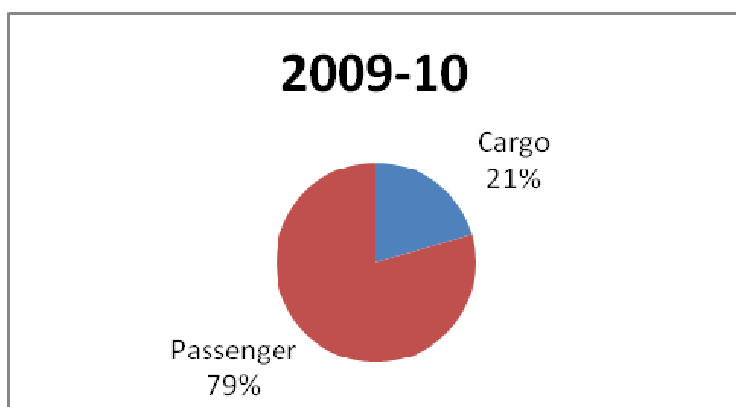
- Manufacturing of three wheelers is a low-margin, volume business. An increase in raw material costs will have a negative impact on the profit margins.
- Poor geographical presence. A large portion of the sales comes from the states of Gujarat and Rajasthan.
- The Company is dependent on Greaves Cotton Limited for supply of diesel engines, petrol engines, CNG & LPG vehicles.

Future Prospectus

The Company has charted out a robust future business plan. The Company is having plans to increase sales and strengthen the existing reach and penetrate the market further. The Company proposes to expand the dealer network and enter new locations

Customer Segments

Three wheelers in India are mainly used in two different segments. The first is the cargo segment, which has the scope of customizations depending on the type of cargo. The other major segment is that of passengers, where three wheelers operate as vehicles available for hire, given the benefits of more passengers with lower running costs than traditional four wheelers. In terms of geographies, the South accounts for the largest number of sales.



Source: SIAM, 2009-10

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3-Wheeler Industry Segmentation for 2009-10

Cargo Segment

Key drivers for cargo segment:

- Availability of finance from banks and big NBFC's which are focusing on cargo segment.
- Government focus on improvement in rural road infrastructure
- Growth in key user industries like FMCG, Pharma, Retail, Construction backed by strong economic growth
- Major retail push by FMCG & Consumer product players in Tier II cities and smaller towns where 3-wheelers serve as the ideal mode of goods transportation
- Focus of major players in developing new products that has opened new applications for 3-wheelers like chicken carriers, ice cream carriers, tippers etc.
- Restriction imposed on large commercial vehicles entry at metros and major cities.

Outlook

- 3-wheeler as the ideal last mile connectivity platform to gain further momentum
- Emergence of hub-and-spoke distribution model
- Retail revolution and need for smaller & frequent deliveries for better inventory management
- Government initiatives
- Improvement in road infrastructure backed by schemes like PM's Gramin Vikas Yojana
- Strengthening of regulations in metros & Tier I cities

Cargo segment expected to continue to grow at 15-20% in the medium term

Passenger Segment

Key drivers for passenger segment:

- 3-wheelers continue to be a popular mode of passenger transportation
- Passenger segment has historically accounted for bulk of 3-wheeler market in India
- Passenger Segment has grown by 30% in 2009-10 when compared to last year
- New permits for fuels like CNG/LPG driven vehicles is however available more easily
- Passenger application in the rural & semi urban areas however unaffected by above and continues to grow

Outlook

- Growth in the metro and Tier I cities to be driven by CNG powered vehicles
- Smaller cities and rural areas would continue to be large markets for traditional diesel vehicles
- As road infrastructure expands, demand from smaller markets expected to improve
 - Passenger transportation from interior areas to villages/local town.
 - Cost effective mode for personal transportation

Passenger segment expected to grow at 15% to 20% in the medium term

Source: SIAM

Atul Auto Limited

Insurance Details

| Standard Fire & Special Perils Policies: | | | | | | | |
|--|------------------------------|-------------|-------------|-----------------|-------------|-------------------------------------|---|
| Sl. No. | Policy Number | Policy Date | Expiry Date | Sum Assured (₹) | Premium (₹) | Insurer | Remarks |
| 1. | 066100/11/10/1 1/00003075 | 22.02.2011 | 21.02.2012 | 660330000/- | 105319/- | United india insurance company ltd. | Plant, Building, Godawn, Compound Wall, Dies, Electric Installation, Computers, Air Conditioners, Stock. |
| 2. | 066100/11/10/1 1/00003074 | 22.02.2011 | 21.02.2012 | 22000000/- | 1727/- | United india insurance company ltd. | Amidhara Building, Rani Tower Building, Jimmy Tower Building, Shapar Guest House, Jimmy Tower Furniture, Shapar office Equipments, Water Cooler. |
| 3. | 067700/11/10/1 1/00000432 | 28.12.2010 | 27.12.2011 | 45000000/- | 10121/- | United Insurance India Co. Ltd. | Wind Mill Plant at Rajasthan incl. Machinery, Accessories, Transformers, Cables & Electrical, Installation (Electric Generation Plant) (Fire & Special Perils Policy) |
| 4. | 067700/46/10/0 4/00003480 | 28.12.2010 | 27.12.2011 | 45000000/- | 9927/- | United Insurance India Co. Ltd. | Wind Mill Plant at Rajasthan incl. Machinery, Accessories, Transformers, Cables & Electrical, (Burglary BP Policy) |
| 5. | 382100/11/10/3 100000784 | 15.02.2011 | 14.02.2012 | 30000000/- | 7942/- | National Insurance Co. Ltd. | Jamnagar Windmill with all accessories, including cable, transformers, electrical fittings. |
| Inward Outward & Marine Policy: | | | | | | | |
| 6. | 066100/21/11/0 4/00000199 | 15.07.2011 | 14.04.2012 | 3900000000/- | 400000/- | United India Insurance | (1)Inland: Anywhere in india to anywhere in India (2) For Export: Anywhere in India to anywhere in World (3) Import: From anywhere in world to Anywhere in India. |

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| Vehicle Policies: | | | | | | | |
|---|-------------------------------|------------|------------|------------|----------|--|--------------------------------------|
| 7. | 0677003110P00 0636668 | 13.07.2010 | 12.07.2011 | 652400/- | 14598/- | United Insurance India Co. Ltd. | VEHICLE (HONDA CIVIC - GJ 3BA 9493) |
| 8. | 0677003110P00 1408501 | 26.11.2010 | 25.11.2011 | 220000/- | 3476/- | United India Insurance Co. Ltd. | VEHICLE (MARUTI-ZEN GJ-03-AB-9796) |
| 9. | FCV/I1082670/ 71/01/M57117 | 27.01.2011 | 26.01.2012 | 486000/- | 16731/- | Bharti Axa General Insurance Co. Ltd | GJ03AAT6054 VEHICLE (EICHER 6054) |
| 10. | FCV/I0182651/ 71/01/M57117 | 27.01.2011 | 26.01.2012 | 486000/- | 16731/- | Bharti Axa General Insurance Co. Ltd | GJ03AT6053 VEHICLE (EICHER 6053) |
| 11. | 1-F5V1SB | 01.11.2010 | 31.10.2011 | 1050000/- | 23248/- | IFFCO – TOKIO General Insurance Co. Ltd. | VEHICLE (Toyota Innova GJ 3CR 7799) |
| 12. | 677003110P000 795200 | 07.08.2010 | 06.08.2011 | 842270/- | 18977/- | United Insurance India Co. Ltd. | Honda City |
| 13. | 1-F58D6X | 29.10.2010 | 28.10.2011 | 798102/- | 22550/- | IFFCO – TOKIO General Insurance Co. Ltd. | Mahindra Xylo |
| 14. | 3001/59473970/ 00/000 | 12.05.2011 | 11.05.2012 | 1068443/- | 27771/- | ICICI Lombard General Insurance Company Ltd. | Cruz LTZ |
| 15. | 3001/60985997/ 01/000 | 27.08.2010 | 26.08.2011 | 4692306/- | 122692/- | ICICI Lombard General Insurance Company Ltd. | Audi Q7 3.0 TDI QUATTRO |
| 16. | OG-11-2201- 1801-00023120 | 12.03.2011 | 11.03.2012 | 571141/- | 11705/- | Bajaj Allianz General Insurance Co. Ltd. | Mahindra Xylo - 9789 |
| 17. | VHP/01013720 | 31.10.2010 | 30.10.2011 | 843695/- | 21808/- | Royal Sundram General Insurance | Honda City – 5445 |
| Employee Deposit Linked Insurance Policy | | | | | | | |
| 18. | LWC/I0109176 /71/10/M57117 | 10.10.2010 | 09.10.2011 | 77913178/- | 408184/- | Bharti Axa General | 630 Lives |

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| | | | | | | | |
|------------------------|--------|------------|------------|--|----------|--------------|-------------------|
| | | | | | | Insurance | |
| Group Insurance | | | | | | | |
| 19. | 645153 | 01.12.2010 | 30.11.2011 | | 115490/- | LIC India | of EDLI Policy |

Manufacturing Location:

Survey No. 86, Plot No. 1 to 4,
National Highway 8-B,
Near Microwave Tower,
Rajkot Gondal Highway,
Village Shapar (Veraval),
Taluka Kotda Sangani,
Rajkot-360002,Gujarat.

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KEY INDUSTRY 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 the various legislations that are available in the public domain.

In India, the following Central legislations governing The Company:

1. Labour Legislations

a) The Contract Labour (Regulation and Abolition) Act, 1970

In the event that any aspect of the activities of the Company is outsourced and carried on by labourers hired on contractual basis, then compliance with the Contract Labour Act becomes necessary. The Contract Labour Act regulates the employment of contract labour in establishments in which ten or more workmen are employed or were employed on any day of the preceding 12 months as contract labour. It governs their conditions and terms of service and provides for abolition of contract labour in certain circumstances. The Contract Labour Act requires the principal employer of the concerned establishment to make an application to the registered officer for registration of the establishment, failing which, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the Contract Labour Act applies is required to obtain a license and not to undertake or execute any work through contract labour, except under and in accordance with such license. Further, the Contract Labour Act ensures the health and welfare of the contract labourers, by imposing certain obligations on the contractor in relation to establishment of canteens, restrooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the Contract Labour Act.

b) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Fund Act aims to institute provident funds and pension funds for the benefit of employees in establishments which employ more than twenty persons and factories specified in Schedule I of the Employees' Provident Fund Act. The Company has a provident fund for all the permanent employees.

c) The Employees' State Insurance Act, 1948

The Employees' State Insurance Act applies to all factories unless seasonal in nature which employ 10 or more employees and carry on a manufacturing process with the aid of power (20 employees where manufacturing process is carried out without the aid of power). The ESIA puts the onus of registering the factory with the employer. All employees including casual, temporary or contract employees drawing wages less than ₹ 6500 per month are covered under the provisions of the ESIA. The workers covered under the scheme have to pay a monthly contribution. The ESIA provides for the provision of benefits to employees in case of sickness, maternity and employment injury. Under the ESIA, employees receive medical relief, cash benefits, maternity benefits, pension to dependents of deceased workers and compensation for fatal or other injuries and diseases. Where a workman is covered under the Employees' State Insurance scheme, (a) compensation under the Workmen's Compensation Act cannot be claimed in respect of employment injury and (b) benefits under the Maternity Benefits Act cannot be claimed.

d) The Factories Act, 1948

The Factories Act is applicable to all 'factories' employing more than 10 people and working with the aid of power or employing 20 people and working without the aid of power. It covers workers employed in the factory premises or precincts directly or through an agency including a contractor, involved in any manufacture. The respective State Governments frame rules for its enforcement in order to ensure that local conditions are reflected. It provides for the health, safety, welfare, service conditions and other aspects of workers in factories.

e) The Industrial Employment (Standing Orders) Act, 1946

The Industrial Employment Act applies to every industrial establishment where 100 or more workmen are/were employed on any day of the preceding 12 months. It applies to every worker employed in an industrial

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establishment but excludes workers employed in a managerial or administrative capacity and workers employed in a supervisory capacity and drawing wages more than ₹ 1600 per month.

Under the Industrial Employment (Standing Orders) Act, 1946, standing orders are to be framed in order to standardize the service conditions of the workmen in industrial establishments. The standing orders are to be displayed prominently in the establishment in English and the language understood by the workmen near the entrance of the establishment and all departments.

f) The Payment of Bonus Act, 1965

The Payment of Bonus Act provides for payment of bonus on the basis of profit or productivity to people employed in factories and establishments employing twenty or more persons on any day during a fiscal year. The POBA ensures that a minimum annual bonus is payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Under the POBA every employer is bound to pay to every employee, in respect of the fiscal year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or ₹ 100, whichever is higher.

g) The Payment of Gratuity Act, 1972

The Payment of Gratuity Act provides for payment of gratuity, to an employee, at the time of termination of his services. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than 5 years: (a) on his/her superannuation, (b) on his/her retirement or resignation, (c) on his/her death or disablement due to accident or disease (in this case the minimum requirement of five years does not apply).

The POGA establishes a scheme for the payment of gratuity to employees engaged in establishments in which 10 or more persons are employed or were employed on any day of the preceding twelve months, and in such other establishments in which 10 or more persons are employed or were employed on any day of the preceding twelve months, as the Central Government may, by notification, specify. The Company provides for payment of gratuity and superannuation to all the permanent employees.

h) The Payment of Wages Act, 1936

The Payment of Wages Act, aims at ensuring payment of wages in a particular form at regular intervals without unauthorized deductions. It regulates the payment of wages to certain classes of employed persons and provides for the imposition of fines and deductions and lays down wage periods and time and mode of payment of wages. Persons whose wages are ₹ 6,500 or more per month are outside the ambit of the Payment of Wages Act.

i) The Trade Union Act, 1926

The Trade Union Act, 1926 provides for registration of trade unions (including association of employers) with a view to render lawful organization of labour to enable collective bargaining. The Trade Union Act, 1926 also confers certain protection and privileges on a registered trade union. It applies to all kinds of unions of workers and associations of employers which aim at regularizing labour-management relations. Under the Trade Union Act, 1926 any group of seven or more workers of an institution have a right to come together and form a trade union. The trade union so formed has the right to act for the individual and/or for collective benefit of workers at different levels.

j) The Workmen's Compensation Act, 1923

The Workmen's Compensation Act, aims to provide workmen and their dependents, compensatory payment, in case of accidents arising out of and in course of employment and causing either death or disablement of workmen. It applies to factories, mines, docks, construction establishments, plantations, oilfields and other establishment listed in Schedule II and III of the Workmen's Compensation Act but excludes establishments covered by the Employees' State Insurance Act. Every employee including those employed through a contractor except casual employees, who is engaged for the purposes of employer's business and who suffers an injury in any accident arising out of and in the course of his employment is entitled to compensation under the Workmen's Compensation Act.

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k) Shops and Commercial Establishments Acts (the “SCE Acts”)

The SCE Acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. Each state has passed its own SCE Act to regulate conditions of work in the state. The SCE Act applies to local areas as notified by the government of each state and mandates registration of shops and establishments. The SCE Acts prohibit the employment of children and regulates the employment of young persons and women in shops and establishments. The SCE Acts also contains provisions dealing with payment of wages to employees and leave with pay. There are various regulations that need to be observed to ensure the health and safety of the employees. The SCE Act provides for penalties for the contravention of its various provisions and enhanced penalty in case of previous conviction.

2. Environmental Legislations

- a) The plant of the Company require approvals under the following environmental legislations. This is because the operation/construction of some of its plant might have an impact on the environment where they are situated in.
- b) Air (Prevention and Control of Pollution) Act, 1981 The Air Act mandates that no person can, without the previous consent of the State Pollution Control Board, establish or operate any industrial plant in an air pollution control area. The Central and State Pollution Control Boards constituted under the Water Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution.
- c) Water (Prevention and Control of Pollution) Act 1974. The Water Act provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The Water Act 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 and Central Pollution Control Boards.
- d) Environment Protection Act, 1986. The Environment Protection Act has been enacted for the protection and improvement of the environment. The EPA 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. In addition, the Ministry of Environment and Forests looks into EIA. The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects. The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the Pollution Control Boards are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

3. The Central Excise Act, 1944

The Central Excise Act, 1944 provides that a person who is engaged in production or any process of production of any specified goods shall get himself registered with the proper officer as per the procedure/documentation laid down.

4. Foreign Investment Regime

Foreign investment in India is governed primarily by the provisions of the FEMA and the rules, regulations and notifications there under, as issued by the Reserve Bank of India from time to time, and the policy prescribed by the Department of Industrial Policy and Promotion, which provides for whether or not approval of the FIPB is required for activities to be carried out by foreigners in India. The RBI, in exercise of its power under the FEMA, has notified the FEMA Regulations to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for FDI under the “automatic route” within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified

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sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. No such approval is required for the Company and 100% FDI is allowed under the FEMA Regulations.

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MANAGEMENT & CORPORATE GOVERNANCE

| Name, Address, Occupation, Qualification & DIN | Approx. Age (Yrs.) | Designation | Date of Appointment/Re-appointment | Date of Expiration of current term of office | Experience (Years) | Directorship in other Companies |
|---|--------------------|--|------------------------------------|--|--|---|
| Mr. Jayantibhai Jagjivandas Chandra Occupation: Self Employed Qualification: Undergraduate DIN: 00057722 | 56 | Chairman & Managing Director | 01.04.2010 | 31.03.2013 | 35 years of experience in Automobile Industry | Atul Rachna Private Limited |
| Mr. Mahendrakumar Jamnadas Patel Occupation: Self Employed Qualification: Undergraduate DIN: 00057735 | 48 | Wholetime Director | 01.04.2010 | 31.03.2013 | More than 18 years of experience in Automobile Industry | Nil |
| Mr. Sunil Kumar Mittal Occupation: Self Employed Qualification: B.E. Mechanical DIN: 01826756 | 52 | Wholetime Director | 01.04.2011 | 31.03.2012 | More than 20 years of experience in three wheeler Industry | Nil |
| Mr. Vijay Kishanlal Kedia Occupation: Self Employed Qualification: B.COM DIN: 00230480 | 51 | Non Independent & Non Executive Director | 31.01.2009 | Liabile to be retire by rotation | More than 25 years of experience in the field of Finance & Securities Market | 1. Kedia Securities Pvt. Ltd. 2. Sky Space Entertainment Pvt. Ltd. |
| Mr. Rajeshbhai Hasubhai Dhruva Occupation: Practicing Chartered Accountant Qualification: Commerce Graduate and Chartered Accountant DIN: 00525985 | 56 | Independent & Non Executive Director | 19.12.1994 | Liabile to be retire by rotation | More than 25 years of experience in the field of Finance | 1. Keynote Consultancy Pvt. Ltd. 2. Integrated Proteins Ltd. 3. Keynote Corporate Counsels Pvt. Ltd. 4. Sunflower Apparels Pvt. Ltd. |
| Mr. Sureshbhai Tulsidas Kaneria Occupation: Self Employed Qualification: Commerce Graduate DIN: 00765620 | 51 | Independent & Non Executive Director | 08.03.2004 | Liabile to be retire by rotation | More than 10 years of experience in General Administrative sector | Nil |

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| | | | | | | |
|---|----|--------------------------------------|------------|----------------------------------|--|--|
| Mr. Ramniklal Gordhandas Kotecha Occupation: Self Employed Qualification: B.E. Mechanical DIN: 01930272 | 58 | Independent & Non Executive Director | 31.01.2009 | Liabile to be retire by rotation | More than 25 years of experience in the field of Administration and Management | <ol style="list-style-type: none"> 1. Kotecha Steelforge Pvt. Ltd. 2. Rajkot Machine tools 3. Vision Next Diesel Pvt. Ltd. 4. Ganga R. K. Industries Pvt. Ltd. 5. Kusum Casting Pvt. Ltd. |
| Mr. Hakubhai Jadavbhai Lalakiya Occupation: Practicing Advocate Qualification: M.COM, LLM DIN: 00357726 | 57 | Independent & Non Executive Director | 31.05.2006 | Liabile to be retire by rotation | More than 25 years of experience in the Legal field | Nil |

Note: None of the Directors are related to each other.

Details of current and past directorship(s) of Directors of the Company for a period of five years (prior to the date of this Letter of Offer) in listed companies whose shares have been / were suspended from being traded on the stock exchanges having nationwide trading terminal.

None of the directors are / were associated in any listed company (ies) during the period of five years (prior to the date of this Letter of Offer) whose shares have been / were suspended from being traded on the stock exchanges having nationwide trading terminal.

Details of current and past directorship(s) in listed companies who have been / were delisted from the stock exchanges(s)

None of the directors are / were associated in any listed company (ies) which have been delisted from the stock exchange(s).

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the above mentioned Directors was selected as director or member of senior management. Further, except for statutory benefits upon termination of their employment in the Company or upon retirement, no officer of the Company, including the Directors and Key Managerial Persons, are entitled to any benefits upon termination of employment with the Company.

Brief profile of Directors of the Company

Mr. J. J. Chandra

Mr. Jayantibhai J. Chandra aged 56 years is one of the founder promoter and Chairman & MD of the Company. He is an Undergraduate by with a wide experience in Automobile Industry of more than 35 years. Presently he is one of the Promoters of the Company. He began his career as a manufacturer of carrier Auto Rickshaw under the brand name 'KHUSHBU' under his family firm Atul Auto Industries, Jamnagar and acquired expertise in automobile manufacturing and marketing. He looks after substantial administrative part in the organization. He has a far reaching vision with a keen insight to help Company to emerge as one of the leading manufacturers of small commercial vehicles. He was appointed as Director on 18.06.1986 since then he was reappointed as managing Director of the Company.

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Mr. M. J. Patel

Mr. Mahendra Jamnadas Patel, aged 48 years is the Whole-time Director of the company. He is an Undergraduate and is one of the promoters of the Company with an experience of more than 18 years in production line of automobile sector. He has worked as a Director-Production in Sunrise Soaps and chemicals for 3 years. Presently he is looking after whole of the production department of the Company. He was appointed as Director on 30.11.1994 since then he was reappointed as a Whole Time Director of the Company. Mr. Mahendrakumar Jamnadas Patel has been associated as promoters of the issuer from w.e.f. 30th November, 1994.

Mr. S. K. Mittal

Mr. S. K. Mittal, aged 52 years is the Whole-time Director of the Company. He is B. E. Mechanical with an experience of more than 20 years in the three wheeler Industry. Mr. Mittal has been appointed as a Whole time Director of the Company since June 1, 2009. He was appointed as a Director on 31.10.2007 since then he was reappointed as a Whole Time Director of the Company.

Mr. Vijay Kedia

Mr. Vijay Kishanlal Kedia, aged 51 years is the Non Independent & Non Executive Director of the Company. He is a Commerce Graduate by qualification and has been working with the Company since 2009. He has an experience of more than 25 years in the field of Finance & Securities Market. He looks after the Finance, Investment & Fund Management of the Company.

Mr. R. H. Dhruva

Mr. Rajeshbhai Hasubhai Dhruva, aged 56 years is the Independent & Non Executive Director of the Company. He has been working with the Company since 1994 as a Director. He is a Chartered Accountant by Profession having a wide experience of more than 25 years in the field of Finance. He advises the Company in Finance & Foreign Exchange regulations.

Mr. S. T. Kaneria

Mr. Sureshbhai Tulsidas Kaneria aged 51 years is the Independent & Non Executive Director of the Company. He is a Commerce Graduate by qualification and has a wide experience of more than 10 years in General Administrative Sector. He is concerned with all the activities related to the administration of the Company and he is continuing Directorship since 2004.

Mr. R. G. Kotecha

Mr. Ramniklal Kotecha, aged 58 years is the Independent & Non Executive Director of the Company. He is B.E Mechanical by qualification and has experience of more than 25 years in the field of Administration and Management. He began his career as a site engineer in a swiss based company Rodiyo Foundation Engineering Ltd. at Metro Railway Project at Kolkata. Thereafter he ventured his own export – import business of engineered goods in 1983. He has an excellent acumen in management skill and presently runs a professionally managed company involved in export of agricultural, construction machinery, casting, forging, & automotive components. He is concerned about over all Administration & Management.

Mr. H. J. Lalakiya

Shri Hakubhai Jadavbhai Lalakiya, aged 57 years is the Independent & Non Executive Director of the Company. He is an advocate by profession, having wide experience of more than 25 years in the Legal field and has been continuing Directorship since 2006. He is advising and taking care of legal aspects of the Company. His versatile experience of civil and criminal matters helps the Company and legal department to deal with a consumer forum cases and misc. Frauds and Land revenue matters.

Borrowing Powers of the Directors in the Company

In terms of the Article 79 of the Articles of Association of the Company, the Board of Directors shall not, except with the consent of the Company in general meeting of the Company and subject to Article 172 of the Articles of Associations of the Company, borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

In this regard the Company has authorised the Board of Directors, by a Ordinary Resolution passed through Postal Ballot process and the result of which was declared at the Extra Ordinary General Meeting held on August 18, 2008, to borrow from time to time, as they may consider fit, any sums of money, on such terms and conditions as the Board may deem fit notwithstanding that 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 share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, so that the total amount of monies so borrowed at any time shall not exceed the sum of ₹ 150 Crores.

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Interest of Directors

All the non executive directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them as per the applicable laws.

The Directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. As on date of this Letter of Offer, there are no contracts, agreements or arrangements entered into by the Company in which Directors may be deemed to be interested, except as stated otherwise in this Letter of Offer. Further there are no companies, partnership, proprietorship with which the Company has entered into a contract in which the Directors may be deemed to be interested, except as stated otherwise in this Letter of Offer.

The Managing Director and Whole-time Directors of AAL are interested to the extent of remuneration paid to them for services rendered to the Company. For more details, please refer "Management & Corporate Governance" on page numbers 96. Further, the Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. The Directors may also be regarded as interested in their Right Entitlements, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners and/or trustees.

Except as stated otherwise in this Letter of Offer, the Company has not entered into any Contract, Agreements or Arrangements during the preceding two years from the date of the Letter of Offer in which the directors are interested directly or indirectly and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be entered with them.

Terms of the Appointment & Compensation of the Executive Directors

Mr. J. J. Chandra

The remuneration of Mr. J. J. Chandra, Chairman & Managing Director as per resolution passed in the Board of Directors meeting held on 29th March, 2010 is detailed hereunder:

Resolved that in accordance with provision of Section 198, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956 as well as in accordance with provision as contained in the Memorandum and Articles of Association of the Company, and in pursuance of recommendations of the Remuneration Committee of the Board of Directors of the Company, and subject to approval of the Members at the ensuing Annual General Meeting, approval of the Board of Directors of the Company be and is hereby given for reappointment of Mr. J. J. Chandra, as the Chairman & Managing Director w.e.f. 1st April, 2010 for the period of Three Years on such terms and conditions mentioned herein under, and Mr. J. J. Chandra shall be liable to retire by rotation.

Terms and Conditions of the appointment of Mr. J. J. Chandra, CMD, shall be as under:

SALARY:

- a) ₹ 3,00,000/- per month till the remaining tenure with authority to the Board of Directors to increase the same from time to time in accordance with limits specified in schedule XIII to the Companies Act, 1956, as amended from time to time.
- b) Commission: Mr. J. J. Chandra, shall not be paid any other commission by the Company.
- c) Other Perquisites:
 - (i) The Company shall provide him a car together with a driver in accordance with the Company policy for business use.
 - (ii) The Company shall provide and pay for membership of a club for his official and personal use.
 - (iii) The Company shall reimburse reasonable medical cost incurred by him, his wife and children either directly or through appropriate insurance.

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- (iv) He will eligible for accident, long term disability and death insurance cover as remuneration committee may decide such amount from time to time.
- (v) The Company shall make available to him telephone facility at his residence including cell phone to be used for the purpose of the business.

Resolved further that the Board shall have discretion, authority to modify forgoing terms, and remuneration within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Resolved further that Mr. J. J. Chandra, shall not be entitled to any sitting fees for attending meetings of the Board and/or Committee Directors.

Resolved further that notwithstanding anything to contrary herein contained where in any financial year during the currency of tenure of Mr. J. J. Chandra, the Company will pay remuneration by way of salary, incentive remuneration, perquisites and allowances as specified above, subject to provisions of Schedule XIII to the Companies Act, 1956.

Mr. M. J. Patel

The remuneration of Mr. M. J. Patel, Wholetime Director as per resolution passed in the Board of Directors meeting held on 29th March, 2010 is detailed hereunder:

Resolved that in accordance with provision of Section 198, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956 as well as in accordance with provision as contained in the Memorandum and Articles of Association of the Company, and in pursuance of recommendations of the Remuneration Committee of the Board of directors of the Company, and subject to approval of the Members at the ensuing Annual General Meeting, approval of the Board of Directors of the Company be and is hereby given for appointment of Mr. M. J. Patel, as the Wholetime Director w.e.f. 1st April, 2010 for the period of Three Years on such terms and conditions mentioned herein under, and he should be designated as Wholetime Director, and Mr. M. J. Patel, shall be liable to retire by rotation.

Terms and Conditions of the appointment of Mr. M. J. Patel, Wholetime Director, shall be as under:

SALARY:

- a) ₹ 2,75,000/- per month till the remaining tenure with authority to the Board of Directors to increase the same from time to time in accordance with limits specified in schedule XIII to the Companies Act, 1956, as amended from time to time.
- b) Commission: Mr. M. J. Patel, shall not be paid any other commission by the Company.
- c) Other Perquisites:
 - (i) The Company shall provide him a car together with a driver in accordance with the Company policy for business use.
 - (ii) The Company shall provide and pay for membership of a club for his official and personal use.
 - (iii) The Company shall reimburse reasonable medical cost incurred by him, his wife and children either directly or through appropriate insurance.
 - (iv) He shall be also entitled to bonus as per rule of the Company.
 - (v) He will eligible for accident, long term disability and death insurance cover or such amount as may be decided by remuneration committee from time to time.
 - (vi) The Company shall make available to him telephone facility at his residence including cell phone to be used for the purpose of the business.

Resolved further that the Board shall have discretion, authority to modify forgoing terms, and remuneration within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Resolved further that Mr. M. J. Patel, shall not be entitled to any sitting fees for attending meetings of the Board and/ or Committee of Directors.

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Resolved further that notwithstanding anything to contrary herein contained where in any financial year during the currency of tenure of Mr. M. J. Patel, the Company has no profits or has inadequate profits, the Company will pay remuneration by way of salary, incentive remuneration, perquisites and allowances as specified above.

Resolved further that where in any financial year, the Company is not having profits or its profits are inadequate, the Company shall pay to Mr. M. J. Patel, the remuneration as said in above paragraphs, subject to provisions of Schedule XIII to the Companies Act, 1956.

Mr. Sunil Kumar Mittal

The remuneration of Mr. Sunil Kumar Mittal, Wholetime Director as per resolution passed in the Board of Directors meeting held on 28th March, 2011 is detailed hereunder:

Resolved that in accordance with provision of Section 198, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956 as well as in accordance with provision as contained in the Memorandum and Articles of Association of the Company, and in pursuance of recommendations of the Remuneration Committee of the Board of Directors of the Company be and is hereby given for appointment of Mr. Sunil Kumar Mittal as Wholetime Director w.e.f. 1st April, 2011 for the period of One year on such terms and conditions mentioned herein under.

Terms and Conditions of the appointment of Mr. Sunil Kumar Mittal, Wholetime Director, shall be as under:

SALARY:

- a) ₹ 1,91,580/- per month till the remaining tenure with authority to the Board of Directors to increase the same from time to time in accordance with limits specified in Schedule XIII to the Companies Act, 1956, as amended from time to time.
- b) Other Perquisites:
 - (i) House Rent Allowance: ₹ 38,316/- per month.
 - (ii) Conveyance Allowance: ₹ 800/- per annum.
 - (iii) Education Allowance for children: ₹ 200/- per month.
 - (iv) Annual Medical reimbursement for self and family members for the actual amount incurred up to ₹ 15,000/-.
 - (v) Contribution towards provident fund up to 12% of basic salary or such other percentage as may be prescribed under the Rules of the respective Funds.
 - (vi) Contribution towards superannuation fund as per Rules of the Company restricted to ₹ 99,600/- per annum.
 - (vii) Leave Travel Concession as per Company rule restricted up to ₹ 15,959/- per month, payable on yearly basis.
 - (viii) Bonus: ₹ 38,316 per month, payable on half yearly basis.
 - (ix) Use of Company's car along with facility of Driver for business use.
 - (x) The Company shall make available to him telephone facility at his residence including cell phone to be used for the purposes of the business.

Resolved further that the Board shall have discretion, authority to modify forgoing terms, and remuneration within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Resolved further that Mr. Sunil Kumar Mittal, shall not be entitled to any sitting fees for attending meetings of the Board and/ or Committee of Directors.

Resolved further that notwithstanding anything to contrary herein contained where in any financial year during the currency of tenure of Mr. Sunil Kumar Mittal, the Company has no profits or has inadequate profits, the Company will pay remuneration by way of salary, incentive remuneration, perquisites and allowances as specified above, subject to provisions of Schedule XIII to the Companies Act, 1956.

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Compensation of the Non- Executive Directors

The remuneration of Non- Executive Directors consists only of sitting fees for attending the meeting of the Board of Directors or a Committee thereof.

Details of sitting fees paid to Non- Executive Directors during the FY 2010-11

| Name of the Director | Amount (₹) |
|----------------------|------------|
| Mr. R. H. Dhruva | 11000/- |
| Mr. H. J. Lalakiya | 11000/- |
| Mr. R. G. Kotecha | 11000/- |
| Mr. S. T. Kaneria | 11000/- |
| Mr. V. K. Kedia | 10000/- |

Number of Equity Shares held by the Directors as on 31.03.2011

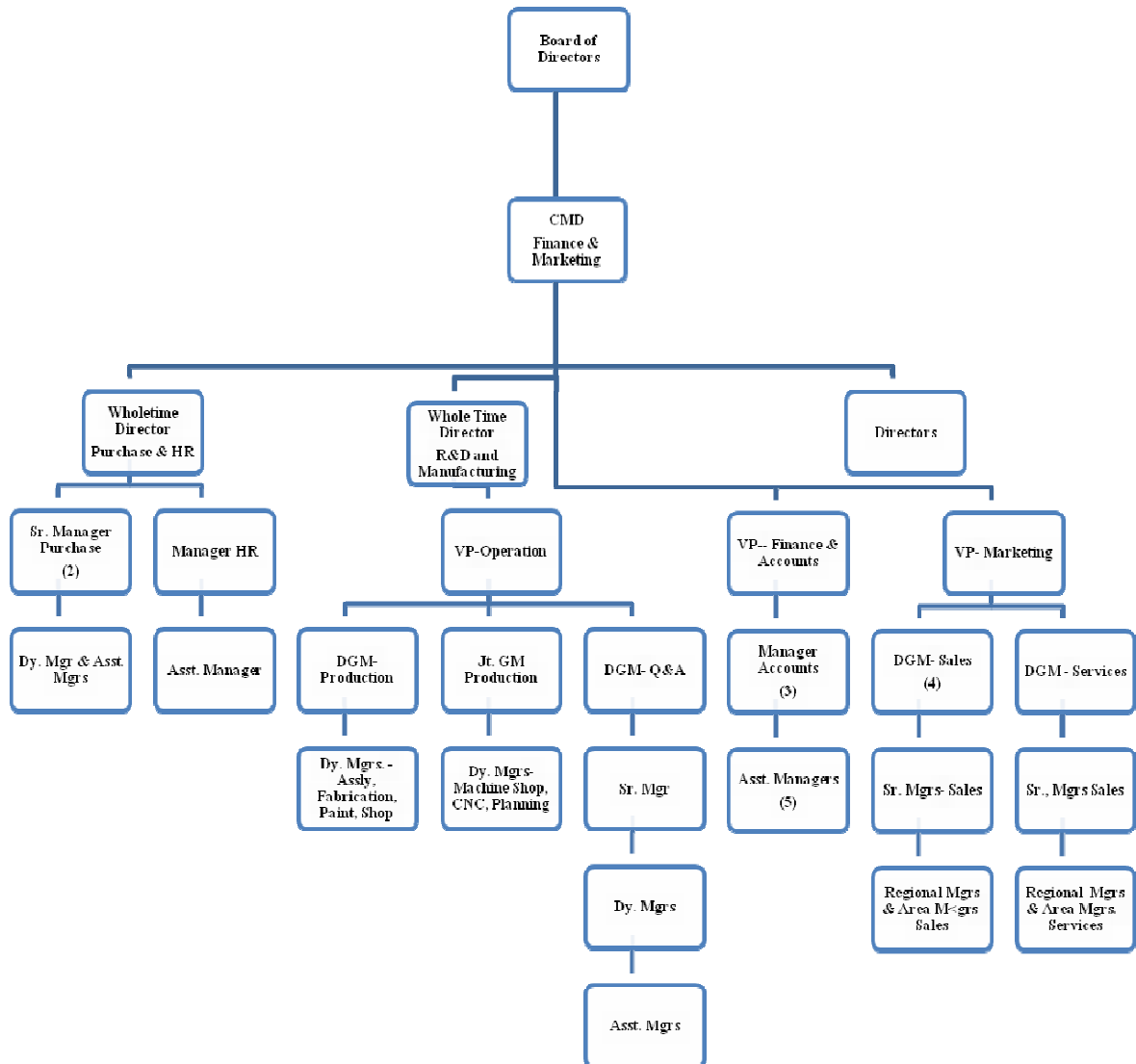
| Sl. No. | Name of the Director | No. of Equity Shares held | Percentage of Pre-Issue holding in the Company (%) |
|---------|----------------------|---------------------------|--|
| 1. | Mr. J. J. Chandra | 2,36,288 | 4.04 |
| 2. | Mr. M. J. Patel | 92,616 | 1.58 |
| 3. | Mr. S. K. Mittal | Nil | Nil |
| 4. | Mr. V. K. Kedia | 3,14,426 | 5.37 |
| 5. | Mr. R. H. Dhruva | Nil | Nil |
| 6. | Mr. S. T. Kaneria | Nil | Nil |
| 7. | Mr. R. G. Kotecha | Nil | Nil |
| 8. | Mr. H. J. Lalakiya | Nil | Nil |

Changes in the Directors in last three years

| Sl. No. | Name of the Director | Date of Change | Reason |
|---------|----------------------|----------------|---|
| 1. | Mr. B. J. Chandra | 31-10-2007 | Retirement by Resignation |
| 2. | Mr. S. K. Mittal | 31-10-2007 | Appointment as Director |
| 3. | Mr. S. K. Mittal | 27-09-2008 | Appointed as whole-time Director |
| 4. | Mr. V. K. Kedia | 31-01-2009 | Appointed as Additional Director |
| 5. | Mr. R. G. Kotecha | 31-01-2009 | Appointed as Additional Director |
| 6. | Mr. Mr. V. K. Kedia | 29-09-2009 | Change in Designation from Additional Director to Director at AGM |
| 7. | Mr. R. G. Kotecha | 29-09-2009 | Change in Designation from Additional Director to Director at AGM |
| 8. | Mr. J. J. Chandra | 01-04-2010 | Re-appointed as Managing Director |
| 9. | Mr. M. J. Patel | 01-04-2010 | Re-appointed as Whole-time Director |
| 10. | Mr. S. K. Mittal | 01-04-2011 | Re-appointed as Whole-time Director |

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Management Organisation Structure



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Compliance with Corporate Governance Requirements

Our philosophy on Corporate Governance envisages working based on transparency, accountability, consistent value systems, delegation across all facets of its operations leading to sharply focused and operationally efficient growth. The business operations are conducted to benefit its stakeholders. Corporate governance is administered through our Board and the Committees of the Board. In compliance with Clause 49 of the Listing Agreement with BSE, we have the following Board level Committees:

(i) Audit Committee, (ii) Remuneration Committee and (iii) Shareholder's Committee. However, the primary responsibility for upholding corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholder's value vests with the Board.

As a listed company it is in compliance with the applicable provisions of the Listing Agreements pertaining to corporate governance, including appointment of Independent Directors and constitution of Committees. Company complied with the requirements of Corporate Governance contained in the Listing Agreement. A brief description of the composition of Board, key committees, their scope, composition and meetings for the current year is as follows:

Composition of the Board of Directors

The present strength of the Board of Directors of the Company consists of 8 Directors of which 1 is Chairman & Managing Director, 2 Whole-time Directors, 1 Non Executive Non Independent Director and 4 Non Executive Independent Directors, with independent judgment in the deliberation and decision of the Board. The Chairman of the Board is an Executive Director. The composition of the Board was in conformity with Clause 49 of the Listing Agreement entered into with the BSE.

Committees of the Board of Directors

The Company has constituted the following committees for compliance with corporate governance requirements:

(a) Audit Committee

The Audit Committee was constituted pursuant to the Board meeting held on 05.02.2002 and comprises of;

| Sl. No. | Member | Designation |
|---------|--------------------------|--|
| 1. | Mr. Rajesh Dhruva | Independent Non-Executive Director (Chairman of the Committee) |
| 2. | Mr. Suresh Kaneria | Independent Non-Executive Director |
| 3. | Mr. Hakubhai Lalakia | Independent Non-Executive Director |
| 4. | Ms. Purvi Prashant Mehta | Company Secretary & Compliance Officer |

The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement, as amended from time to time, and its terms of reference include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval, with particular reference to:
 - i. 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;
 - ii. Changes, if any, in accounting policies and practices and reasons for the same;
 - iii. Major accounting entries based on the exercise of judgment by management;
 - iv. Significant adjustments to financial statements arising out of audit findings;
 - v. Compliance with the Accounting Standard;
 - vi. Compliance with listing and other legal requirements relating to the financial statements.

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3. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
4. Reviewing the adequacy of internal audit function, 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.
5. Discussion with internal auditors any significant findings and follow up thereon.
6. Reviewing the Company's financial and risk management policies.

The Audit Committee is required to meet at least three times in a year, including once before the finalisation of annual accounts and once in every six months. The quorum for the meetings is two directors or one-third of the total number of members, whichever is higher.

The Audit Committee held five meetings in the financial year 2010-2011. A brief description of meetings of the Audit Committee is set forth below:

| Sl. No. | Date of Meeting | Proceedings of the Meeting |
|---------|-----------------|---|
| 1. | 22.05.2010 | Approval of audited accounts for FY 2010-11 |
| 2. | 28.07.2010 | Approval of unaudited results for quarter ended on 30/06/2010 |
| 3. | 09.11.2010 | Approval of audited results for half year/quarter ended on 30/09/2010 |
| 4. | 29.01.2011 | Approval of unaudited results for quarter ended on 31/12/2010 |
| 5. | 28.03.2011 | Review of business performance, internal controls and corporate governance system |

(b) Shareholders' Committee

The Shareholders' Committee was constituted pursuant to the Board meeting held on 05.02.2002 and comprises of:

| Sl. No. | Member | Designation |
|---------|--------------------------|--|
| 1. | Mr. Suresh Keaneria | Independent Non-Executive Director (Chairman of the Committee) |
| 2. | Mr. Rajesh Dhruva | Independent Non-Executive Director |
| 3. | Mr. Hakubhai Lalakia | Independent Non-Executive Director |
| 4. | Ms. Purvi Prashant Mehta | Company Secretary & Compliance Officer |

The Shareholders' Committee inter alia performs the role/functions as set out in Clause 49 of the Listing Agreement, as amended from time to time, with the Stock Exchanges and its terms of reference include:

1. Approving share transfer and transmissions, etc.;
2. Approving issuance of share certificates as and when required from time to time;
3. Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non- receipt of balance sheet etc.;
4. Oversee the performance of Registrar and Transfer Agent; and
5. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

The Shareholders' Committee held six meetings in the financial year 2010-2011. A brief description of meetings of the Shareholders' Committee is set forth below:

| Sl. No. | Date of Meeting | Proceedings of the Meeting |
|---------|-----------------|---|
| 1. | 10.04.2010 | To take on record investor complaints received and analyse & review redressal system thereof. |
| 2. | 09.06.2010 | |
| 3. | 22.07.2010 | |
| 4. | 10.10.2010 | |
| 5. | 15.12.2010 | |
| 6. | 05.01.2011 | |

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(c) Remuneration Committee

The Remuneration Committee was constituted pursuant to the Board meeting held on 05.02.2002 and comprises of;

| Sl. No. | Member | Designation |
|---------|----------------------|--|
| 1. | Mr. Suresh Keaneria | Independent Non-Executive Director (Chairman of the Committee) |
| 2. | Mr. Rajesh Dhruva | Independent Non-Executive Director |
| 3. | Mr. Hakubhai Lalakia | Independent Non-Executive Director |

The Remuneration Committee be and is empowered with the role and function as per the provisions as specified under Annexure I D(2) of the Corporate Governance Code under Clause 49 of the Listing Agreement, as amended from time to time, including the appointment and finalizing the remuneration of senior level employees of the Company. Its terms of reference include:

Determination and approval of the quantum of remuneration whether by way of salaries, commission, special allowances, any other perquisites to the Managing and Whole time Directors and non-executive Directors. Generally, the Remuneration Committee considers and approves remuneration payable to executive directors subject to final confirmation by Members in the General Meeting.

The Shareholders' Committee held five meetings in the financial year 2010-2011. A brief description of meetings of the Shareholders' Committee is set forth below:

| Sl. No. | Date of Meeting | Proceedings of the Meeting |
|---------|-----------------|--|
| 1. | 15.05.2010 | To review and if required, to revise the remuneration of Managerial Personnel and Officers one rank below the Board. |
| 2. | 17.08.2010 | |
| 3. | 15.10.2010 | |
| 4. | 22.12.2010 | |
| 5. | 22.03.2011 | |

KEY MANAGERIAL PERSONNEL

Details of the Key Managerial Personnel are as follows:

In addition to the whole time directors following are the key managerial personnel as on the date of filing this Letter of Offer:

| Name / Age | Date of Joining | Designation | Qualification | Current Responsibility | Service in the Company | Previous Employment | Annual CTC (₹ in Lacs) |
|---------------------------------|-----------------|-------------------------------------|--|--|------------------------|----------------------------------|------------------------|
| Mr. J. V. Adhia, 41 years | June 19, 1992 | Vice President – Finance & Accounts | Bachelor of Commerce, Diploma in Business Management | Heading Accounts department and looks after all commercial activities of the Company. | 18 years | - | 20.37 |
| Mr. Paul Zachariah, 45 years | May 5, 2003 | Vice President – Marketing | Diploma in Automobile Engineering | Heading the marketing department, to develop new markets for the products and achieving more market share in | 7 years | Piaggio Vehicles Private Limited | 22.45 |

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| Name / Age | Date of Joining | Designation | Qualification | Current Responsibility | Service in the Company | Previous Employment | Annual CTC (₹ in Lacs) |
|---------------------------------------|-------------------|----------------------------------|--|---|------------------------|----------------------------------|------------------------|
| | | | | existing market. | | | |
| Mr. Pradeep Singh Shukla, 60 years | May 1, 1994 | Joint General Manager | Master of Science (Mechanical) | Looks after Atul Shakti Assly. Line, checking the requirement of production and purchase department and has vast experience in fabrication department. | 16 years | Scooters India Limited. | 7.50 |
| Mr. P. J. Raval , 54 years | May 10, 1996 | Deputy General Manager | Diploma in Mechanical Engineering | Looks after Machine Shop production and also have insight in Front Engine Vehicle Assly. Line | 14 years | K. Naik Engineering Works | 8.02 |
| Mr. Ashok Samsi, 58 years | September 5, 2010 | Vice President – Operation | B.Tech. (Mechanical) from IIT Khadagpur & MBA – from IIM – Kolkata | Responsible for production at desired standard of quality and cost & time efficiency, taking care of administration of plant, up gradation of technology within the plant and coordination with other dept. | 2 months | ILJIN Automobiles (A Korean MNC) | 19.80 |
| Mr. Abhay Naik, 40 years | April 16,2009 | Deputy General Manager – Service | PGDBM & MMS in Marketing Dept. | Responsible for Managing After Sale Service requirement , technical training program and spare part related aspects | 1.5 year | Bajaj Auto Limited | 18.00 |

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| Name / Age | Date of Joining | Designation | Qualification | Current Responsibility | Service in the Company | Previous Employment | Annual CTC (₹ in Lacs) |
|--------------------------------------|-----------------|--------------------|--|------------------------|------------------------|--------------------------------------|------------------------|
| Ms. Purvi Prashant Mehta 38 years | January, 2010 | Compliance Officer | Company Secretary, LLB(Special), B.com. | Secretarial Compliance | 10 Months | Independently practicing as a Lawyer | 0.78 |

Notes:

- 1 All the above key managerial personnel are permanent employees of the Company except mentioned otherwise.*
- 2 There is no understanding with major shareholders, customers, suppliers or others pursuant to which any of the above mentioned personnel have been recruited except as mentioned otherwise.*

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Mr. J. V. Adhia - aged 41 years, joined the Company on June 19, 1992 and is the Vice President-Finance and Accounts of the Company. He is a Bachelor of Commerce and Diploma in Business Management. He has approximately 18 years experience in finance, taxation and audit.

Mr. Paul Zachariah - aged 45 years, joined the Company on May 5, 2003 and is the Vice President- Marketing of the Company. He has a Diploma in Automobile Engineering. He has approximately 19 years of experience in the Automobile Industry. Prior to joining the Company, Mr. Paul Zachariah has worked for 3 years as Area Manager (North) with Piaggio Vehicles Private Limited. He has also worked as Area Executive for 9 years in Kinetic Honda Motors Ltd.

Mr. Pradeep Singh Shukla - aged 60 years, joined the Company on May 1, 1994 and is the Joint General Manager of the Company. He is a Master of Science (Mechanical) from people's friendship university, Moscow 1974. He has also done a Certificate course of welding & inspection from welding research institute, Tiruchirapalli, Tamilnadu. He has approximately 35 years of total experience out of which 33 years of experience in the Automobile Industry. Prior to joining the Company, Mr. Shukla worked as Deputy Manager (Production) with Scooters India Limited for 17 years, Lucknow. He had also worked as Tools officer in Department of Science and Technology with Council of Scientific & Industrial Research (CSIR), New Delhi for 2 years.

Mr. P. J. Raval - aged 54 years, joined the Company on May 10, 1996 and is the Deputy General Manager of the Company. He has a Diploma in Mechanical Engineering. He has approximately 18 years of experience in the Automobile Industry. Prior to joining the Company, Mr. P. J. Raval worked with K. Naik Engineering Works at Chhatral as a production manager for 5 years. He had also worked with M/s. Partex Engineer works as a Senior Production Engineer for 7 years and worked with M/s. Kirit Engineering as a Production Manager for 4 years.

Mr. Ashok Samsi - aged 58 years, joined the Company on September 5, 2010 and is the Vice President – Operations of the Company. He is a B.Tech. (Mechanical) from IIT Khadagpur & MBA – from IIM – Kolkata. He has approximately 30 years of experience in the Automobile Industry. Prior to joining the Company, Mr. Samsi worked as Vice President with ILJIN Automotives Private Limited (A Korean MNC) for 1 year. He also worked as General Manager with Premier Limited for 24 years, and worked as General Manager “Plant operations” in Pal – Peugeot Ltd. for 5 years.

Mr. Abhay Naik - aged 40 years, joined the Company on April 16, 2009 and is the Deputy General Manager – Service of the Company. He is PGDBM & MMS in Marketing Dept. He has approximately 20 years of experience in the Automobile Industry. Prior to joining the Company, Mr. Abhay Naik worked with Bajaj Auto Limited in After Sale Service and International markets, for 19 years.

Ms. Purvi Prashant Mehta - aged 38 years, joined the Company on January, 2010 and is the Compliance Officer of the Company. She is Company Secretary, L.L.B. (Special), B.com. She has approximately 14 years of experience in the Legal field. Prior to joining the Company, Ms. Purvi Prashant Mehta was practicing as a Lawyer for 9 years. Prior to that she worked as Law Officer with Ambalal Sarabhai Enterprise Ltd., for 4 years.

Relationship among the key managerial personnel

There are no family relationships amongst the key managerial personnel.

Shareholding of the key managerial personnel

None of the key managerial personnel holds any Equity Shares in the Company, except Mr. J.V. Adhia, who holds 120 Equity Shares as on 30th June, 2011.

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Bonus or Profit Sharing Plan for the Key Managerial Personnel

There are no agreements entered into between the Key Managerial Personnel & the Company for Bonus or Profit Sharing Plan.

Changes in Key Managerial personnel in last three years

There are no changes in KMP for last three years, except the following:



| Sl. No. | Name | Designation | Date of Appointment | Date of Resignation |
|----------------|--------------------------|--|----------------------------|----------------------------|
| 1. | Ms. Purvi Prashant Mehta | Compliance Officer | January 5 , 2010 | - |
| 2. | Mr. Ashok Samsi | Vice President – Operations | September 5, 2010 | - |
| 3. | Mr. Hiren Doshi | Deputy General Manager- Finance & Accounts | - | February 4, 2010 |
| 4. | Ms. Snehal Kathrani | Company Secretary | - | August 17, 2009 |
| 5. | Mr. Ravindra Mamdapur | Deputy General Manager- Q.A. | - | January 31, 2011 |

Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

Company has not issued any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Regulations or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

Atul Auto Limited

PROMOTERS OF THE COMPANY

| | |
|---|--|
|  | <p>Mr. Jayantilal Jagjivandas Chandra</p> <p>Passport No.: Z1735516 Driving License No.: GJ03/109027/00 Voter ID No.: GNC1607779 PAN No.: ABJPC0022C</p> <p>Qualification: Undergraduate Personal Address: Kailash, 2, Jalkalyan Society, Tagore Road, Rajkot-360001.</p> |
|  | <p>Mr. Mahendrabhai Jamnadas Patel</p> <p>Passport No.: A6127735 Driving License No.: GJ03/106588/00 Voter ID No.: GNC1571496 PAN No.: ALHPP7960Q</p> <p>Qualification: Undergraduate Personal Address: B-32, Sanjay Apartment, Rajkot-360001.</p> |

Mr. J. J. Chandra, aged 56 years, is having 35 years of experience in Automobile Industry. Mr. J. J. Chandra is the Chairman & Managing Director of the Company. He began his career as a manufacturer of carrier Auto Rickshaw under the brand name 'KHUSHBU' under his family firm Atul Auto Industries, Jamnagar and acquired expertise in automobile manufacturing and marketing.

The profile of Mr. J. J. Chandra is detailed in the chapter titled "MANAGEMENT & CORPORATE GOVERNANCE" on page 96 of this Letter of Offer.

Mr. M. J. Patel, aged 48 years, is having an experience of more than 18 years in production line of Automobile Sector. He is the Whole-time Director of the Company. Presently he is looking after whole of the Production Department of the Company.

The profile of Mr. M. J. Patel is detailed in the chapter titled "MANAGEMENT & CORPORATE GOVERNANCE" on page 96 of this Letter of Offer.

Declaration:

We confirm that Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to BSE at the time of filing the Letter of Offer with them.

There are no litigations, disputes towards tax liabilities or criminal / civil prosecution / complaint against the above-mentioned Promoters other than as mentioned in the chapter "Outstanding Litigation, Defaults and Material Developments" of this Letter of Offer.

Atul Auto Limited

Interest of the Promoters

Promoters are interested to the extent of their shareholding in the Company and benefits derived from their holding directorship in the Company. As on the date of filing of this Letter of Offer, Mr. J. J. Chandra holds 2,36,288 Equity Shares and Mr. M. J. Patel holds 92,616 Equity Shares.

Promoters may also be interested to the extent of their Rights Entitlement that will be subscribed for as per the terms of this Letter of Offer and also to the extent of any dividend payable to them in respect of the said Equity Shares. Mr. J. J. Chandra, who is the Chairman and Managing Director and Mr. M. J. Patel, who is the Whole-time Director of the Company, may be deemed to be to the extent of remuneration payable to them. For further details of the remuneration payable to the Directors, please refer to the chapter titled “MANAGEMENT AND CORPORATE GOVERNANCE” on page 96 of this Letter of Offer.

The Promoters are not interested in any property acquired by the Company within two years from the date of the Letter of Offer.

Apart from the above and as stated in the Related Party Transactions given in the Auditor’s Report beginning on page 115 of this Letter of Offer, the Promoters have no interest in the Company.

Payment or benefit to Promoter of the Company

There is no payment or benefit to the Promoters except as stated above under the heading “Interest of the Promoters” on page 65 of this Letter of Offer.

Related Party Transactions

The details of Related Party Transactions are disclosed in Annexure XVI to the Auditor’s Report beginning on page 115 of this Letter of Offer.

The Promoters have further confirmed that they have not been declared as willful defaulters by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them.

Atul Auto Limited

DIVIDEND POLICY

The declaration and payment of dividends on Equity Shares is recommended by the Board of Directors and approved by the shareholders of the Company based on the recommendation by the Board of Directors. The Board of Directors may recommend dividend, at its discretion, to be paid to the members after considering several factors, including but not limited to, financial condition, results of operations, capital requirement and surplus, cost of raising funds from alternate sources, liquidity, money market conditions and other relevant factors.

The summary of dividends declared by the Company for the last five financial years are as follows:

| Particulars | For the financial year ended | | | | |
|---------------------------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2011 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Rate of Dividend (%) | 40% | 20% | 5% | 10% | 10% |
| Dividend Amount (₹ in Lacs) | 234.06 | 117.03 | 29.26 | 58.52 | 53.52 |
| Dividend Distribution Tax (₹ in Lacs) | 37.97 | 19.90 | 4.97 | 9.94 | 9.10 |
| Number of Equity Shares | 5851520 | 5851520 | 5851520 | 5351520 | 5351520 |
| Dividend per Equity Share (₹) | 4.00 | 2.00 | 0.50 | 1.00 | 1.00 |

The amount paid as dividend in past is not indicative of the Company's dividend policy in future.

SECTION – VI. FINANCIAL INFORMATION OF THE ISSUER COMPANY

AUDITOR'S REPORT AS REQUIRED BY PART II OF SCHEDULE II TO THE COMPANIES ACT, 1956

To,
The Board of Directors,
Atul Auto Limited
Survey No. 86; Plot No. 1-4, N.H. 8-B,
Taluka Kotdasangani, Shapar (Veraval),
Rajkot – 360 002.

Dear Sirs,

Sub.: Proposed Rights Issue Offer of 14,62,880 Equity Shares of ₹ 10/- each at a premium of ₹ 20/- per share

1 We have examined the Financial Information of **ATUL AUTO LIMITED** annexed to this report for the purpose of inclusion in the Letter of Offer. The said Financial Information has been prepared by the Company in accordance with the requirements of paragraph B (1) of Part-II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India ("SEBI") - (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time, issued by the Securities and Exchange Board of India in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarification and in accordance with the terms of reference received from the Company, requesting us to carry out the engagement to include the same in the Letter of Offer of the Company in connection with its proposed Rights Issue of the Equity Shares in the Company and we report that the Financial Information has been prepared by the Company and approved by the Board of Directors in its meeting held on 28th June, 2011.

2 **Financial Information as per the Audited Financial Statements**

(a) We have examined the attached 'Restated Statement of Assets and Liabilities' of the Company as at 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 (**Annexure I**), 'Statement of Profits and Losses' (**Annexure II**) for each of the years ended on 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 and 'Statement of Cash Flows' for the financial year ended on 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 (**Annexure III**) together referred to as 'Summary Statements'. These Summary Statements have been extracted from the financial statements for each of the years ended on 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 approved by the Board of Directors for those respective years. The Financial statements of the Company for the financial year ended 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 have been approved by the Board of Directors of the Company, adopted by the shareholders of the Company and audited by us. The financial statements and details included in this report are based on Audited Accounts of the company for the purpose of disclosure in the Letter of offer being issued by the Company in connection with the Proposed Issue of Equity Shares on a Rights Basis.

(b) Based on our examination of these Summary Statements, we state that:

- i. The 'Summary Statements' have to be read in conjunction with the Significant Accounting Policies and Notes to Accounts given in **Annexure IV**
- ii. The profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate in the year to which they relate.
- iii. The accounts as given in the enclosed statements do not require any restatement since:
 1. There have been no adjustments for the changes in accounting policies retrospectively in respective financial years.
 2. There have been no adjustments for the material amounts in the respective financial years to which they relate.

3 Other Financial Information

We have examined the following information as at for each of the financial year ended on 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 of the Company, proposed to be included in the Letter of Offer as approved by the Board of Directors and annexed to this report:

- A. Annexure V contains details of Secured Loans
 - B. Annexure VI contains details of Unsecured Loans
 - C. Annexure VII contains details of Earning Per Share
 - D. Annexure VIII contains details of Debtors
 - E. Annexure IX contains details of Loans and Advances
 - F. Annexure X contains statement of Investments
 - G. Annexure XI contains statement of Other Income
 - H. Annexure XII contains details of Dividend paid
 - I. Annexure XIII contains statement of Tax Shelter
 - J. Annexure XIV contains statement of Accounting Ratios
 - K. Annexure XV contains statement of Capitalization
 - L. Annexure XVI contains statement of Related Party Transactions
 - M. Annexure XVII Consolidated Summary Statement of Assets and Liabilities
 - N. Annexure XVIII Consolidated Summary Statement of Profit and Losses
 - O. Annexure XIX Consolidated Cash Flow Statement
 - P. Annexure XX Significant Accounting Policies and the Notes on the Consolidated Financial Information
- 4 In our opinion, the 'Financial Information as per Audited Financial Statements' and 'Other Financial Information' mentioned above read with Significant Accounting Policies and Notes to Accounts appearing in Annexure IV as at for each of the years ended 31st March 2011, 31st March 2010, 31st March 2009, 31st March 2008 and 31st March 2007 and have been prepared in accordance with Part II of schedule II of the Act, SEBI Regulations and Accounting Standards issued by ICAI and Indian GAAPs.

Atul Auto Limited

- 5 This report, in any way, should be neither construed as a re-issuance nor re-dating of any of the previous audit reports by us nor should this be construed as a new opinion on any of the Financial Statements referred to herein.
- 6 This report is intended solely for use by the management and for inclusion in the Letter of Offer, in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.
- 7 We confirm that our firm Maharishi & Co. has been subjected to Peer Review Process of Institute of Chartered Accountants of India (ICAI) and firm holds a valid certificate no. 003877 dated 06/01/2010 issued by "Peer Review Board" of ICAI.

Yours Faithfully

For **Maharishi & Co.**

Chartered Accountants

Firm Regn. No: 124872W

Prashant Maharishi

Partner

Membership No. : 041452

Place: Jamnagar

Date: 28th June 2011

Atul Auto Limited

ANNEXURE I RESTATED STATEMENT OF ASSETS AND LIABILITIES (STANDALONE)

(₹ in Lacs)

| | PARTICULARS | AS AT | | | | |
|----------|--|----------|----------|----------|----------|----------|
| | | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| A | Fixed Assets | | | | | |
| | Gross Block | 6,311.47 | 5,822.56 | 4,263.92 | 3,994.30 | 3,911.14 |
| | Less: Depreciation | 2,056.17 | 1,636.32 | 1,249.11 | 1,042.49 | 818.85 |
| | Less: Impairment Provision | 9.19 | 9.19 | 7.10 | - | - |
| | Net Block | 4,246.11 | 4,177.05 | 3,007.71 | 2,951.81 | 3,092.29 |
| | Add: Capital WIP including Capital Advances | 19.01 | 104.95 | 1,469.85 | 1,028.46 | 39.40 |
| | Less: Revaluation Reserve | - | - | - | - | - |
| | <i>Net block after adjustment of Revaluation Reserve</i> | 4,265.12 | 4,282.00 | 4,477.56 | 3,980.27 | 3,131.69 |
| B | Investments | 229.95 | 229.95 | 229.95 | 229.95 | 229.95 |
| C | Current Assets, Loans & Advances | | | | | |
| | Inventories | 1,917.39 | 1,857.38 | 1,767.59 | 1,936.04 | 2,075.74 |
| | Sundry Debtors | 540.70 | 451.60 | 352.13 | 396.19 | 816.60 |
| | Cash and Bank Balances | 283.85 | 164.69 | 186.28 | 37.52 | 23.88 |
| | Loans and Advances | 228.23 | 750.81 | 772.65 | 760.02 | 630.45 |
| | TOTAL ASSETS (A+B+C) | 7,465.24 | 7,736.43 | 7,786.16 | 7,339.99 | 6,908.31 |
| D | Liabilities and Provisions | | | | | |
| | Secured Loans | 600.00 | 2,317.16 | 3,173.06 | 3,382.52 | 2,780.33 |
| | Unsecured Loans | - | - | - | - | - |
| | Current Liabilities and Provisions | 2,288.79 | 1,509.33 | 1,122.42 | 816.25 | 1,078.82 |
| | Deferred Tax Liability | 540.69 | 545.28 | 442.96 | 474.46 | 438.67 |
| | TOTAL LIABILITIES & PROVISIONS | 3,429.48 | 4,371.77 | 4,738.44 | 4,673.23 | 4,297.82 |
| E | Net Worth (A+B+C-D) | 4,035.76 | 3,364.66 | 3,047.72 | 2,666.76 | 2,610.49 |
| F | Represented by | | | | | |
| | I. Equity Share capital | 608.44 | 608.44 | 608.44 | 558.44 | 558.44 |
| | Reserves | 3,427.32 | 2,756.22 | 2,439.28 | 2,108.32 | 2,052.05 |
| | Less: Revaluation Reserve | - | - | - | - | - |
| | II. Reserves (Net of Revaluation Reserves) | 3,427.32 | 2,756.22 | 2,439.28 | 2,108.32 | 2,052.05 |
| | TOTAL (I+II) | 4,035.76 | 3,364.66 | 3,047.72 | 2,666.76 | 2,610.49 |
| G | Net Worth | 4,035.76 | 3,364.66 | 3,047.72 | 2,666.76 | 2,610.49 |

NOTE: The above statement should be read with the Notes to Accounts appearing in Annexure IV

Atul Auto Limited

ANNEXURE II RESTATED STATEMENT OF PROFIT AND LOSS ACCOUNT (STANDALONE)

(₹ in Lacs)

| PARTICULARS | FOR THE YEAR ENDED ON | | | | |
|--|-----------------------|------------------|------------------|-----------------|------------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| INCOME | | | | | |
| Sales: | | | | | |
| of products manufactured | 20,096.79 | 11,920.22 | 11,681.74 | 8,039.78 | 12,177.34 |
| of products traded | 10.06 | - | - | - | - |
| Total | 20,106.85 | 11,920.22 | 11,681.74 | 8,039.78 | 12,177.34 |
| Other Operational Income | 51.86 | 64.51 | 66.51 | 69.62 | 119.88 |
| Other Income | 107.61 | 122.91 | 346.43 | 94.47 | 155.74 |
| (Increase)/Decrease in Inventories | 98.49 | (76.97) | 511.63 | 1.77 | (488.48) |
| TOTAL | 20,167.83 | 12,184.61 | 11,583.05 | 8,202.10 | 12,941.44 |
| Expenditure | | | | | |
| Raw Material Consumed | 15,620.33 | 9,160.14 | 8,842.03 | 6,272.06 | 10,420.54 |
| Staff Cost | 1,054.15 | 703.41 | 566.93 | 569.50 | 556.87 |
| Other Manufacturing Expenses | 361.72 | 257.76 | 950.25 | 176.45 | 364.23 |
| Administration Expenses | 719.68 | 393.94 | 485.86 | 372.21 | 517.93 |
| Selling and distribution expenses | 409.73 | 286.95 | 168.39 | 123.75 | 203.85 |
| TOTAL | 18,165.61 | 10,802.20 | 11,013.46 | 7,513.97 | 12,063.42 |
| Earning Before Depreciation, Interest and Tax | 2,002.22 | 1,382.41 | 569.59 | 688.13 | 878.02 |
| Impairment Loss | - | 2.08 | 7.10 | - | - |
| Depreciation | 425.36 | 387.21 | 245.74 | 229.47 | 194.75 |
| Interest | 170.58 | 278.10 | 280.58 | 265.60 | 194.51 |
| TOTAL | 595.94 | 667.39 | 533.42 | 495.07 | 389.26 |
| Net Profit before tax & Extraordinary Items | 1,406.28 | 715.02 | 36.17 | 193.06 | 488.76 |
| Taxation | - | - | - | - | - |
| Current Tax | 466.69 | 158.16 | 30.66 | 25.78 | 70.71 |
| Deferred Tax | (4.59) | 102.32 | (31.49) | 35.78 | 88.12 |
| Fringe Benefit Tax | - | 0.68 | 14.26 | 3.04 | 11.78 |
| Wealth Tax | 1.50 | - | - | (0.16) | 0.50 |
| Interest on Dividend Distribution Tax | - | - | - | - | 0.22 |
| TOTAL | 463.60 | 261.16 | 13.43 | 64.44 | 171.33 |
| Net Profit before Extraordinary Items | 942.68 | 453.86 | 22.74 | 128.62 | 317.43 |
| Extraordinary items (Net of tax) | - | - | (23.22) | 1.92 | 3.04 |
| Net Profit After Tax & Extraordinary items | 942.68 | 453.86 | 45.96 | 126.70 | 314.39 |
| Balance brought forward | 2,141.12 | 1,858.21 | 1,812.25 | 1,755.99 | 1,504.21 |
| Amount available for Appropriation | 3,083.80 | 2,312.07 | 1,858.21 | 1,882.69 | 1,818.60 |
| Earning Per Share | 16.11 | 7.76 | 0.79 | 2.37 | 5.88 |

NOTE: The above statement should be read with the Notes to Accounts appearing in Annexure IV

Atul Auto Limited

ANNEXURE III

STATEMENT OF CASH FLOWS (STANDALONE)

(₹ in Lacs)

| PARTICULARS | FOR THE YEAR ENDED ON | | | | |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Cash Flow from Operating Activities | | | | | |
| Net Profit Before Taxation | 1,406.28 | 715.02 | 59.39 | 191.14 | 485.72 |
| Adjustments for: | | | | | |
| Depreciation | 425.36 | 387.21 | 245.74 | 229.47 | 194.75 |
| Impairment Loss | - | 2.08 | 7.10 | - | - |
| Loss/(profit) on sale of fixed assets | 2.47 | - | (23.22) | 1.92 | 3.04 |
| Interest/Dividend Income | (16.84) | - | - | - | - |
| Interest Paid | 146.15 | 316.10 | 280.58 | - | - |
| Operating Profit before Working Capital Changes | 1,963.42 | 1,420.41 | 569.59 | 422.53 | 683.51 |
| Adjustments for: | | | | | |
| Changes in Trade and Other Receivables | (89.10) | (99.47) | 44.06 | 420.41 | 422.00 |
| Change in Inventories | (60.00) | (89.79) | 168.45 | 139.70 | (1,071.58) |
| Change in Loans & Advances | 546.74 | 21.84 | (90.39) | (256.33) | - |
| Change in Current Liabilities | 646.88 | 247.05 | 340.67 | (209.40) | (472.79) |
| Change in Short Term Borrowing relating operation | (840.51) | (420.35) | (399.75) | 102.12 | 1,177.25 |
| Income taxes Paid | (494.87) | (121.67) | 32.57 | (72.23) | (141.98) |
| Net Cash Flow from Operating Activities (A) | 1,672.56 | 958.02 | 665.20 | 546.80 | 596.41 |
| Cash Flow from Investing Activities | | | | | |
| Purchase of Fixed Assets | (417.26) | (193.74) | (1,386.02) | (979.72) | (701.29) |
| Sale of Fixed Assets | 6.30 | - | 659.10 | - | - |
| Investments Purchased | - | - | - | - | - |
| Interest Received | - | - | - | - | - |
| Dividend Received | 16.84 | - | 0.00 | - | - |
| Net Cash Flow used in Investing Activities (B) | (394.12) | (193.74) | (726.92) | (979.72) | (701.29) |
| Cash Flow from Financing Activities | | | | | |
| Proceeds from Borrowings (Net of repayments) | (876.65) | (435.54) | 190.29 | 500.07 | 28.87 |
| Proceeds from issuance of capital | - | - | 335.00 | - | - |
| Interest paid | (146.15) | (316.10) | (280.58) | - | - |
| Dividend Paid | (117.03) | (29.26) | (29.26) | (43.57) | (61.25) |
| Tax on dividend paid | (19.44) | (4.97) | (4.97) | (9.94) | - |
| Net Cash Flow from Financing Activities (C) | (1,159.27) | (785.87) | 210.48 | 446.56 | (32.38) |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 119.17 | (21.59) | 148.76 | 13.64 | (137.26) |
| Cash and Cash Equivalents (opening balance) | 164.69 | 186.28 | 37.52 | 23.88 | 161.14 |
| Cash and Cash Equivalents (closing balance) | 283.86 | 164.69 | 186.28 | 37.52 | 23.88 |

ANNEXURE IV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(a) **Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the standards notified under The Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under historical cost convention on an accrual basis except in case of assets for which provision for impairment is made. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized in accordance with the requirements of the respective accounting standard.

(c) **Inventories**

Inventories are valued as follows:

Raw materials, components, stores and spares

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a FIFO basis. Cost includes relevant cost of bringing those materials at their present location and condition.

Work-in-progress and finished goods

Lower of cost and net realizable value. Cost includes Direct Materials and Labour and a proportion of Manufacturing Overheads based on normal operating capacity or actual production whichever is less. Cost of finished goods includes excise duty.

Net Realizable Value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(d) **Events occurring after balance date**

Material events occurring after the date of balance sheet are recognized and are dealt with appropriately in accordance with generally accepted accounting principles and as provided in AS-5

(e) **Depreciation**

Depreciation is provided using the Straight Line Method as per the at the rates prescribed under schedule XIV of the Companies Act, 1956 except in case of :

Leasehold Land - amortized over the period of the lease

Intangible Asset - Amortized over a period of 5 years as estimated by the management.

(f) **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sales of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty included in the amount of turnover (gross) are deducted form turnover (gross) for disclosure of net turnover in the P&L account.

Atul Auto Limited

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(g) **Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use, net of CENVAT recoverable. Financing costs relating to construction of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Financing costs not relating to construction of fixed assets are charged to the income statements.

(h) **Foreign currency transactions**

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency, at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(i) **Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current Investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost, less provision for diminution in value other than temporary.

(j) **Employee Benefits**

Gratuity

The Gratuity Liability is defined benefit obligation. The company has created Employees Group Gratuity Fund which has taken a Group Gratuity Insurance Policy from Life Insurance Corporation of India (LIC). Premium on above policy as intimated by LIC is charged to the Profit & Loss Account. The adequacy of balances available is compared with actuarial valuation obtained at the period end. Shortfall, if any, is provided for in the Profit & Loss Account.

Provident Fund

Retirement benefits in the form of Provident fund are a defined contribution scheme in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary). The contributions are charged to the profit and loss account of the year when the contribution to the respective funds is due.

Leave Salary

The Company provides for the encashment of leave or leave with pay, subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilized leave at each balance sheet date.

(k) **Borrowing Cost**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

(l) Segment Reporting

The company is engaged mainly in the business of automobile products. This, in the context of Accounting Standard 17 on Segment Reporting, as specified in the Companies (Accounting Standard) Rules, 2006, is considered to constitute one single primary segment. Further, there is no reportable secondary segment i.e. Geographical segment.

(m) Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

(n) Income Taxes

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(o) Intangible assets

Product Development Cost

Product Development Cost incurred on new vehicles platforms, variants on existing platforms and new vehicles aggregates are recognized as intangible assets and are included under fixed assets. These amounts are amortized over sixty months from the commencement of commercial production i.e. from June 1, 2009.

(p) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there are impairment indicators. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognized impairment loss is increased or decreased based on reassessment of recoverable amount, which is carried out if the change is significant. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(q) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Product Warranty Expenses

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. However any risk covered by insurance policy premium paid on such policy are charged to revenue in the year in which it is incurred.

Atul Auto Limited

NOTES TO ACCOUNTS

Major Components of Deferred Tax arising on account of timing difference are

| Particulars | As at March 31, 2011 | As at March 31, 2010 | As at March 31, 2009 | As at March 31, 2008 | As at March 31, 2007 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Liabilities | | | | | |
| Depreciation | 5,29,79,620 | 5,22,14,566 | 4,11,62,108 | 4,42,28,567 | 4,25,41,011 |
| Product Development Cost | 23,38,210 | 31,48,140 | 35,54,357 | 34,87,478 | 13,26,210 |
| Expenses allowed on payment basis | - | - | 7,43,392 | - | - |
| | 5,53,17,830 | 5,53,62,706 | 4,54,59,857 | 4,77,16,045 | 4,38,67,221 |
| Assets | | | | | |
| Impairment of Assets | 3,05,210 | 3,12,311 | 2,41,421 | - | - |
| Expenses amount to be allowed u/s 35AD | 1,36,350 | | | | |
| Expenses allowable on payment basis | 8,07,000 | 5,22,290 | 9,22,046 | 2,70,477 | - |
| | 12,48,560 | 8,34,601 | 11,63,467 | 2,70,477 | - |
| | | | | | |
| Net Deferred Tax Liability | 5,40,69,270 | 5,45,28,105 | 4,42,96,390 | 4,74,45,568 | 4,38,67,221 |
| Less: Opening Balance of Deferred Tax Liability | 5,45,28,105 | 4,42,96,390 | 4,74,45,568 | 4,38,67,221 | 3,50,55,195 |
| Deferred Tax charge for the year | -4,58,835 | 1,02,31,715 | - 31,49,178 | 35,78,347 | 88,12,025 |

Details of dues to Micro, small and Medium Enterprises as per MSMED Act, 2006

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company. The amount of principal and interest outstanding during 2009-10 is given below:

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|---|------------|------------|------------|------------|------------|
| (i) Amounts unpaid as at year end - Principal | 68,35,909 | 37,58,255 | 36,18,949 | 19,26,164 | - |
| Interest | - | - | - | - | - |
| (ii) Amounts paid after appointed date during the year | - | - | - | - | - |
| (iii) Amount of interest accrued and unpaid as at year end | - | - | - | - | - |
| (iv) Amount of interest paid during the year as per section 16 | - | - | - | - | - |

Provisions and Contingencies

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|---|------------|------------|------------|------------|------------|
| Provision for Warranty | | | | | |
| Opening Balance | 13,54,224 | 34,67,418 | 6,40,160 | 6,07,875 | - |
| Provision for the year | 42,34,732 | 16,69,913 | 46,04,925 | 14,08,463 | 18,11,252 |
| Payments/debits (net of recoveries from suppliers) | 32,53,412 | 37,83,107 | 17,77,667 | 13,76,178 | 12,03,377 |
| Closing Balance | 23,35,544 | 13,54,224 | 34,67,418 | 6,40,160 | 6,07,875 |

Provision for After Sales Service & P.D.I.

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 |
|---|-------------|------------|------------|
| Opening Balance | 30,39,400 | 5,03,715 | 16,00,400 |
| Provision for the year | 1,01,65,407 | 81,96,638 | 29,70,185 |
| Payments/debits (net of recoveries from suppliers) | 89,00,619 | 56,60,953 | 40,66,870 |
| Closing Balance | 43,04,188 | 30,39,400 | 5,03,715 |

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Provision for Litigation

Contingent Liabilities not provided for

| Particulars | As at March 31, 2011 | As at March 31, 2010 | As at March 31, 2009 | As at March 31, 2008 | As at March 31, 2007 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Claims against the Company not acknowledged as debts | | | | | |
| Sales Tax | 2,02,531 | 2,02,531 | 2,02,531 | 17,36,322 | 17,36,322 |
| CST | 11,83,791 | 14,83,791 | 14,83,791 | | |
| Excise Duty | 23,12,273 | 1,02,510 | 1,02,500 | 1,02,500 | - |
| Income Tax | 69,45,823 | - | - | - | - |
| For Construction Contract | - | - | - | - | 20,00,000 |
| Case Pending before consumer forum | 41,14,375 | 47,91,000 | 47,91,000 | 58,71,500 | - |
| Case filed by the supplier in the Court | 11,17,29,796 | 11,17,29,796 | - | - | - |
| Guarantees and counter guarantees given by the company | - | 59,40,00,000 | 69,40,00,000 | 69,40,00,000 | 59,00,00,000 |
| TOTAL | 12,64,88,589 | 71,23,09,628 | 70,05,79,822 | 70,17,10,322 | 59,37,36,322 |

Gratuity and other post-employment benefit plans:

The company has a defined benefit gratuity plan. Every employee who has completed five years or more service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table summaries the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans.

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|--|------------|------------|------------|------------|------------|
| Components of Employer Expenses | | | | | |
| Current service cost | 19,87,644 | 11,28,921 | 7,22,665 | 6,82,257 | 5,60,656 |
| Interest cost on benefit obligation | 5,54,364 | 3,28,933 | 2,91,837 | 2,09,395 | 1,97,430 |
| expected return on plan assets | -3,84,384 | - 2,81,906 | - 2,30,277 | -2,05,690 | -1,85,518 |
| Net actuarial (gain)/loss recognized in the year | 25,84,658 | 16,50,879 | - 31,944 | 6,45,939 | -1,17,327 |
| | 47,42,282 | 28,26,827 | 7,52,282 | 13,31,901 | 4,55,241 |

Net Liability recognized in Balance Sheet as at

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|----------------------------|-------------|-------------|-------------|------------|------------|
| Defined benefit obligation | 1,12,09,434 | 69,29,549 | 41,11,665 | 36,47,968 | 26,17,445 |
| Fair value of plan assets | 57,26,166 | 42,00,919 | 30,80,941 | 26,46,861 | 24,19,893 |
| | -54,83,268 | - 27,28,630 | - 10,30,724 | 10,01,107 | 1,97,552 |

Changes in the present value of the defined benefit obligation are as follows:

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|--|-------------|------------|------------|------------|------------|
| Opening defined benefit obligation | 69,29,549 | 41,11,665 | 36,47,968 | 26,17,445 | 24,67,875 |
| Interest Cost | 5,54,364 | 3,28,933 | 2,91,837 | 2,09,396 | 1,97,430 |
| Current service cost | 19,87,644 | 11,28,921 | 7,22,665 | 6,82,257 | 5,60,656 |
| Benefit paid | -8,66,315 | - 3,03,398 | - 5,35,020 | -5,09,276 | -4,92,667 |
| Actuarial (gains)/losses on obligation | 26,04,192 | 16,63,428 | - 15,785 | 6,48,146 | -1,15,849 |
| Closing defined benefit obligation | 1,12,09,434 | 69,29,549 | 41,11,665 | 36,47,968 | 26,17,445 |

Changes in the fair value of plan assets are as follows:

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Opening fair value of plan assets | 42,00,919 | 30,80,941 | 26,46,861 | 24,19,893 | 21,82,573 |

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| | | | | | |
|-----------------------------------|-----------|------------|------------|-----------|-----------|
| Expected return | 3,84,384 | 2,81,906 | 2,30,277 | 2,05,690 | 1,85,718 |
| Contribution by employer | 19,87,644 | 11,28,921 | 7,22,665 | 5,28,347 | 5,45,947 |
| Benefit s paid | -8,66,315 | - 3 03 398 | - 5 35 020 | -509276 | -492667 |
| Actuarial gains/(losses) | 19,534 | 12,549 | 16,158 | 2,207 | -1,478 |
| Closing fair value of plan assets | 57,26,166 | 42,00,919 | 30,80,941 | 26,46,861 | 24,19,893 |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| The major categories of plan assets as a percentage of the fair value of total plan assets are as follows | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
| Investments with Insurer | 100% | 100% | 100% | 100% | 100% |

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

The principal assumptions used in determining gratuity benefit obligations for the company's plan are shown below:

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Discount rate | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Expected rate of return on assets | 9.15% | 9.15% | 8.50% | 8.50% | 8.50% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand of the employment market.

Amounts for the current and previous to periods are as follows

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|----------------------------|-------------|------------|------------|------------|------------|
| Defined Benefit Obligation | 1,12,09,434 | 69,29,549 | 41,11,665 | 36,47,968 | 26,17,445 |
| Plan Assets | 57,26,166 | 42,00,919 | 30,80,941 | 26,46,861 | 24,19,893 |

Supplementary Statutory Information

| Director's Remuneration | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|--------------------------------|------------|------------|------------|------------|------------|
| Salaries | 89,40,300 | 37,32,884 | 35,56,524 | 33,62,290 | 33,00,000 |

Note: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the company as whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

Out of above Remuneration paid to Whole time director ₹ .NIL/- (PY: ₹ 2,19,544/-) is capitalized as Product Development expenses included in Capital Work-in-Progress.

Computation of net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors

Company has been advised that the computation of net profits for the purposes of directors' remuneration under section 349 of the companies act 1956 need not be enumerated since commission have not been paid to the directors. Fixed monthly remuneration has been paid to the directors as per schedule XIII to the Companies Act 1956.

Auditor's Remuneration includes

| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Audit Fee | 5,00,000 | 3,00,000 | 3,00,000 | 3,00,000 | 2,50,000 |
| Taxation Matters | 2,05,000 | 2,47,500 | 2,03,451 | 1,33,750 | 65,000 |
| Other services | 1,26,000 | 1,00,000 | 7,500 | 0 | 0 |
| out-of-pocket expenses | 83,196 | 14, 888 | 19,078 | 0 | 0 |
| TOTAL | 9,14,196 | 6,62,388 | 5,30,029 | 4,33,750 | 3,15,000 |

Excise Duty

Excise duty on sales has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock has been considered as (income)/expense.

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| Particulars | 31.03.2011 | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2007 |
|---|-------------|------------|--------------|------------|-------------|
| Earnings in foreign currency (Cash/accrual basis) | | | | | |
| Export at F.O.B. value | 3,02,63,892 | 60,63,864 | 44,18,17,881 | 15,51,033 | 2,07,33,726 |
| | | | | | |
| Expenditure in foreign currency (Cash/accrual basis) | | | | | |
| Travelling | 13,35,719 | 1,68,528 | 3,84,512 | 21,400 | 2,30,530 |
| | | | | | |
| Value of Imports calculated on CIF basis | | | | | |
| Repairs to Machinery | 1,14,610 | 0 | 0 | 0 | 0 |
| Raw materials | 0 | 0 | 25,967 | 15,978 | 0 |
| | | | | | |
| Net dividend remitted in foreign exchange | | | | | |
| Period to which it relates | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 |
| Number of non-resident shareholders | 43 | 32 | 33 | 34 | 33 |
| Number of equity shares held on which dividend was due | 2,61,450 | 4,15,859 | 4,15,740 | 4,15,752 | 4,00,669 |
| Amount remitted | 5,22,900 | 2,07,929 | 2,07,870 | 4,15,752 | 4,00,669 |

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ANNEXURE V

STATEMENT OF SECURED LOANS

| Sr. No. | Name of the lender | Amount Sanctioned | Principal outstanding as on 31st March 2011 (₹ In lacs) | Principal outstanding as on 31st March 2010 (₹ In lacs) | Rate of Interest (%) | Repayment Schedule | Details of security (if applicable) |
|--------------------------------|---------------------|-------------------|---|---|---|--------------------|---|
| CASH CREDIT FACILITIES: | | | | | | | |
| 1 | IDBI BANK LTD CC | 1,500.00 | 0.00 | 840.51 | BPLR - 1.50% p.a. (presently 12.75% p.a.) payable monthly | On Demand | 1)First charge on stock and book debts of the company both present and future 2)Second pari passu charge on the entire fixed asset of the company and 3)third party guarantees personally guaranteed by some of the directors of the company i.e. Shri Jayantibhai J Chandra and Shri Mahendrabhai J Patel |
| | TOTAL | 1,500.00 | 0.00 | 840.51 | | | |

TERM LOANS

| | | | | | | | |
|---|-------------------------------------|-----------------|---------------|-----------------|--|---|---|
| 1 | IDBI BANK LTD SHORT TERM LOAN | 1,500.00 | 600.00 | 1,468.50 | to be decided at the time of draw down | upto 90 days On due date | 1)First charge on stock and book debts of the company both present and future 2)Second pari passu charge on the entire fixed asset of the company and 3)third party guarantees personally guaranteed by some of the directors of the company i.e. Shri Jayantibhai J Chandra and Shri Mahendrabhai J Patel |
| 2 | KOTAK MAHINDRA PRIME LIMITED | 10.02 | 0.00 | 8.15 | 15.60% p.a. | Payable in 35 monthly installments starting from the next month from the date of first disbursement | Secured by hypothecation of vehicle for which the loan was taken |
| | TOTAL | 1,510.02 | 600.00 | 1,476.65 | | | |
| | GRAND TOTAL | | 600.00 | 2,317.16 | | | |

Atul Auto Limited

ANNEXURE VI STATEMENT OF UNSECURED LOANS

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|-----------------------|---------|---------|---------|---------|---------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| | | | | | |
| Fixed Deposits | | | | | |
| From Directors | - | - | - | - | - |
| From Others | - | - | - | - | - |
| Trade deposit | - | - | - | - | - |
| TOTAL | | | | | |

ANNEXURE VII STATEMENT OF EARNING PER SHARE

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|--|---------|---------|---------|---------|---------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| | | | | | |
| Net Profit Attributable to Equity Shareholders (A) | 942.68 | 453.86 | 45.96 | 126.70 | 314.39 |
| | | | | | |
| Weighted Average No. of Shares outstanding during the period (B) | 5851520 | 5851520 | 5851520 | 5351520 | 5351520 |
| | | | | | |
| Earning Per Share (C = A / B) | 16.11 | 7.76 | 0.79 | 2.37 | 5.88 |

ANNEXURE VIII STATEMENT OF SUNDRY DEBTORS

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|---|---------|---------|---------|---------|---------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| | | | | | |
| (Unsecured, considered doubtful) | | | | | |
| - Outstanding for the period less than six months | - | - | - | - | - |
| - Outstanding for the period exceeding six months | - | - | - | - | - |
| | | | | | |
| (Unsecured, considered good) | | | | | |
| - Outstanding for the period less than six months | 528.83 | 435.16 | 285.32 | 314.78 | 766.03 |
| - Outstanding for the period exceeding six months | 11.87 | 16.44 | 66.81 | 81.41 | 50.57 |
| | | | | | |
| Less: Provision for Doubtful Debts | - | - | - | - | - |
| TOTAL | 540.70 | 451.60 | 352.13 | 396.19 | 816.60 |

Atul Auto Limited

DETAILS OF SUNDRY DEBTORS RELATED TO DIRECTORS OR PROMOTERS

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Khushbu Auto Private Limited | 450.84 | 43.19 | 29.22 | 41.76 | 26.61 |
| Khushbu Auto Finance Limited | - | 1.90 | - | - | - |
| New Chandra Motor Cycle Agency | 22.12 | 7.97 | 9.96 | 3.37 | 16.54 |
| New Chandra Motor Cycle House | 14.07 | 13.09 | 49.60 | 1.47 | 19.04 |
| TOTAL | 487.03 | 66.15 | 88.77 | 46.59 | 62.19 |

ANNEXURE IX STATEMENT OF LOANS AND ADVANCES

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Advances recoverable in cash or kind or for the value to be received | 97.13 | 306.65 | 352.70 | 319.46 | 136.88 |
| Dues from Associate Company | - | 71.16 | 5.55 | 2.02 | - |
| Inter-corporate deposits due from associate | - | 274.25 | 274.25 | 274.25 | 274.25 |
| Deposits with Customs, Excise, etc and other authorities | 28.19 | 22.60 | 74.01 | 44.96 | 42.85 |
| Other Deposits | 24.19 | 36.96 | 36.40 | 2.82 | 2.97 |
| Others | 78.72 | 39.19 | 29.74 | 116.51 | 173.50 |
| TOTAL | 228.23 | 750.81 | 772.65 | 760.02 | 630.45 |

ANNEXURE X STATEMENT OF INVESTMENTS

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Other than Trade - Unquoted | | | | | |
| National Saving Certificate | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| EQUITY SHARES | | | | | |
| - Quoted | 0.32 | 0.32 | 0.32 | 0.32 | 0.32 |
| - Unquoted | 229.60 | 229.60 | 229.60 | 229.60 | 229.60 |
| TOTAL | 229.95 | 229.95 | 229.95 | 229.95 | 229.95 |
| Aggregate market value of quoted Investment | 0.14 | 0.04 | 0.03 | 0.16 | 0.62 |

Atul Auto Limited

ANNEXURE XI STATEMENT OF OTHER INCOME

(₹ in Laacs)

| PARTICULARS | AS AT | | | | | Nature of Income | Related or Not related to business activity |
|---|---------------|---------------|---------------|--------------|---------------|------------------|---|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 | | |
| Interest on FDR's/Others | 45.08 | 39.98 | 21.13 | 43.66 | 108.35 | Recurring | Related |
| DEPB Income | 25.52 | 49.90 | 298.74 | - | - | Non-Recurring | Related |
| Dividend Received | 16.64 | - | - | - | 22.96 | Non-Recurring | Related |
| Commission Received | - | 10.16 | 6.37 | - | 17.97 | Recurring | Related |
| Insurance Claim | - | 8.44 | - | - | - | Non-Recurring | Related |
| Bad debt written back | - | 2.81 | 7.32 | 1.10 | - | Non-Recurring | Related |
| Sale of Scrape | 5.10 | 2.68 | 6.46 | 4.63 | 4.48 | Recurring | Related |
| Amount Written Back (Net) | - | - | - | - | 0.18 | Non-Recurring | Related |
| Risk Pool Income | - | 6.04 | - | - | - | Non-Recurring | Related |
| Transits Insurance | - | 2.19 | - | - | - | Non-Recurring | Related |
| Office Rent Income | - | - | - | - | - | Non-Recurring | Not Related |
| Severance Pay | - | - | 0.16 | - | - | Non-Recurring | Related |
| Oil Sale Commission | 2.67 | - | 3.83 | - | - | Non-Recurring | Related |
| Bank Charges Reimbursement from dealers | - | - | 0.73 | 0.99 | - | Non-Recurring | Related |
| Commission on finance promotion | - | - | - | 23.77 | - | Non-Recurring | Related |
| Discount and Commission on Purchase | 1.28 | - | - | 0.46 | - | Recurring | Related |
| Insurance Commission | 10.01 | - | - | 0.91 | - | Non-Recurring | Related |
| Miscellaneous Receipt | 0.93 | 0.71 | 1.69 | 3.89 | 1.22 | Recurring | Related |
| Exchange Rate Difference on Exports | - | - | - | - | 0.58 | Recurring | Related |
| I. T. Refund | - | - | - | - | - | Non-Recurring | Related |
| Cross Territory Sales | 0.10 | - | - | - | - | Non-Recurring | Related |
| Sales Tax Refund | 0.28 | - | - | - | - | Non-Recurring | Related |
| Excise duty on stock | - | - | - | 15.06 | - | Non-Recurring | Related |
| TOTAL | 107.61 | 122.91 | 346.43 | 94.47 | 155.74 | | |

Atul Auto Limited

ANNEXURE XII STATEMENT OF DIVIDEND PAID

(₹ in Lacs)

| PARTICULARS | AS AT | | | | |
|-------------------------------|---------------|---------------|--------------|--------------|--------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Class of Shares | | | | | |
| Equity | | | | | |
| -Interim | - | - | - | - | - |
| -Final | 234.06 | 117.03 | 29.26 | 58.52 | 53.52 |
| TOTAL | 234.06 | 117.03 | 29.26 | 58.52 | 53.52 |
| Rate of Dividend Paid (%) | 40% | 20% | 5% | 10% | 10% |
| No. of shares | 5851520 | 5851520 | 5851520 | 5351520 | 5351520 |
| Dividend Distribution Tax (₹) | 37.97 | 19.90 | 4.97 | 9.94 | 9.10 |
| Dividend Distribution Tax (%) | 16.2225% | 17% | 17% | 17% | 17% |

ANNEXURE XII STATEMENT OF TAX SHELTER

(₹ in Lacs)

| PARTICULARS | YEAR ENDED 31ST MARCH | | | | |
|--|-----------------------|-----------------|-----------------|----------------|-----------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Tax Rate Including Surcharge | 33.2175 | 33.99 | 33.99 | 33.99 | 33.66 |
| Profit Before Tax but after extraordinary items as per books (A) | 1,406.28 | 715.02 | 59.39 | 191.14 | 485.50 |
| Tax at Notional Rate | 467.13 | 243.04 | 20.19 | 64.97 | 163.42 |
| Adjustments | | | | | |
| Permanent Difference (B) | | | | | |
| Donation | 12.00 | 1.62 | 0.35 | - | - |
| Others | 2.40 | 2.34 | 1.62 | - | 0.23 |
| Penalties | 0.84 | - | 0.84 | - | - |
| Disallowance u/s. 14A | 4.87 | 4.90 | - | - | - |
| Deduction u/s. 80G | (2.83) | (0.43) | - | (0.21) | (1.05) |
| Total Permanent Difference (B) | 17.28 | 8.43 | 2.81 | (0.21) | (0.82) |
| Timing Differences (C) | | | | | |
| Disallowance u/s. 40(a) (ia) | - | 4.97 | - | - | - |
| Difference between Tax Depreciation and Book Depreciation | (3.15) | (275.43) | (59.42) | (25.63) | (211.24) |
| Product Development cost | - | (2.20) | (19.01) | (89.94) | (39.40) |
| Expenses allowed on payment basis | (19.99) | (3.87) | (23.73) | - | - |
| Profit on sale of fixed assets | 2.47 | - | (23.22) | 1.92 | 3.04 |
| Impairment of Assets | - | 2.09 | 7.10 | - | - |
| Expenses allowable on payment basis | 23.74 | 15.37 | 3.87 | 21.75 | - |
| Right Issue Expenses | 5.13 | - | - | - | - |
| Deduction u/s. 35 | 15.21 | 13.82 | 12.17 | 17.74 | 6.05 |
| Deduction claimed u/s. 35 | (36.84) | (20.20) | (17.24) | (22.17) | (7.57) |
| Total Timing Difference (C) | (13.43) | (265.45) | (119.48) | (96.33) | (249.12) |
| Net Adjustment (B+C) | 3.85 | (257.02) | (116.67) | (96.54) | (249.94) |
| Tax Saving Thereon | 1.28 | (87.36) | (39.65) | (32.81) | (84.13) |

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| | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|
| Profit/(Loss) as per Income Tax Return (D) = (A+B+C) | 1,410.13 | 458.00 | (57.28) | 94.60 | 235.56 |
| Brought Forward Losses adjusted (E) | - | - | - | - | - |
| Other Income (F) | (16.64) | - | 159.22 | - | - |
| Taxable Income/(Loss) (D+E+F) | 1,393.49 | 458.00 | 101.94 | 94.60 | 235.56 |
| Taxable Income/(Loss) as per MAT | 280.28 | 107.25 | 9.80 | 18.83 | 48.57 |
| | | | | | |
| Tax as per Income Tax Return | 462.89 | 155.67 | 23.00 | 29.23 | 79.29 |
| Interest u/s 234 | - | 8.00 | 1.81 | - | - |
| Total tax as per return | 462.89 | 163.68 | 24.82 | 29.23 | 79.29 |

ANNEXURE XIII

STATEMENT OF ACCOUNTING RATIOS

| PARTICULARS | YEAR ENDED | | | | |
|---|------------|-----------|-----------|-----------|-----------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| Earnings per share (₹) | | | | | |
| Basic | 16.11 | 7.76 | 0.79 | 2.37 | 5.88 |
| Diluted | 16.11 | 7.76 | 0.79 | 2.37 | 5.88 |
| | | | | | |
| Net Asset Value per share (₹) | 68.97 | 57.50 | 52.09 | 49.84 | 48.78 |
| | | | | | |
| Return on Net worth (%) | 23.36 | 13.49 | 1.51 | 4.75 | 12.04 |
| | | | | | |
| Weighted Average number of equity shares in the period (in Nos.) | | | | | |
| For Basic EPS | 5,851,520 | 5,851,520 | 5,851,520 | 5,351,520 | 5,351,520 |
| For Diluted EPS | 5,851,520 | 5,851,520 | 5,851,520 | 5,351,520 | 5,351,520 |
| | | | | | |
| Net Worth excluding revaluation reserve | 4,035.76 | 3364.66 | 3047.72 | 2666.76 | 2610.49 |

FORMULAS:

1. Earnings Per Share (₹) = Net Profit Attributable to Equity Shareholders / Weighted Average No. of Equity shares outstanding during the period

2. Net Asset Value Per Share (₹) = Net Worth excluding revaluation reserve at the end of the period or year / Weighted Average No. of Equity shares outstanding during the period

3. Return on Net Worth (%) = Net Profit Attributable to Equity Shareholders / Net Worth excluding revaluation reserves as at the end of the period or year

ANNEXURE XV

STATEMENT OF CAPITALISATION

| Particulars | (₹ in Lacs) | |
|-----------------------|--|-----------------------|
| | Pre-Issue as at 31 st March, 2011 | As adjusted for issue |
| Borrowings: | | |
| Short term Debt** (A) | 300.00 | 300.00 |

Atul Auto Limited

| | | |
|--|----------------|-----------------|
| Long Term Debt (B) | 300.00 | 300.00 |
| Total Debt (A+B=C) | 600.00 | 600.00 |
| Shareholder's Fund | | |
| Share capital | 608.44 | 754.728 |
| Reserves | 3427.32 | 3719.896 |
| Total Shareholder's Fund (D) | 4035.76 | 4474.624 |
| Total Capitalization | | |
| Long Term Debt/Equity ratio (B/D) | 0.074 | 0.067 |
| Total Debt/Equity Ratio (C/D) | 0.149 | 0.134 |

**Short term debts are debts maturing within the next one year from the date of above statement

ANNEXURE XVI STATEMENT OF RELATED PARTY TRANSACTION

| Sr. No. | Particulars |
|---|--------------------------------|
| A) Associate | |
| 1 | Khushbu Auto Finance Limited |
| B) Key Management Personnel | |
| 1 | Chandra Jayantilal Jagjivan |
| 2 | Patel Mahendra Jamnadas |
| 3 | Mittal Sunilkumar |
| C) Relatives of key management personnel | |
| 1 | Chandra Dharmendra Jagjivan |
| 2 | Chandra Harish Jagjivan |
| 3 | Chandra Mahesh Jagjivan |
| 4 | Chandra Bharat Jagjivan |
| 5 | Chandra Niraj Jayantilal |
| 6 | Chandra Prafulla Jayantilal |
| 7 | Patel Ashok Jamnadas |
| 8 | Patel Manisha Mahendra |
| D) Enterprises owned or significantly influenced by key personal management or their relatives | |
| 1 | Atul Auto Agency |
| 2 | Atul Auto Industries |
| 3 | Atul Automotives |
| 4 | Atul Motors Pvt. Ltd. |
| 5 | Atul Petroleum |
| 6 | Khushbu Auto Private Limited |
| 7 | New Chandra Motor Cycle Agency |
| 8 | New Chandra Motor Cycle House |
| 9 | Atul Automobiles |

DETAILS OF RELATED PARTY TRANSACTIONS

A) ASSOCIATES COMPANIES

| | Nature of Transaction | Year Ended | | | | |
|---|-----------------------|------------|----------|----------|----------|------------|
| | | 31.03.11 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.07 |
| 1 | ICD (Received back) | - | - | - | - | 10,732,000 |
| 2 | Sales | - | 154,731 | 39,743 | - | - |

Atul Auto Limited

| | | | | | | |
|---|-----------------------------|-------------|-------------|-------------|-------------|------------|
| 3 | Current Account | 4,42,70,688 | 21,766,749 | 82,421,750 | 165,426,632 | 68,265,059 |
| 4 | Interest Received | 2,833,450 | 2,695,955 | 2,468,250 | 2,739,688 | 5,942,738 |
| 5 | Interest Paid | - | - | 1,472,779 | - | - |
| 6 | Commission Received | - | - | - | 2,377,000 | - |
| 7 | Guarantees given/(obtained) | - | 594,000,000 | 694,000,000 | 694,000,000 | - |
| 8 | ICD (Receivable) | - | 27,425,000 | 27,425,000 | 27,425,000 | 27,425,000 |
| 9 | Rent Received | - | - | - | - | - |

B) KEY MANAGEMENT PERSONNEL

| | Nature of Transaction | Year Ended | | | | |
|---|---------------------------|------------|-----------|-----------|-----------|-----------|
| | | 31.03.11 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.07 |
| 1 | Remuneration | 8,940,300 | 3,732,884 | 3,556,524 | 3,362,290 | 3,300,000 |
| 2 | Reimbursement of Expenses | 1,617,018 | 1,245,345 | - | - | - |

C) ENTERPRISE OWNED OR SIGNIFICANTLY INFLUENCED BY KEY MANAGEMENT PERSONNEL OR THEIR RELATIVES

| | Nature of Transaction | Year Ended | | | | |
|----|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | | 31.03.11 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.07 |
| 1 | Sales | 309,807,746 | 275,817,491 | 213,447,977 | 244,945,682 | 313,107,986 |
| 2 | Purchase | 1,904,997 | 672,135 | 4,188,357 | 5,508,384 | 12,561,808 |
| 3 | (Sale)/purchase of fixed assets | 820,300 | 764,468 | (1,015,000) | 11,500 | 2,825,002 |
| 4 | Sale of fixed assets | - | - | - | 1,015,000 | - |
| 5 | After Sales Service/Warranty Claims | 1,347,768 | 1,334,950 | 1,577,387 | 3,844,923 | 6,116,241 |
| 6 | Services Received | 73,186 | 63,409 | 69,447 | 27,787 | 9,131 |
| 7 | Rendering of services | - | - | - | - | - |
| 8 | Sales Incentives | - | - | 473,775 | 94,000 | 118,500 |
| 9 | Interest Paid | - | - | 8,000 | - | - |
| 10 | Commission Received | - | - | 20,000 | - | - |
| 11 | Commission Paid | - | - | 34,000 | - | 8,000 |
| 12 | Risk Pool Income | - | 150,000 | - | - | - |
| 13 | Amount Written Off | - | 100,000 | - | - | - |
| 14 | Rent Received | - | - | - | - | - |
| 15 | Receivable | - | - | - | 4,674,932 | 49,768,574 |
| 16 | Payable | - | - | - | - | 2,294,652 |
| 17 | Reimbursement of Expenses | 292,861 | 122,701 | - | - | - |
| 18 | Remuneration | 756,096 | 589,872 | - | - | - |
| 19 | After Sales Service Receivable | 25,900 | - | - | - | - |
| 20 | Vehicle Repairing Expense | 61,012 | - | - | - | - |
| 21 | Interest Received | 505,035 | - | - | - | - |

Atul Auto Limited

ANNEXURE XVII

RESTATED STATEMENT OF ASSETS AND LIABILITIES (CONSOLIDATED)

(₹ In Lacs)

| | PARTICULARS | AS AT 31ST MARCH | | |
|----------|--|------------------|-----------|-----------|
| | | 2008 | 2007 | 2006 |
| A | Fixed Assets | | | |
| | Gross Block | 4,609.84 | 4,546.55 | 3,662.58 |
| | Less: Depreciation | 1,256.02 | 982.10 | 727.90 |
| | Less: Impairment Provision | - | - | - |
| | Net Block | 3,353.82 | 3,564.45 | 2,934.68 |
| | Add: Capital WIP including Capital Advances | 1,028.45 | 39.40 | 221.76 |
| | Less: Revaluation Reserve | - | - | - |
| | <i>Net block after adjustment of Revaluation Reserve</i> | 4,382.27 | 3,603.85 | 3,156.44 |
| B | Investments | 0.35 | 0.35 | 0.32 |
| C | Current Assets, Loans & Advances | | | |
| | Inventories | 1,936.04 | 2,075.74 | 1,004.16 |
| | Sundry Debtors | 401.83 | 823.93 | 909.72 |
| | Cash and Bank Balances | 347.37 | 310.71 | 193.15 |
| | Loans and Advances | 7,657.36 | 7,959.04 | 6,134.21 |
| | <i>TOTAL (A+B+C)</i> | 14,725.22 | 14,773.62 | 11,398.00 |
| D | Liabilities and Provisions | | | |
| | Secured Loans | 8,227.86 | 7,875.48 | 4,916.54 |
| | Unsecured Loans | 425.83 | 413.09 | 457.07 |
| | Current Liabilities and Provisions | 1,273.65 | 1,737.85 | 1,936.96 |
| | Deferred Tax Liability | 586.11 | 587.48 | 503.38 |
| | <i>TOTAL LIABILITIES & PROVISIONS</i> | 10,513.45 | 10,613.90 | 7,813.95 |
| E | Minority Interest | 869.20 | 873.17 | 714.19 |
| F | Net Worth (A+B+C-D-E) | 3,342.57 | 3,286.55 | 2,869.86 |
| G | Represented by | | | |
| | I. Share capital | 558.44 | 558.44 | 558.44 |
| | Reserves | 2,784.13 | 2,728.11 | 2,311.42 |
| | Less: Revaluation Reserve | - | - | - |
| | <i>II. Reserves (Net of Revaluation Reserves)</i> | 2,784.13 | 2,728.11 | 2,311.42 |
| | <i>TOTAL (I+II)</i> | 3,342.57 | 3,286.55 | 2,869.86 |
| H | Net Worth | 3,342.57 | 3,286.55 | 2,869.86 |

**Khushbu Auto Finance Limited has ceased to be the subsidiary of Atul Auto Limited from 28th February, 2009 because the holding of Atul Auto Limited in Khushbu Auto Finance Limited falls below 51% and therefore, from 1st March, 2009, it has become an Associate company and ceased to be subsidiary company. Hence as per requirement of Para 22 of AS 21 consolidated financial statement of Companies Accounting Standard Rules, 2006 as on the date of the balance sheet i.e. 31.03.2009 relationship of holding and subsidiary company does not subsist, therefore consolidated balance sheet as at 31.03.2009 is not prepared.

*The above statement should be read with the Notes to Accounts appearing in Annexure XX

Atul Auto Limited

ANNEXURE XVIII

RESTATED STATEMENT OF PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

(₹ In Lacs)

| PARTICULARS | YEAR ENDED 31ST MARCH | | | |
|--|-----------------------|----------|-----------|-----------|
| | 2009 | 2008 | 2007 | 2006 |
| INCOME | | | | |
| Sales: | | | | |
| of products manufactured | 11,681.74 | 8,039.78 | 12,177.34 | 12,902.84 |
| of products traded | - | - | - | - |
| Total | 11,681.74 | 8,039.78 | 12,177.34 | 12,902.84 |
| Other Operational Income | 129.98 | 135.02 | 186.92 | 171.19 |
| Interest Income | 847.98 | 1,302.44 | 1,335.76 | 1,014.71 |
| Other Income | 480.09 | 204.05 | 184.34 | 30.07 |
| (Increase)/Decrease in Inventories | 511.63 | 1.77 | (488.48) | (58.43) |
| TOTAL | 12,628.16 | 9,679.52 | 14,372.84 | 14,177.24 |
| Expenditure | | | | |
| Raw Material Consumed | 8,842.03 | 6,272.06 | 10,420.54 | 10,768.81 |
| Staff Cost | 644.82 | 653.68 | 596.54 | 385.62 |
| Other Manufacturing Expenses | 957.23 | 179.51 | 365.26 | 488.06 |
| Administration Expenses | 1,233.69 | 752.99 | 679.60 | 599.99 |
| Selling and distribution expenses | 226.44 | 186.25 | 309.57 | 270.01 |
| TOTAL | 11,904.21 | 8,044.49 | 12,371.51 | 12,512.49 |
| Earning Before Depreciation, Interest and Tax | 723.95 | 1,635.03 | 2001.33 | 1,664.75 |
| Impairment Loss | 7.10 | - | - | - |
| Depreciation | 304.69 | 292.98 | 257.92 | 202.30 |
| Interest | 709.70 | 939.44 | 625.04 | 318.63 |
| TOTAL | 1,021.49 | 1,232.42 | 882.96 | 520.93 |
| Net Profit before tax & Extraordinary Items | (297.54) | 402.61 | 1118.37 | 1,143.82 |
| Taxation | | | | |
| Current Tax | 33.94 | 128.32 | 288.75 | 201.29 |
| Deferred Tax | (133.80) | (1.38) | 84.11 | 193.37 |
| Fringe Benefit Tax | 18.11 | 5.70 | 13.94 | 12.45 |
| NPA Provision | - | 141.57 | 42.08 | 5.92 |
| Wealth Tax | 0.25 | 0.00 | 0.59 | 0.53 |
| General Provision on Standard Assets & Receivable | - | - | 18.13 | - |
| Interest on Dividend Distribution Tax | - | - | 0.41 | - |
| TOTAL | (81.50) | 274.21 | 448.01 | 413.56 |
| Net Profit after Tax & before Extraordinary Items | (216.04) | 128.40 | 670.36 | 730.26 |
| Extraordinary items (Net of tax) | 23.22 | 9.82 | 3.04 | - |
| Net Profit after Tax & Extraordinary items | (192.82) | 118.58 | 667.32 | 730.26 |
| Minority Interest | 112.28 | 3.97 | 184.11 | 152.06 |
| Share of Profit of Associates | 15.79 | - | - | - |
| Net Profit after Minority Interest | (96.33) | 114.61 | 483.21 | 578.20 |
| Balance brought forward | 1,812.25 | 2,059.49 | 1,922.80 | 1,408.84 |
| Amount Available for Appropriation | 1,715.92 | 2,174.10 | 2,406.01 | 1,987.04 |
| Earning Per Share | (1.65) | 2.30 | 9.04 | 10.80 |

** The consolidated profit & loss account pertain to Atul Auto Limited, the holding company and its subsidiary, Khushbu Auto Finance Limited.

Khushbu Auto Finance Limited ceased to be the subsidiary of Atul Auto Limited from 28th February, 2009, because the holding of Atul Auto Limited in Khushbu Auto Finance Limited falls below 51% and therefore, from 1st March, 2009, it has become an Associate company and ceased to be the subsidiary company. Hence as per requirement of Para 22 of AS 21 consolidated financial statement of Companies Accounting Standard Rules, 2006, consolidated income statement is prepared only for the period 01.04.2008 to 28.02.2009.

*The above statement should be read with the Notes to Accounts appearing in Annexure XX

Atul Auto Limited

ANNEXURE XIX STATEMENT OF CASH FLOWS (CONSOLIDATED)

| PARTICULARS | (₹ In Lacs) | | |
|---|-----------------------|------------|------------|
| | YEAR ENDED 31ST MARCH | | |
| | 2008 | 2007 | 2006 |
| Cash Flow from Operating Activities | | | |
| Net Profit Before Taxation | 251.22 | 1,073.25 | 1,137.90 |
| Adjustments for: | | | |
| Depreciation | 292.98 | 257.92 | 202.30 |
| Impairment Loss | - | | |
| Loss/(profit) on sale of fixed assets | 9.08 | 3.05 | |
| Operating Profit before Working Capital Changes | 553.28 | 1,334.22 | 1,340.20 |
| Adjustments for: | | | |
| Changes in Trade and Other Receivables | 422.10 | 85.79 | (268.73) |
| Change in Inventories | 139.70 | (1,071.58) | (281.10) |
| Change in Loans & Advances | 132.77 | (1,658.45) | (3,127.34) |
| Change in Current Liabilities | (292.98) | (324.84) | 1,014.29 |
| Change in Short Term Borrowing relating operation | (624.58) | 1,592.10 | 1,765.83 |
| Income taxes Paid | (249.58) | (370.88) | (168.59) |
| Net Cash Flow from Operating Activities (A) | 80.71 | (413.64) | 274.56 |
| Cash Flow from Investing Activities | | | |
| Purchase of Fixed Assets | (980.24) | (708.38) | (1,157.77) |
| Investments Purchased | - | - | (0.32) |
| Net Cash Flow used in Investing Activities (B) | (980.24) | (708.38) | (1,158.09) |
| Cash Flow from Financing Activities | | | |
| Proceeds from Borrowings (Net of repayments) | 989.70 | 1,322.87 | 752.96 |
| Proceeds from issuance of capital | | | |
| Dividend Paid | (53.51) | (83.29) | - |
| Sales tax deferred as unsecured loans | - | - | 191.05 |
| Net Cash Flow from Financing Activities (C) | 936.19 | 1,239.58 | 944.01 |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 36.66 | 117.56 | 60.48 |
| Cash and Cash Equivalents (opening balance) | 310.71 | 193.15 | 132.67 |
| Cash and Cash Equivalents (closing balance) | 347.37 | 310.71 | 193.15 |

**Khushbu Auto Finance Limited has ceased to be the subsidiary of Atul Auto Limited from 28th February, 2009, because the holding of Atul Auto Limited in Khushbu Auto Finance Limited falls below 51% and therefore, from 1st March, 2009, it has become an Associate company and ceased to be the subsidiary company. Hence, as on the date of the balance sheet i.e. 31.03.2009 relationship of holding and subsidiary company does not subsist, therefore consolidated cash flow as on 31.03.2009 is not prepared.

Atul Auto Limited

Annexure XX

Notes on Accounts and Significant Accounting Policies of Consolidated Statements

A. Basis of Consolidation

1. Principal of consolidation:-

The consolidated financial statements pertain to Atul Auto Limited, the holding company and its one subsidiary. Following cardinal principles have been taken into account while preparing the consolidated financial statements:

- a) Atul Auto Limited and its subsidiary, Khushbu auto Finance Limited have used uniform accounting policies and followed the accounting standards in this regard.
- b) The consolidated financial statements have been prepared by combining individual financial statements on a line by line basis by adding together the balances of assets, liabilities, income and expenditure, after netting off the inter se transactions within the group.

2. The consolidated financial statement envisages combining of financial statements of Atul auto Limited and its following subsidiary:

| <u>Name of the company</u> | Country of <u>Incorporation</u> | % voting power held as <u>on 31-3-2008, 31-3-2007 & 31-3-2006</u> |
|------------------------------|------------------------------------|--|
| Khushbu Auto Finance Limited | India | 51.02 |

B. Significant Accounting Policies

1. Accounting Convention:-

The financial statements are prepared under the historical cost convention on accrual basis, in compliance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956.

2) Use of estimates

The preparation of financial statements requires estimates and assumption to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized/ascertained.

3. Sales

The Company recognizes revenue on the sale of products when the products are delivered to the dealers/ customers or when delivered to the carrier for exports, which is when risk and reward of ownership of product passes to the dealer/customer.

4. Excise Duty

Excise duty has been accounted for on the basis of goods manufactured and lying in factory though not cleared in accordance with the Guidance note on accounting for excise duty issued by ICAI.

5. Products warranty Expenses

Estimated liability for product warranty is recorded when products are sold. These estimates are established using historical cost information on the nature and frequencies and average cost of warranty

claims and management estimates regarding possible future incidence based on corrective actions of product failures.

6. Retirement benefits:

- a) Company has a gratuity fund maintained by Life Insurance Corporation of India to which contributions are made every year based on actuarial valuation.
- b) Leave encashment is accounted for on accrual basis as per rules of company considering calendar year for benefit.
- c) Contribution to provident fund are accrued with applicable status and deposited with the Regional Provident Fund Commissioner.

7. Product Development Cost

Product development cost incurred on new vehicles platforms, variants on existing platforms and new vehicles aggregates are recognized as intangible assets and are included under fixed assets. These amounts are amortized over thirty-six months from the commencement of commercial production. Product development costs relating to minor enhancement, facelifts and upgrades are charged off to the profit and loss account as and when incurred.

8. Taxes on Income

- a) Current tax is the amount of tax payable on the taxable income of the year as determined on the basis of the provision of the Income Tax Act so far as applicable to the company. Current tax includes Fringe benefit taxes and wealth tax on the assets of the company.
- b) Deferred Income Tax is provided using the liability method on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred Tax Assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which these items can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and the tax laws) that have been enacted or enacted subsequent to the balance sheet date.

9. Fixed Assets :

- a) Fixed assets are carried at cost of acquisition or erection and relevant expenses allocable less accumulated depreciation and Cenvat credit availed thereon.
- b) Expenditure incurred during the period of construction, including pre-operative expenses, all direct and indirect expenses are carried forward and on completion, the cost will be allocated to respective assets.
- c) Product development cost incurred on new vehicles platforms, variants on existing platforms and new vehicles aggregates are recognized as intangible assets and are included under fixed assets. These amounts are amortized over thirty-six months from the commencement of commercial production.
- d) Products software not exceeding ₹ 25,000/- and product development costs relating to minor product enhancements facelifts, and upgrades are charged off to profit and loss account as and when incurred.

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10. Depreciation :
 - a. Depreciation is provided on fixed assets in accordance with the rates provided in Schedule XIV of the Companies Act, 1956, on straight-line method, on pro-rata basis.
 - b. Leasehold land is amortized over the period of lease.
11. Investments
Long-term investments are stated at cost less other than temporary diminution in value if any.
12. Inventories
Inventories of raw material, Components, work in progress and stock in trade are valued at cost or market value whichever less is. Cost of finished good is determined based on full absorption cost of manufacturing.
13. Events occurring after balance sheet date
Material events occurring after the date of balance sheet are recognized and are dealt with appropriately in accordance with generally accepted accounted principles and as provided in AS - 5.
14. Foreign Currency transaction
Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
Monetary items denominated in foreign currencies at the year-end and covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract.
15. Impairment of Assets:
An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged for when the asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been change in the estimate of recoverable amount.
16. 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 but are disclosed in the Notes Contingent Assets are neither recognized nor disclosed in the financial statements.
17. Advances, Income Recognition and Provisioning
 - a) All credit exposure is classified as per the RBI guidelines into performing and non performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets for income recognition and provisioning.
 - b) Income is recognized in the Profit and Loss account as it accrues except in the case of non-performing assets where it is recognized as and when it realized.
 - c) Provisions for non-performing assets are made in conformity with RBI guidelines.
18. Interest Income on Finance
Repayments of vehicle financed are made by way of Equated Monthly Installments (EMIs) comprising principal and interest. Interest income is accounted for on the basis of bifurcated EMI into principal and interest portion. Interest is calculated on the outstanding balance of loan disbursed at the beginning.

Atul Auto Limited

Names of Related Parties

Key Management Personnel

- | | | |
|----|-----------------------------|---|
| 1. | Chandra Jayantilal Jagjivan | Chairman & Managing director |
| 2. | Patel Mahendra Jamnadas | Joint Managing director |
| 3. | Chandra Bharat Jagjivan | Whole time director (up to 31.10.2007) |
| 4. | Mittal Sunilkumar | Whole time director (w.e.f. 31.10.2007) |

Relatives of Key Management Personnel

| | |
|----|-----------------------------|
| 1. | Chandra Alpesh Bharat |
| 2. | Chandra Dharmendra Jagjivan |
| 3. | Chandra Harish Jagjivan |
| 4. | Chandra Mahesh Jagjivan |
| 5. | Chandra Niraj Jayantilal |
| 6. | Chandra Prafulla Jayantilal |
| 7. | Patel Ashok Jamnadas |
| 8. | Patel Manishaben Mahendra |

Enterprise owned or significantly influenced by Key Management Personnel or their relatives

1. Atul Auto Agency
2. Atul Auto Industries
3. Atul Automotives
4. Atul Motors Pvt. Ltd.
5. Atul Petroleum
6. Khushbu Auto Private Limited
7. New Chandra Motor Cycle Agency
8. New Chandra Motor Cycle House
9. Atul Automobiles

DETAILS OF TRANSACTIONS WITH RELATED PARTIES

A) KEY MANAGEMENT PERSONNEL AND THEIR RELATIVES

| Sr. No. | Nature of Transaction | Year ended 31st March | | |
|---------|-----------------------|-----------------------|------------|-------------|
| | | 2008 | 2007 | 2006 |
| 1 | Remuneration | 4,182,290 | 4,860,000 | 6,240,000 |
| 2 | Interest Paid | 3,913,000 | 3,852,172 | 2,613,661 |
| 3 | Loans Payable | 42,583,378 | 41,308,648 | 416,758,639 |

B) Enterprises Owned or significantly influenced by key management personnel or their relatives

| Sr. No. | Nature of Transaction | Year ended 31st March | | |
|---------|-----------------------|-----------------------|-------------|-------------|
| | | 2008 | 2007 | 2006 |
| 1 | Sales | 244,945,682 | 313,107,986 | 301,373,748 |

Atul Auto Limited

| | | | | |
|----|---------------------------------------|-----------|------------|-----------|
| 2 | Purchase | 5,508,384 | 12,561,808 | 19,045 |
| 3 | (Sale) / Purchase of Fixed Assets | 11,500 | 2,825,002 | - |
| 4 | After sales service / Warranty Claims | 3,844,923 | 6,116,241 | - |
| 5 | Services Received | 75,456 | 9,131 | - |
| 6 | Rendering of Services | - | - | 2,432,284 |
| 7 | Sales Incentives | 94,000 | 118,500 | - |
| 8 | Commission Received | - | - | 660,000 |
| 9 | Commission Paid | - | 8,000 | - |
| 10 | Rent Received | - | 108,000 | - |
| 11 | Receivable | - | - | 3,839,585 |
| 12 | Payable | - | 2,294,652 | 3,095,759 |

Atul Auto Limited

FINANCIAL AND OTHER INFORMATION OF GROUP COMPANIES PROMOTED/CONTROLLED BY THE PROMOTERS:

Companies and Firms forming part of Group Companies

The following companies, firms and ventures have been promoted by the Promoters/ Promoter Group of the Company and are referred to in this Letter of Offer as the "Group Companies" on page 144. The Group Companies are companies, firms and ventures in which the Promoters (i) exercise control; or (ii) have been named as promoters by such entity in any filing with the Stock Exchanges in India. Definition of 'Control' (as per the terms of the ICDR Regulations) as (a) ownership, directly or indirectly through subsidiaries, of 50% or more of the equity share capital or voting interest of the entity; or (b) power to appoint the majority of the directors or similar governing body of such entity; or (c) power to control the management or policy decisions of the entity, directly or indirectly, including through the exercise of shareholding or management or similar rights or voting arrangements or in any other manner. Joint ventures in which any Promoter is a joint venture partner have been disclosed as Group Companies, even where the Promoter holds less than 50% of the equity share capital or voting interest of the relevant joint venture. In addition, if a Promoter in practice controls an entity owing to the other shareholders or partners not actively participating in the business of the entity, such entity has been included as a Group Company.

Based on the above, the Group Companies / Firms are set forth below:

Companies

1. Atul Motors Private Limited
2. Khushbu Auto Private Limited
3. Khushbu Auto Finance Limited
4. Atul Chandra Finlease Private Limited
5. Atul Buildcon Private Limited
6. Atul Rachana Private Limited

Firms

7. Atul Auto Agency
8. Atul Auto Industries
9. Atul Automobiles
10. Atul Automotives
11. Atul Petroleum
12. New Chandra Motor Cycle House
13. New Chandra Motor Cycle Agency
14. Atul Enterprises
15. Chandra Auto Centre

GROUP COMPANIES

Unless otherwise specifically stated, none of the Group Companies described below (i) is listed on any stock exchange; (ii) has completed any public or rights issue since the date of its incorporation; (iii) has become a sick company; (iv) is under winding-up; or (v) had a negative net worth as of FY2010. Unless otherwise specifically stated, no application has been made in respect of any of the Group Companies to the relevant Registrar of Companies in whose jurisdiction such Group Company is registered, for striking off its name. Further, except as stated below, there has been no change in the capital structure of any of the Group Companies in the last six months. The summary financial information of the Group Companies presented below is based on the audited financial statements of each such Group Company. For litigation regarding the Group Companies, refer to the Section "Outstanding Litigation and Material Developments" beginning on page 167 of this Letter of Offer.

The Group Companies and Ventures Promoted by the Promoters as on date are as follows:

Atul Auto Limited

1. ATUL MOTORS PRIVATE LIMITED

Brief about the company

Atul Motors Private Limited a company incorporated on April 5, 1999 under the Companies Act, 1956 vide certificate of incorporation no. 0435694. Atul Motors Private Limited has CIN U50103GJ1999PTC035694.

Registered Office: Survey No. 422, Plot No. 16-18, Jamnagar Rajkot Highway, Hapa, Jamnagar – 361120, Gujarat.

Nature of Business

To carry on in India or elsewhere in the world the business to manufacture, develop, design, assemble, add, alter, fabricate, repair, renovate, clear, serve, paint, transport, convert, reconvert, sell, purchase, trade, import, export, exchange, distribute, hire, lease, market, store, warehouse, to act as manufacturers representatives, dealers, sub-dealers, stockists, agents, sub-agents, or otherwise deal in motor lorries, defence vehicles, ambulances, ropeway trolley, tempos, tractors, motor cycles, omni buses, jeeps, scooters, mopeds, loading richshaws, three wheelers and motor boats, their spare parts, components and accessories.

Board of Directors:

| Sl. No. | Name | Designation |
|---------|------------------------------------|-------------|
| 1. | Mr. Harishkumar Jagjivan Chandra | Director |
| 2. | Mr. Dharmendra Jagjivandas Chandra | Director |
| 3. | Mr. Mahesh Jagjivandas Chandra | Director |

Shareholding Pattern

The Shareholding pattern of Atul Motors Private Limited as on 30.09.2010:

| Shareholder | No. of shares | % of shareholding |
|-------------------------------------|----------------|-------------------|
| Mr. Harish Jagjivanbhai Chandra | 355600 | 35.56 |
| Mr. Maheshbhai Jagjivanbhai Chandra | 160000 | 16.00 |
| Mr. Dharmendra Jagjivanbhai Chandra | 160000 | 16.00 |
| Ms. Harshaben Harishbhai Chandra | 160800 | 16.08 |
| Ms. Rekhaben Maheshbhai Chandra | 160800 | 16.08 |
| Ms. Kapilaben Bharatbhai Chandra | 800 | 0.08 |
| Ms. Ushaben Dharmendrabhai Chandra | 2000 | 0.20 |
| TOTAL | 1000000 | 100.00 |

Financial Details

The summary of audited financial statements is as follows:

| Particulars | (₹ in Lacs) | | |
|------------------------------------|---|---|---|
| | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
| Equity Share Capital | 100.00 | 100.00 | 100.00 |
| Reserves | 133.59 | 68.18 | 43.35 |
| Sales/ Other Income | 19282.27 | 14932.12 | 18717.50 |
| Profit/ (Loss) after Tax | 70.68 | 24.83 | 6.57 |
| Basic Earnings per Share (EPS) (₹) | 7.07 | 2.48 | 0.66 |
| Return on Net Worth % | 30.26 | 14.76 | 4.59% |
| Net Asset Value (NAV) (₹) | 23.36 | 16.82 | 14.34 |

Atul Auto Limited

2. KHUSHBU AUTO PRIVATE LIMITED

Brief about the company

Khushbu Auto Private Limited was incorporated on October 22, 1991 under the Companies Act, 1956 vide certificate of incorporation no. 0416473. Khushbu Auto Private Limited has CIN U35115GJ1991PTC016473.

Registered Office: C/o New Chandra Motor Cycle House, Town Hall, Jamnagar, Gujarat

Nature of Business:

1. To carry on the business of manufactures of, dealers in, repairs, cleaners, storers and warehouseers of automobiles, carriages and vehicles of all descriptions
2. To carry on the business of manufacturers and suppliers of internal combustions engines, solar powered engines, automotive conireptions devices and mechanisms, spares and components relating to automobiles.

Board of Directors:

| Sl. No. | Name | Designation |
|---------|----------------------------------|-------------|
| 1. | Mr. Harishkumar Jagjivan Chandra | Director |
| 2. | Mr. Ashok Jamnadas Patel | Director |

Shareholding Pattern

The Shareholding pattern of Khushbu Auto Private Limited as on 29.09.2010:

| Shareholder | No. of shares | % of shareholding |
|--------------------------------------|---------------|-------------------|
| Ms. Manishaben Atulkumar Chandra | 15300 | 75.00 |
| Mr. Ashok Jamnadas Patel | 5050 | 24.75 |
| Mr. Bhagvanjibhai Karmshibhai Patel | 10 | 0.05 |
| Ms. Ramaben Dayalal Patel | 10 | 0.05 |
| Mr. Dayalal Gordhandas Patel | 10 | 0.05 |
| Mr. Navinchandra Bhagvanjibhai Patel | 10 | 0.05 |
| Mr. Umeshchandra Bhagvanjibhai Patel | 10 | 0.05 |
| Total | 20400 | 100% |

Financial Details

The summary of audited financial statements is as follows:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|------------------------------------|---|---|---|
| Equity Share Capital | 20.40 | 20.40 | 20.40 |
| Reserves | 458.26 | 483.53 | 515.32 |
| Sales/ Other Income | 3211.87 | 1997.84 | 2542.42 |
| Profit/ (Loss) After Tax | (25.27) | (31.79) | 13.60 |
| Basic Earnings per Share (EPS) (₹) | (123.85) | (155.84) | 66.64 |
| Return on Net Worth % | (5.28) | (6.31) | 2.54 |
| Net Asset Value (NAV) (₹) | 2345.84 | 2470.23 | 26260.08 |

Atul Auto Limited

3. KHUSHBU AUTO FINANCE LIMITED

Brief about the company:

Khushbu Auto Finance Limited was originally incorporated as a Private Limited Company in August 19, 1994 under the Companies Act, 1956 vide certificate of incorporation no. 0422816. The name of the company was changed from Khushbu Auto Finance Private Limited to Khushbu Auto Finance Limited on March 26, 2003. Khushbu Auto Finance Limited has CIN U74999GJ1994PLC022816.

Registered Office: C/o New Chandra Motor Cycle House, Opp. Town Hall, Jamnagar – 361001, Gujarat.

Nature of Business:

To carry on the business of finance, all kinds of purchasing, selling, hiring or letting on hire all kinds of Vehicles related, Plant and Machinery and equipment that the company may think fit and to assist in financing of all and every kind and description of hire purchase or deferred payment or similar transaction and to subsidise, finance or assist in subsidising or financing the Sale and maintenance of Vehicle, of all and every kind and description upon any terms whatsoever.

Board of Directors:

| Sl. No. | Name | Designation |
|---------|----------------------------------|-------------|
| 1. | Mr. Mahesh Jagjivanbhai Chandra | Director |
| 2. | Mr. Harishkumar Jagjivan Chandra | Director |
| 3. | Mr. Chetan Vasantbhai Patel | Director |
| 4. | Mr. Niraj Jayantilal Patel | Director |
| 5. | Mr. Alpesh Bharatkumar Chandra | Director |

Shareholding Pattern

The Shareholding pattern of Khushbu Auto Finance Limited as on 29.09.2010:

| Shareholder | No. of shares | % of shareholding |
|----------------------------------|---------------|-------------------|
| Mr. Harishkumar Jagjivan Chandra | 58020 | 1.26 |
| Mr. Chetan Vasantbhai Patel | 72010 | 1.57 |
| Mr. Prafulla Chandra | 140020 | 3.04 |
| Ms. Manisha Patel | 132010 | 2.87 |
| Mr. Mahendra Patel | 96980 | 2.11 |
| Ms. Manisha Chandra | 72000 | 1.57 |
| Mr. Jayantilal Chandra | 674940 | 14.67 |
| Atul Auto Limited | 2296000 | 49.91 |
| Mr. Alpesh Chandra | 16020 | 0.35 |
| Mr. Pankaj Shah | 854000 | 18.57 |
| Mr. Bharat Chandra | 2000 | 0.04 |
| Ms. Kapila Chandra | 2000 | 0.04 |
| Mr. Dharmendra Chandra | 20000 | 0.43 |
| Ms. Rekha Chandra | 10000 | 0.22 |
| Mr. Ashok Patel | 2000 | 0.04 |
| Mr. Bhagvanji Patel | 2000 | 0.04 |
| Mr. Dayabhai Patel | 2000 | 0.04 |
| Ms. Meena Patel | 10000 | 0.23 |
| Ms. Hiren patel | 10000 | 0.23 |
| Mr. Navin Patel | 2000 | 0.04 |
| Mr. Umesh Patel | 2000 | 0.04 |
| Ms. Ramaben Patel | 2000 | 0.04 |
| Mr. Mahesh Chandra | 10000 | 0.22 |

Atul Auto Limited

| Shareholder | No. of shares | % of shareholding |
|----------------------------|----------------|-------------------|
| Ms. Ushaben Chandra | 10000 | 0.22 |
| Ms. Harsha Chandra | 2000 | 0.04 |
| Ambuj Mercantile Pvt. Ltd. | 100000 | 2.17 |
| Total | 4600000 | 100.00 |

Financial Details

The summary of audited financial statements is as follows:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|------------------------------------|---|---|---|
| Equity Share Capital | 460.00 | 460.00 | 450.00 |
| Reserves & Surplus | 741.67 | 1216.71 | 1324.15 |
| Sales/ Other Income | 755.36 | 1150.52 | 1527.85 |
| Profit/ (Loss) after Tax | (475.04) | (260.05) | (8.58) |
| Basic Earnings per Share (EPS) (₹) | (10.33) | (5.65) | (0.19) |
| Return on Net Worth % | (39.53) | (15.51) | (0.48) |
| Net Asset Value (NAV) (₹) | 26.12 | 36.45 | 39.43 |

4. ATUL CHANDRA FINLEASE PRIVATE LIMITED

Brief about the company:

Atul Chandra Finlease Private Limited was incorporated on August 5, 1998 under the Companies Act, 1956 vide certificate of incorporation no. 0434496. Atul Chandra Finlease Private Limited has CIN U65910GJ1998PTC034496.

Registered Office: C/o New Chandra Motor Cycle House, Opp. Town Hall, Jamnagar – 361001, Gujarat.

Nature of Business:

- To carry on in India or elsewhere in the world with or without collaboration the business of financing, money lending, bill discounting, factoring, corporate lending and to advance money with or without guarantee and/or securities including shares, stocks, debentures, debenture stocks, bonds, units, notes and all government securities, global depository receipts and all other types of securities and negotiable instruments, to provide finance to trading, marketing, industrial and any other types of enterprises on short term, medium term and long term basis.
- To carry on in India or elsewhere in the world with or without collaboration the business of leasing, hire purchase, installment financing, refinancing, hiring, acquiring, purchasing, selling, reselling, lending, exchanging, running, maintaining and letting on hire all description, applications, modalities and uses of household goods, electrical and electronic appliances.

Board of Directors:

| Sl. No. | Name | Designation |
|---------|----------------------------|-------------|
| 1. | Mr. Mahesh J. Chandra | Director |
| 2. | Mr. Bharatkumar J. Chandra | Director |
| 3. | Mr. Harishkumar J. Chandra | Director |

Atul Auto Limited

Shareholding Pattern

The Shareholding pattern of Atul Chandra Finlease Private Limited as on 30.09.2010:

| Shareholder | No. of shares | % of shareholding |
|------------------------------------|---------------|-------------------|
| Mr. Jayantilal Jagjivandas Chandra | 1 | 0.00 |
| Mr. Chetanbhai Patel | 1 | 0.00 |
| Mr. Dharmendra Chandra | 249498 | 99.80 |
| Mr. Harsha H. Chandra | 100 | 0.04 |
| Mr. Usha D. Chandra | 100 | 0.04 |
| Mr. Bharat Chandra | 100 | 0.04 |
| Ms. Kapila B. Chandra | 100 | 0.04 |
| Mr. Bharat V. Nanda | 100 | 0.04 |
| Total | 250000 | 100.00 |

Financial Details:

The summary of audited financial statements is as follows:

| Particulars | (₹ Lacs) | | |
|------------------------------------|---|---|---|
| | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
| Equity Share Capital | 25.00 | 25.00 | 25.00 |
| Reserves & Surplus | 0.56 | 0.56 | 0.57 |
| Sales/ Other Income | 0.00 | 0.00 | 0.00 |
| Profit/ (Loss) after Tax | (0.01) | (0.01) | (0.01) |
| Basic Earnings per Share (EPS) (₹) | 0.00 | 0.00 | 0.00 |
| Return on Net Worth % | 0.00 | 0.00 | 0.00 |
| Net Asset Value (NAV) (₹) | 10.23 | 10.23 | 10.23 |

5. ATUL BUILDCON PRIVATE LIMITED

Brief about the company:

Atul Buildcon Private Limited was incorporated on March 26, 1998 under the Companies Act, 1956 vide certificate of incorporation no. 0433893. Atul Buildcon Private Limited has CIN U45200GJ1998PTC033893.

Registered Office: Raat Rani, 1 Panchwati Society, Near Bhakti Dham Mandir, Rajkot – 360005, Gujarat.

Nature of Business:

1. To carry on/undertake/direct the business as organizer, developer, contractor or owner or dealer of any land, estates, residential buildings, commercial buildings, shops, offices or any other building, farm house to be and for residential, commercial or industrial purposes and for the purposes to exchange, purchase, take on lease, acquire, hold, develop prepare building sites etc. and any kind of landed properties or any share. Interest therein.
2. To lay out, develop, construct, build, erect, demolish, re-erect, alter, repair, remodel any building scheme, highways, docks, sewers, bridges, canals, wells, buildings, springs, dams, power plants, boros, wharves, ports, reservoirs, embankments, irrigations, reclamations, improvements of sanitary, water, structural or architectural work of any type of building.

Atul Auto Limited

Board of Directors:

| Sl. No. | Name | Designation |
|---------|----------------------------------|-------------|
| 1. | Mr. Jayantibhai Jagjivan Chandra | Director |
| 2. | Mr. Chetanbhai Patel | Director |
| 3. | Mr. Rameshkumar Kaneria | Director |
| 4. | Mr. Jentilal J. Dharsandia | Director |
| 5. | Mr. Sureshkumar Tulsidas Kaneria | Director |
| 6. | Mr. Hiteshkumar Tulsidas Kaneria | Director |
| 7. | Mr. Mansihkumar Tulsidas Kaneria | Director |

Shareholding Pattern

The Shareholding pattern of Atul Buildcon Private Limited as on 30.09.2010:

| Shareholder | No. of shares | % of shareholding |
|-------------------------|---------------|-------------------|
| Mr. Chetanbhai Patel | 1100 | 11.00 |
| Mr. Harishbhai Chandra | 1100 | 11.00 |
| Mr. Hiteshbhai Kaneria | 1100 | 11.00 |
| Mr. Jayantibhai Chandra | 1100 | 11.00 |
| Mr. Jayantibhai Patel | 1200 | 12.00 |
| Ms. Manishaben Chandra | 1100 | 11.00 |
| Mr. Manishbhai Kaneria | 1100 | 11.00 |
| Mr. Rameshkumar Kareria | 1100 | 11.00 |
| Mr. Sureshbhai Kareria | 1100 | 11.00 |
| | 10000 | 100.00 |

Financial Details

The summary of audited financial statements is as follows:

| Particulars | (₹ Lacs) | | |
|------------------------------------|---|---|---|
| | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
| Equity Share Capital | 1.00 | 1.00 | 1.00 |
| Reserves & Surplus | 6.94 | 6.66 | 6.35 |
| Sales/ Other Income | 0.60 | 0.62 | 1.23 |
| Profit/ (Loss) after Tax | 0.28 | 0.31 | 0.86 |
| Basic Earnings per Share (EPS) (₹) | 2.80 | 3.06 | 8.55 |
| Return on Net Worth % | 3.53 | 3.99 | 11.63 |
| Net Asset Value (NAV) (₹) | 79.40 | 76.60 | 73.54 |

6. ATUL RACHANA PRIVATE LIMITED

Brief about the company:

Atul Rachana Private Limited was originally incorporated as a partnership firm on July 18, 2000 under name and style of Buildcon Enterprise having principal place of business at Rajkot. The partnership firm was carried on by nine partners. The partners of the firm for the sake of smooth business convert the partnership firm in to joint stock company under the name Atul Rachana Private Limited which gets incorporated on September 9, 2002 under the Companies Act, 1956 vide certificate of incorporation no. 0441239. Atul Rachana Private Limited has CIN U45201GJ2002PTC041239.

Atul Auto Limited

Registered Office: 1 Panchwati Society, Near Bhakti Dham Mandir, Rajkot – 360005, Gujarat.

Nature of Business:

1. To carry on the business of and act as promoters, organizers, developers and agents of land, estate, property, industrial estate, housing schemes, shopping/ office complexes, townships, warehousing, farms, farm-houses, holiday resorts, hotels, motels and to deal with purchase, sell, exchange, lease and to improve such properties either as owners and/or agents.
2. To carry on in India or elsewhere the business of construction and to act as builders, contractors of prefabricated concrete buildings and construction works and contractors, decorators, architects, surveyors, designers, constructional engineers, sanitary and water engineers etc.

Board of Directors:

| Sl. No. | Name | Designation |
|---------|----------------------------------|-------------|
| 1. | Mr. Jayantibhai Jagjivan Chandra | Director |
| 2. | Mr. Rameshbhai Kaneria | Director |
| 3. | Mr. Jantilal J. Dharsandia | Director |
| 4. | Mr. Sureshkumar Tulsidas Kaneria | Director |

Shareholding Pattern

The Shareholding pattern of Atul Rachana Private Limited as on 30.09.2010:

| Shareholder | No. of shares | % of shareholding |
|-------------------------------------|---------------|-------------------|
| Mr. Sureshbhai Tulsidas Kaneria | 1100 | 11.00 |
| Mr. Jayantibhai Jagjivan Chandra | 1100 | 11.00 |
| Mr. Chetanbhai Patel | 1100 | 11.00 |
| Mr. Harishbhai Chandra | 1100 | 11.00 |
| Ms. Manishaben Chandra | 1100 | 11.00 |
| Mr. Hitesh Kaneria | 1100 | 11.00 |
| Mr. Rameshbhai Tulsidas Kaneria | 1100 | 11.00 |
| Mr. Manishbhai Kaneria | 1100 | 11.00 |
| Mr. Jayantibhai Jerabhai Dharsandia | 1200 | 12.00 |
| Total | 10000 | 100.00 |

Financial Details

The summary of audited financial statements is as follows:

| Particulars | ₹ Lacs | | |
|------------------------------------|---|---|---|
| | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
| Equity Share Capital | 1.00 | 1.00 | 1.00 |
| Reserves & Surplus | 1.61 | 1.62 | 1.71 |
| Sales/ Other Income | 0.13 | 0.07 | 0.00 |
| Profit/ (Loss) after Tax | (0.01) | (0.09) | (0.18) |
| Basic Earnings per Share (EPS) (₹) | (0.08) | (0.90) | (1.78) |
| Return on Net Worth % | (0.31) | (3045) | (6.59) |
| Net Asset Value (NAV) (₹) | 26.10 | 26.18 | 27.08 |

Atul Auto Limited

7. ATUL AUTO AGENCY

Brief about the Firm:

Mr. Mahesh Jagjivanbhai Chandra, Mr. Alpesh Bharat Chandra & Mr. Smarth Atul Chandra, carrying a partnership firm in the name and style of M/s. Atul Auto Agency from August 19, 2002 having its registered office at Jamnagar. The main business of unit is authorized dealership of Honda two wheelers. Mr. Niraj Chandra retired from April 1, 2010 and new partner Mr. Samarth Atul Chandra has been introduced. New partnership deed has been made on April 1, 2010.

Registered Office: Ground Floor, Cross Road, Near Vikas Gruh, P N Marg, Jamnagar, Gujarat

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|------------------------|------------------------------|
| Mr. Mahesh J. Chandra | 33.33% |
| Mr. Alpesh B. Chandra | 33.33% |
| Mr. Samarth A. Chandra | 33.34% |
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 77.81 | 93.10 | 94.50 |
| Total Income | 1217.07 | 1096.00 | 1082.16 |
| Net Profit (transferred to Partners Capital A/c) | 22.88 | 7.56 | 9.73 |

8. ATUL AUTO INDUSTRIES

Brief about the Firm:

Mr. Mahesh Jagjivanbhai Chandra, Mr. Dharmendra Jagjivanbhai Chandra, Mr. Niraj Jayantilal Chandra and Mr. Alpesh Bharat Chandra had been carrying on Business in Partnership as partners under the name of M/s Atul Auto Industries from 1st November 1998 for manufacture of three wheeler automobiles. Mr. Niraj Jayantilal Chandra, has retired from the firm due to personal occupation w.e.f. 1st April, 2010. Mr. Chandra Samarth Atul, was admitted as a new Partner into the Partnership on 1st April, 2010. The Partners have entered into a new Partnership Deed on 6th April 2010.

Registered Office: C/2, 68-69 GIDC Shankar Tekri Udyognagar, Jamnagar, Gujarat.

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|---------------------------|------------------------------|
| Mr. Mahesh J. Chandra | 25% |
| Mr. Dharmendra J. Chandra | 25% |
| Mr. Alpesh B. Chandra | 25% |
| Mr. Samarth A. Chandra | 25% |
| Total | 100% |

Atul Auto Limited

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 53.90 | 55.07 | 70.32 |
| Total Income | 443.78 | 421.14 | 442.01 |
| Net Profit (transferred to Partners Capital A/c) | 8.12 | 9.33 | 18.23 |

9. ATUL AUTOMOBILES

Brief about the Firm:

M/s Atul Automobiles was originally formed pursuant to a partnership deed dated August 29, 2006 between Mr. Bharat Jagjivandas Chandra, Mr. Dharmendra Jagjivandas Chandra and Mr. Harish Jagjivandas Chandra to carry on the business as authorised dealers of vehicles spare parts manufactured by Eicher Motors Limited.

Registered Office: Near Bhaktinagar Station Circle, Tagore Road, Rajkot, Gujarat

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|------------------------------------|------------------------------|
| Mr. Bharat Jagjivandas Chandra | 33.33% |
| Mr. Dharmendra Jagjivandas Chandra | 33.33% |
| Mr. Harish Jagjivandas Chandra | 33.34% |
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 125.83 | 114.08 | 33.65 |
| Total Income | 3127.96 | 1764.00 | 3079.49 |
| Net Profit (transferred to Partners Capital A/c) | (0.82) | (2.76) | 8.77 |

10. ATUL AUTOMOTIVES

Brief about the Firm

Atul Automtives was originally formed pursuant to a partnership deed dated July 04, 2003 between Mr. Bharatbhai Jagjivandas Chandra, Mr. Alpesh Bharatbhai. Chandra, Ms. Manishaben Atulbhai Chandra and Mr. Kunal Jayantibhai Chandra to carry on the business as dealers of automobiles manufactured by Mahindra & Mahindra Limited. On admission of a new partner Mr. Niraj Jayantibhai Chandra, the partnership was reconstituted vide a Partnership Deed dated October 05, 2006.

Registered Office: C/o Atul Motors Private Limited, Plot No. 14 and 15, Jamnagar Rajkot Highway, Jamnagar

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|---------------------------|------------------------------|
| Mr. Bharat J. Chandra | 20% |
| Mr. Alpesh B. Chandra | 20% |
| Ms. Manishaben A. Chandra | 20% |
| Mr. Kunal J. Chandra | 20% |
| Mr. Niraj J. Chandra | 20% |

Atul Auto Limited

| Name of the Partner | Profit or Loss Sharing Ratio |
|---------------------|------------------------------|
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 130.98 | 130.85 | 189.17 |
| Total Income | 3544.56 | 2898.16 | 4703.17 |
| Net Profit (transferred to Partners Capital A/c) | 15.33 | 10.00 | 33.81 |

11. ATUL PETROLEUM

Brief about the Firm:

Atul Petroliums was originally formed pursuant to a partnership deed dated January 17, 2003 between Mr. Harishbhai J. Chandra and Mr. Mukesh Narrotambahi Joisher to carry on the business of operating petrol pumps and other petroleum products under name and style of Atul petroleum in the Jamnagar.

Registered Office: Survey No. 219, Plot No. 1 to 3, Khambhalia Jamnagar Highway, Near Digjam Circle, Jamnagar, Gujarat

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|---------------------------------|------------------------------|
| Mr. Harishbhai J. Chandra | 75% |
| Mr. Mukesh Narrotambahi Joisher | 25% |
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 46.16 | 40.72 | 34.18 |
| Total Income | 886.17 | 963.26 | 1099.93 |
| Net Profit (transferred to Partners Capital A/c) | (0.90) | 0.94 | 3.10 |

12. NEW CHANDRA MOTOR CYCLE HOUSE

Brief about the Firm:

M/s New Chandra Motor Cycle House was originally formed and run by Mr. Dharmendrabhai J. Chandra, Mr. Jagjivanbhai K. Chandra and Mr. Kishorbhai G. Chandra, to carry on the business as dealers of every type of Auto Parts, Generators, Engines, Gear Boxes etc. On the Death of Mr. Jagjivanbhai K. Chandra the partnership was reconstituted and new partners namely, Mr. Nirajbhai J. Chandra and Mr. Alpesh B. Chandra have been admitted. All the partners have entered into a Partnership Deed on December 19, 1999.

Registered Office: Near Town Hall, Jamnagar - 361001, Gujarat.

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|-------------------------------|------------------------------|
| Mr. Dharmendrabhai J. Chandra | 20% |

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| | |
|---------------------------|-------------|
| Mr. Kishorbhai G. Chandra | 40% |
| Mr. Nirajbhai J. Chandra | 20% |
| Mr. Alpesh B. Chandra | 20% |
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 102.60 | 89.64 | 77.51 |
| Total Income | 1086.32 | 1023.51 | 1010.59 |
| Net Profit (transferred to Partners Capital A/c) | 15.70 | 11.13 | 12.71 |

13. NEW CHANDRA MOTOR CYCLE AGENCY

Brief about the Firm:

New Chandra Motor Cycle Agency was originally formed on July 4, 1985 by Ms. Kashiben Jagjivan Chandra, Mr. Gordhandas Karshandas Chandra, Mr. Bharatkumar Jagjivabhai Chandra & Mr. Dharmendra Jagjivan Chandra. Due to death of Mr. Gordhandas Karshandas Chandra partnership deed reconstituted on March 23, 2005. The partnership firm carrying on the business of trading in Auto Vehicles & Auto Parts.

Registered Office: Near Town Hall, Jamnagar – 361001, Gujarat.

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|----------------------------|------------------------------|
| Ms. Kashiben J. Candra | 30% |
| Mr. Bharatkumar J. Chandra | 10% |
| Mr. Dharmendra J. Chandra | 20% |
| Mr. Jignesh J. Chandra | 40% |
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ in Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 106.65 | 96.71 | 98.24 |
| Total Income | 228.71 | 252.81 | 404.59 |
| Net Profit (transferred to Partners Capital A/c) | 10.64 | 3.51 | 5.29 |

14. ATUL ENTERPRISES

Brief about the Firm:

M/s Atul Enterprises was originally formed pursuant to partnership deed dated November 28, 2005 between Mr. Harish Jagjivanbhai Chandra, Mr. Kunal Jayantibhai Chandra and Mr. Divya Maheshbhai Chandra to carry on the business of distribution of spares parts manufactured by Maruti Udyog Limited.

Registered Office: C/o Atul Motors Pvt. Ltd., Rajkot and plot no. 14 & 15, Jamnagar Rajkot Highway, Jamnagar, Gujarat.

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Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|---------------------------------|------------------------------|
| Mr. Harish Jagjivanbhai Chandra | 51.00% |
| Mr. Kunal Jayantibhai Chandra | 24.00% |
| Mr. Divya Maheshbhai Chandra | 25.00% |
| Total | 100% |

Brief financials based on Audited Accounts are given below:

(₹ Lacs)

| Particulars | For financial year ended March 31, 2010 | For financial year ended March 31, 2009 | For financial year ended March 31, 2008 |
|--|---|---|---|
| Partners Capital | 6.16 | 19.47 | 29.24 |
| Total Income | 510.02 | 418.07 | 344.42 |
| Net Profit (transferred to Partners Capital A/c) | 1.08 | 0.45 | 5.03 |

15. CHANDRA AUTO CENTRE

Brief about the Firm:

M/s Chandra Auto Centre was originally formed pursuant to partnership deed dated January 22, 2004 between Mr. Jayantilal Jagjivanbhai Chandra, Mr. Bharatbhai Jayantibhai Chandra and Mr. Maheshbhai Jagjivanbhai Chandra to carry on the business of trading in auto spare parts.

Registered Office: Bedi Gate, Jamnagar, Gujarat.

Profit or Loss Sharing Ratio:

| Name of the Partner | Profit or Loss Sharing Ratio |
|-------------------------------------|------------------------------|
| Mr. Jayantilal Jagjivanbhai Chandra | 40% |
| Mr. Bharatbhai Jayantibhai Chandra | 30% |
| Mr. Maheshbhai Jagjivanbhai Chandra | 30% |
| Total | 100% |

Brief financials based on Unaudited Accounts are given below:

(₹ Lacs)

| Particulars | For financial year ended March 31, 2010* | For financial year ended March 31, 2009* | For financial year ended March 31, 2008* |
|--|--|--|--|
| Partners Capital | 13.36 | 12.97 | 10.48 |
| Total Income | 4.38 | 5.25 | 6.83 |
| Net Profit (transferred to Partners Capital A/c) | 0.00 | 0.00 | (0.19) |

* Note: Since the Turnover of the firm is less than ₹ 40.00 Lacs, hence it is not liable for compulsory Income Tax Audit as per Section 44AB of the Income Tax Act, 1961.

Common Pursuits

The Group/ Associate Companies/ Firms i.e. Atul Motors Private Limited, Khushbu Auto Private Limited, Atul Chandra Finlease Private Limited, Atul Buildcon Private Limited, Atul Rachana Private Limited, Atul Auto Agency, Atul Auto Industries, Atul Automobiles, Atul Automotives, Atul Petroleum, New Chandra Motor Cycle House, New Chandra Motor Cycle Agency, Atul Enterprises & Chandra Auto Centre have some of the objects/business line similar to that of the Company's business. As on the date of filing the Letter of Offer, the aforesaid entity/ies are not directly competing with the Company and currently the Company does not have any non-compete agreement/arrangement with any of its Promoter Group/Associate Entity/ies.

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For further details with regards to related party transactions, refer to the section titled 'Details of Related Party Transactions' the chapter titled 'Financial Statements' on page 115 of this Letter of Offer.

Other than mentioned in the "Related Party Transaction" at page no. 134 of the Letter of Offer no Group Companies/Subsidiaries/Associate Companies has business interest in the issuer.

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

Investor should read the following discussion and analysis of Company's financial condition and results of operations together with Company's financial statements included in this Letter of Offer. Investor should also read the section titled 'Risk Factors' beginning on page 12 of this Letter of Offer, which enumerates number of factors and contingencies that could impact Company's financial condition and results of operations. The following discussion relates to the Company on a standalone basis, and, unless otherwise stated, is based on Company's restated 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009. Company's financial year ends on March 31 of each year.

a. Industry Scenario and Development

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

In India, automotive is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country. Presently, India is the world's second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles as well as largest manufacturer of tractors. It is the fourth largest passenger car market in Asia as well as a home to the largest motor cycle manufacturer. The installed capacity of the automobile sector has been 9,540,000 vehicles, comprising 1,590,000 four wheelers (including passenger cars) and 7,950,000 two and three wheelers. The sector has shown great advances in terms of development, spread, absorption of newer technologies and flexibility in the wake of changing business scenario. The Indian automotive industry has made rapid strides since delicensing and opening up of the sector in 1991. It has witnessed the entry of several new manufacturers with the state-of-art technology, thus replacing the monopoly of few manufacturers. At present, there are 15 manufacturers of passenger cars and multi-utility vehicles, 9 manufacturers of commercial vehicles, 16 of two/three wheelers and 14 of tractor, besides 5 manufacturers of engines.

b. Overview of Company's Business:

Atul Auto Limited, incorporated on June 18, 1986 is a manufacturer of Three Wheeler Auto Rickshaw (Passenger /Loading) and its spare parts. It produces Auto Rickshaw under Atul Shakti & Atul Gem brand names. The Company is also engaged in the generation of Electricity with wind Turbine Generator at Village Soda Mada, Rajasthan and at Village Gandhavi, Gujarat.

The sale of the Company from year 2008 to 2011 has gone up because of introduction of new model named as Atul Gem. The downward trend in sales in the year ended on 31.03.2008 was due to global recession and domestic de-growth in automobile Industry. Subsequent increase in sales is also partially due to revival package and incentives announced by Government of India.

Other Operational Income of the Company is mainly towards generation of wind power which has remained consistent throughout the period 2006 to 2010 except from the year 2007-08 wherein a part of power generation was getting utilized for captive use and in 2011 it has witnessed quantum jump.

The new product line has already been started its production since 2009.

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The Company has invested ₹ 2030.00 lacs in the Fixed Assets of the Company for setting up new product line.

For last few quarters, the automobile industry has seen tremendous growth based on overall industrial growth of the Economy. Due to increased industrial activity and improvement in rural and highway roads the product of the Company has also witnessed robust growth.

FY 2011 witnessed quantum up-ward growth of 27.45 % in production and 26.17 % growth in domestic sales of automobile; whereas export grown by 29.64 %. It is expected that the upward growth trend will be continue the journey in FY 2012 also.

The growth in three wheeler industry is above than the overall growth, i.e. it has grown by 29.13 % as compared to overall growth of 27.45 % in entire industry. The domestic sales grew by 19.44 % whereas export grown by 55.86 % compared to previous year.

Almost 66% of total automobile exports from India are two-wheelers, and as a result, performance of this segment has a major influence on overall auto export volumes. Nonetheless, a competitive and aggressive approach from the original equipment manufacturers vehicle categories (commercial vehicles, passenger vehicles and two & three wheelers) would help bring an increase in overall export of vehicles from the Indian market in FY 2012. Additionally, there are many companies that want to make India their export hub, thereby increasing the chances of increasing exports.

c. Significant development subsequent to last financial period

In the opinion of the Board of Directors there have been no events or circumstances since the date of the last Audited Financial Statements as disclosed in this Offer Document which materially or adversely affect or is likely to affect the manufacturing or profitability of the Company, or the value of its assets, or its ability to pay liabilities within next twelve months. There is no subsequent development after the date of the Auditor's Report, except as stated in the "Risk Factors" in respect of its manufacturing facility, which the Board of Directors believe is expected to have a material impact on reserves, profits, earning per share and book value of its business.

Factors that may affect results of operations

Except as otherwise stated in this Offer Document, the Risk Factors given in this Offer Document, following factors could cause actual results to differ materially from the expectations include, among others:

- **General economic and business conditions;**

As a Company operating in India, it is affected by the general economic conditions in the country. The Indian economy has grown steadily over the past several years. This improved performance was propelled by the growth in industrial activity and robust services sector. The overall economic growth will therefore impact the results of operations. The growth prospects of the business of the Company and its ability to implement the strategies will be influenced by macroeconomic growth.

- **Factors affecting industrial activity;**

There are no specific factors that would impact the continuation of manufacturing activities of the Company.

- **Increasing competition in the industry;**

Company's competitors in the domestic market are, Piaggio Vehicles Pvt. Ltd., Bajaj Auto Ltd., Mahindra & Mahindra Ltd. and Scooters India Ltd. etc. Company is facing competition from these entities which is normal in nature.

- **Cyclical or seasonal fluctuations in the operating results;**

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There are no cyclical or seasonal fluctuations which affect the operations of the Company and which may affect the enduring financial performance at large.

- **Changes in laws and regulations that apply to the industry;**

There are some laws and regulations, such as Emission Norms, applicable to the industry in which the Company operates, which it has to comply/ follow. In case of a failure to comply with these laws and regulations or to obtain or renew the necessary permits and approvals its business may be affected.

- **Changes in fiscal, economic or political conditions in India;**

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain Company's ability to do business, increase the costs and negatively affect its financial performance.

- **Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;**

Factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain Company's ability to do business, increase the costs and negatively affect its performance. These geopolitical, social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could constrain its ability to do business.

- **Changes in the foreign exchange control regulations, interest rates and tax laws in India.**

Any change in the foreign exchange control regulation, mainly interest rates and tax laws pertaining to India affects the liquidity of cash in the market which in turn affects the purchasing power of the economy.

Overview of Company's Results of Operations

The following discussion of the financial condition and results of operations for the financial year ended on March 31, 2011, 2010, 2009, 2008 and 2007 respectively including the notes thereto and the reports thereon which appear in this Offer Document gives overview of Company's operations in past 5 years.

The Audited Financial Statements are prepared in accordance with the Indian Accounting Standards.

(₹ In lacs)

| PARTICULARS | FOR THE YEAR ENDED ON | | | | |
|------------------------------------|-----------------------|-----------------|-----------------|----------------|-----------------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| INCOME | | | | | |
| Sales: | | | | | |
| of products manufactured | 20,096.79 | 11,920.22 | 11,681.74 | 8,039.78 | 12,177.34 |
| of products traded* | 10.06 | - | - | - | - |
| Total (Net Sales) | 20,106.85 | 11,920.22 | 11,681.74 | 8,039.78 | 12,177.34 |
| Other Operational Income | 51.86 | 64.51 | 66.51 | 69.62 | 119.88 |
| Other Income | 107.61 | 122.91 | 346.43 | 94.47 | 155.74 |
| (Increase)/Decrease in Inventories | 98.49 | (76.97) | 511.63 | 1.77 | (488.48) |
| Total Income | 20167.83 | 12184.61 | 11583.05 | 8202.10 | 12941.44 |
| EXPENDITURE | | | | | |
| Raw Material Consumed | 15,620.33 | 9,160.14 | 8,842.03 | 6,272.06 | 10,420.54 |
| (As a % of Net Sales) | 78% | 77% | 76% | 78% | 86% |
| Staff Cost | 1,054.15 | 703.41 | 566.93 | 569.50 | 556.87 |
| (As a % of Net Sales) | 5% | 6% | 5% | 7% | 5% |
| Other Manufacturing Expenses | 361.72 | 257.76 | 950.25 | 176.45 | 364.23 |
| (As a % of Net Sales) | 2% | 2% | 8% | 2% | 3% |
| Administration Expenses | 719.68 | 393.94 | 485.86 | 372.21 | 517.93 |
| (As a % of Net Sales) | 4% | 3% | 4% | 5% | 4% |
| Selling and distribution expenses | 409.73 | 286.95 | 168.39 | 123.75 | 203.85 |

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| PARTICULARS | FOR THE YEAR ENDED ON | | | | |
|--|-----------------------|-----------|-----------|----------|-----------|
| | 31.3.11 | 31.3.10 | 31.3.09 | 31.3.08 | 31.3.07 |
| (As a % of Net Sales) | 2% | 2% | 1% | 2% | 2% |
| Total Expenditure | 18,165.61 | 10,802.20 | 11,013.46 | 7,513.97 | 12,063.42 |
| Earning Before Depreciation, Interest and Tax | 2,002.22 | 1,382.41 | 569.59 | 688.13 | 878.02 |
| Impairment Loss | - | 2.08 | 7.10 | - | - |
| (As a % of Net Sales) | 0% | 0% | 0% | 0% | 0% |
| Depreciation | 425.36 | 387.21 | 245.74 | 229.47 | 194.75 |
| (As a % of Net Sales) | 2% | 3% | 2% | 3% | 2% |
| Interest | 170.58 | 278.10 | 280.58 | 265.60 | 194.51 |
| (As a % of Net Sales) | 1% | 2% | 2% | 3% | 2% |
| Total | 595.94 | 667.39 | 533.42 | 495.07 | 389.26 |
| Net Profit before tax & Extraordinary Items | 1,406.28 | 715.02 | 36.17 | 193.06 | 488.76 |
| (As a % of Total Income) | 7% | 6% | 0% | 2% | 4% |
| Taxation | - | - | - | - | - |
| Current Tax | 466.69 | 158.16 | 30.66 | 25.78 | 70.71 |
| Deferred Tax | (4.59) | 102.32 | (31.49) | 35.78 | 88.12 |
| Fringe Benefit Tax | - | 0.68 | 14.26 | 3.04 | 11.78 |
| Wealth Tax | 1.50 | - | - | (0.16) | 0.50 |
| Interest on Dividend Distribution Tax | - | - | - | - | 0.22 |
| Total | 463.60 | 261.16 | 13.43 | 64.44 | 171.33 |
| Net Profit before Extraordinary Items | 942.68 | 453.86 | 22.74 | 128.62 | 317.43 |
| Extraordinary items (Net of tax) | - | - | (23.22) | 1.92 | 3.04 |
| Net Profit after Extraordinary items | 942.68 | 453.86 | 45.96 | 126.70 | 314.39 |
| (As a % of Total Income) | 5% | 4% | 0% | 2% | 3% |

Note: Figures have been regrouped wherever necessary to make the data comparable

*On 13.06.2010 the Company had purchased Vehicles – “Road Master (Nos. 6)” against form H and the same were exported along with the other three wheelers manufactured by the Company to Societe Congo Tract Plus - Congo on 14.06.2010 for Rs. 10,06,156/-.

Comparison of Financial Results for the year ended 31/03/2011 and 31/03/2010

Net Sales and Income from Operations: The Company achieved a sales turnover of ₹ 20106.85 lacs for the financial year ended on 31/03/2011 as against ₹ 11920.22 lacs in the previous financial year ended on 31/03/2010. There is increase in turnover by 69% in 2011 as compared to 2010 comprising 70% growth in vehicle sales and 42% growth in spares sales. Growth in vehicle sales is due to 57% rise in volumes and 8% rise in prices. The exports were higher by almost 3 times at ₹ 320 lacs.

Other Income: The Company has earned other income of ₹ 107.61 lacs for the year ended on 31/03/2011 as against ₹ 122.91 lacs in the previous financial year ended on 31/03/2010. There is decrease in the income by 12% mainly because of decrease in DEPB Income and other Misc. Income.

Consumption of Raw Materials: Raw material consumption is ₹ 15620.33 lacs for the year ended on 31/03/2011 as against ₹ 9160.14 lacs in the previous financial year ended on 31/03/2010. The Raw Material consumption in relation to Net Sales is almost same for the year ended on 31/03/2011 and the financial year ended on 31/03/2010. The increase was mainly on account of increase in engine price by 11%.

Processing Charges: Processing charges are ₹ 154.54 lacs for the year ended on 31/03/2011 as against ₹ 141.06 lacs in the previous financial year 2009-10. There is increase in this expenses by 10% as compared to earlier year. During the year 2010-11 there was increase in production and sales and as such there is increase in

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processing charges of body of vehicles and other parts.

Payment to and Provision for Employees: Employee costs are ₹ 1054.15 lacs for the year ended on 31/03/2011 as against ₹ 703.41 lacs in the previous financial year 2009-10. There is increase in these expenses by 50% as compared to last year and increase is mainly on account of increase in man power strength as well as cost of existing employee.

Manufacturing, Administrative and Selling Expenses: These expenses are ₹ 1336.59 lacs for the year ended on 31/03/2011 as against ₹ 797.59 lacs incurred in the previous financial year ended on 31/03/2010. During the year 2010-2011 there was increase in sales and production and as such there is increase in these expenses too. There is increase in expenses by 67% and this is mainly on account of increase in repairs, rent, travelling, director's remuneration and donations.

Depreciation: These expenses are ₹ 425.36 lacs for the year ended on 31/03/2011 as against ₹ 387.21 lacs incurred in the previous financial year ended on 31/03/2010. There is increase by 10% mainly on account of additions to fixed assets during the financial year 2010-11.

Interest: These expenses are ₹ 170.58 lacs for the year ended on 31/03/2011 as against ₹ 278.10 lacs incurred in the previous financial year ended on 31/03/2010. There is reduction of 39% mainly due to lower utilization of Cash credit limits and early repayment of term loan.

Net Profit before Tax & Extraordinary Items: Profit before Tax for the year ended on 31/03/2011 was ₹ 1406.28 lacs as compared to ₹ 715.02 lacs in the financial year 2009-10. Further Net Profit before tax as a percentage of total income has gone up from 6% in the F.Y. 2009-10 to 7% for the F.Y. 2010-11.

Net Profit after Tax & Extraordinary Items: Profit after Tax for the year ended on 31/03/2011 was ₹ 942.68 lacs as compared to ₹ 453.86 lacs in the financial year 2009-10. Further Net Profit after tax as a percentage of total income has gone up from 4% in the F.Y. 2009-10 to 5% for the F.Y. 2010-11.

Comparison of Financial Results for the year ended 31/03/2009 and 31/03/2010

Net Sales and Income from Operations: The Company achieved a sales turnover of ₹ 11,920.22 lacs for the financial year 2009-10 as against ₹ 11,681.74 lacs in the previous financial year 2008-09. This growth in sales is as per the increased in capacities through development efforts and installation of new assets along with productivity improvements in the processes and launch of Atul Gem.

Other Income: The Company has earned other income of ₹ 122.91 lacs for the financial year 2009-10 as against ₹ 346.43 lacs in the previous financial year 2008-09. The difference in other income between the financial years 2008-09 and 2009-10 is mainly on account of DEPB Income which was ₹ 298.74 Lacs in the financial year 2008-09 as compared to ₹ 49.90 Lacs in the financial year 2009-10.

Consumption of Raw Materials: Raw material consumption has gone up by 3.60% from ₹ 8842.03 lacs in 2008-09 to ₹ 9160.14 lacs in 2009-10. This increase in Raw materials consumption is in line with increase in sales.

Processing Charges: Processing charges has significantly gone down by 32.60% from ₹ 209.29 lacs in 2008-09 to ₹ 141.06 lacs in 2009-10. The decrease in expenditure was due to launch of Atul Gem which has comparative advantage in cost as there was change in product mix.

Payment to and Provision for Employees: These have gone up by 24.07% from ₹ 566.93 lacs in 2008-09 to ₹ 703.41 lacs in 2009-10 mainly on account of increase in salaries and wages.

Manufacturing, Administrative and Selling Expenses: These expenses have decreased by 42.83% from ₹ 1395.21 lacs in 2008-09 to ₹ 797.59 in 2009-10. The decrease in expenses is mainly on account of decrease in Freight & Forwarding charges by approx. 95%. The Company has received large export order of 4537 vehicles

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and incurred ocean freight of around ₹ 505 Lacs. Against the same company has exported only 57 vehicles during the year 2009-10. So, the cost was reduced due to reduction in export.

Depreciation: This has gone up by 57.57% from ₹ 245.74 lacs in 2008-09 to ₹ 387.21 lacs in 2009-10 which is mainly on account of additions to fixed assets during the financial year 2009-10.

Interest: These have gone down by 0.88% from ₹ 280.58 lacs in 2008-09 to ₹ 278.10 lacs in 2009-10 which is mainly because of increased borrowings in the form term loans and cash credit facilities availed by the Company.

Net Profit Before Tax & Extraordinary Items: Net Profit Before Tax for the financial year 2009-10 was ₹ 715.02 lacs as compared to ₹ 36.17 lacs in the financial year 2008-09. The increase was partially due to revival packages and incentives announced by Government of India and launch of new product by the Company.

Net Profit After Tax & Extraordinary Items: Net Profit After Tax for the financial year 2009-10 was ₹ 453.86 lacs as compared to ₹ 45.96 lacs in the financial year 2008-09. The increase was mainly due to revival packages and incentives announced by Government of India and launch of new product by the Company.

Comparison of Financial Results for the year ended 31/03/2008 and 31/03/2009

Net Sales and Income from Operations: The Company achieved a sales turnover of ₹ 11,681.74 lacs for the financial year 2008-09 as against ₹ 8039.78 lacs in the previous financial year 2007-08. This growth in sales is largely due to achieving larger sales volumes through development efforts and production improvement therein.

Other Income: The Company has earned other income of ₹ 346.43 lacs for the financial year 2008-09 as against ₹ 94.47 lacs in the previous financial year 2007-08. The increase in other income in financial year 2008-09 is mainly on account of DEPB Income.

Consumption of Raw Materials: Raw material consumption has gone up by 40.97% from ₹ 6272.06 lacs in 2007-08 to ₹ 8842.03 lacs in 2008-09. This increase in consumption is in line with increase in sales.

Processing Charges: Processing charges has increased by 65.72% from ₹ 126.28 lacs in 2007-08 to ₹ 209.29 lacs in 2008-09. The increase in expenditure was due to launch of Atul Gem.

Payment to and Provision for Employees: These have gone down by 0.45% from ₹ 569.50 lacs in 2007-08 to ₹ 566.93 lacs in 2008-09.

Manufacturing, Administrative and Selling Expenses: These expenses have increased by 155.47% from ₹ 546.13 lacs in 2007-08 to ₹ 1395.21 lacs in 2008-09. The increase over the previous year was due to launch of Atul Gem and due to increase in manufacturing cost of the Company due to decrease in turnover because of under utilization of capacity as well as sales with reduced profit margins. Further, during 2008-09 company has received large export order of 4537 vehicles and incurred ocean freight of around ₹ 505 Lacs. Against the same company has exported only 57 vehicles during the year 2009-10. So, the cost was reduced due to reduction in export.

Depreciation: This has gone up by 7.09% from ₹ 229.47 lacs in 2007-08 to ₹ 245.74 lacs in 2008-09 mainly on account of additions to fixed assets.

Interest: Interest expenses were ₹ 280.58 lacs in 2008-09 as against ₹ 265.60 lacs in 2007-08.

Net Profit Before Tax & Extraordinary Items: Net Profit Before Tax for the financial year 2008-09 was ₹ 36.17 lacs as compared to ₹ 193.06 lacs in the financial year 2007-08. The decrease in profit during FY 2008-09 was on account of increase in manufacturing expenses of the Company.

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Net Profit After Tax & Extraordinary Items: Net Profit After Tax for the financial year 2008-09 was ₹ 45.96 lacs as compared to ₹ 126.70 lacs in the financial year 2007-08. The decrease in profit during FY 2008-09 was mainly on account of increase in manufacturing expenses of the Company.

Comparison of Financial Results for the year ended 31/03/2007 and 31/03/2008

Net Sales and Income from Operations: The Company achieved a sales turnover of ₹ 8039.78 lacs for the financial year 2007-08 as against ₹ 12177.34 lacs in the previous financial year 2006-07. There was decrease in sales by 34% because of overall economic down turn.

Other Income: The Company has earned other income of ₹ 94.47 lacs for the financial year 2007-08 as against ₹ 155.74 lacs in the previous financial year 2006-07. The main reason for decrease in other income for FY 2007-08 was because of decrease in Interest Income received from dealers which was ₹ 14.67 Lacs for the FY 2007-08 as compared to ₹ 42.68 lacs for the FY 2006-07.

Consumption of Raw Materials: Raw material consumption has decreased by 39.81% from ₹ 10420.54 lacs in 2006-07 to ₹ 6272.06 lacs in 2007-08. The decrease is because of overall economic downturn.

Processing Charges: Processing charges has significantly gone down by 50% from ₹ 252.23 lacs in 2006-07 to ₹ 126.28 lacs in 2007-08. The main reason for decrease in these expenses was because of decrease in production of vehicles which was 8736 vehicles in FY 2007-08 as compared to 14752 vehicles in FY 2006-07 and as such, there was downfall in production by 41%. Therefore, decrease in processing charges is in line with decrease in production.

Payment to and Provision for Employees: These have gone up by 2.27% from ₹ 556.87 lacs in 2006-07 to ₹ 569.50 lacs in 2007-08.

Manufacturing, Administrative and Selling Expenses: These expenses have decreased by 34.50% from ₹ 833.78 lacs in 2006-07 to ₹ 546.13 lacs in 2007-08. The expenses have decreased as there is decrease in sales and consumption of materials.

Depreciation: This has gone up by 17.83% from ₹ 194.75 lacs in 2006-07 to ₹ 229.47 lacs in 2007-08 mainly on account of additions to fixed assets.

Interest: These have gone up by 36.55% from ₹ 194.51 lacs in 2006-07 to ₹ 265.60 lacs in 2007-08 mainly because of increased borrowings in the form of term loans and cash credit facilities availed by the Company.

Net Profit Before Tax & Extraordinary Items: Net Profit Before Tax for the financial year 2007-08 was ₹ 193.06 lacs as compared to ₹ 488.76 lacs in the financial year 2006-07. Further, Net Profit before tax as a percentage of total income has gone down from 4% in 2006-07 to 2% in 2007-08. The decrease in Profit is on account of decrease in sales as there was overall economic down turn.

Net Profit After Tax & Extraordinary Items: Net Profit After Tax for the financial year 2007-08 was ₹ 126.70 lacs as compared to ₹ 314.39 lacs in the financial year 2006-07. Further, Net Profit after tax as a percentage of total income has gone down from 3% in 2006-07 to 2% in 2007-08. The decrease in Profit is on account of decrease in sales as there was overall economic down turn.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events, other than as described in this Offer Document, which may be called “unusual” or “infrequent”.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Atul Auto Limited

Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

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 known trends or uncertainties that may have material adverse impact on the income, costs and profits of the Company from continuing operations.

4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

There are no known material changes in between costs and revenues in future.

5. 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 Company has achieved increase in net sales through larger sales volume. Apart from this there is no material increase in the net sales or revenues due to introduction of new products or services or increased sales prices.

6. Total turnover of each major industry segment in which the Company operated

The Company operates significantly in only one Industry Segment i.e. Three Wheeler Manufacturing

7. Status of any publicly announced new product

Company has not publicly announced any new products.

8. Any significant dependence on a single or few suppliers or customers

At present Company depends on single source supply of engines used for manufacturing all its products from M/s. Greaves Ltd. Company does not have any other alternative source of procuring this critical point.

9. The extent to which the business is Seasonal

Company's business is not seasonal and no major cyclical trends are observed in this industry.

10. Competitive conditions

Company's competitors in the domestic market are, Piaggio Vehicles Pvt. Ltd., Bajaj Auto Ltd., Mahindra & Mahindra Limited and Scooters India Ltd. etc. We are facing competition from these entities which is normal in nature.

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MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last audited financial statements included in this Letter of Offer, any circumstance that materially and adversely affect or is likely to affect its business or profitability or the value of the assets or the ability to pay Company's liabilities within the next 12 months. There is no subsequent development after the date of the Auditor's Report, except as stated in the "Risk Factors", which Board of Directors believe is expected to have a material impact on reserves, profits, earning per share and book value of the business.

SECTION – VII. LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below, there are no outstanding litigations, suits or civil proceedings, or criminal proceedings, or prosecutions or tax liabilities, irrespective of whether specified in Schedule XIII of the Act, against the Company or the subsidiaries, and there are no defaults, non-payment or overdues of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds and fixed deposits defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ and other offences (including past cases where penalty may or may not have been awarded) that would result in a material adverse effect on the business. None of the aforesaid persons/ companies is on RBI's list of willful defaulters. No disciplinary action has been taken by the SEBI/ Stock Exchanges against the Company, Directors of the Company and Promoters.

i) LITIGATIONS INVOLVING ISSUER COMPANY

I. Litigations against the Company

a) Litigations involving Civil Laws:

| Sr. No. | 1 |
|------------------|---|
| Department | Court of the Hon'ble Principal Senior Civil Judge, Aurangabad. |
| Case No. | Special Civil Suit No. 330 of 2009 |
| Parties involved | M/s Atul Auto Limited v/s 1. M/s Kohler Co. USA 2. M/s Lombardini International Italy 3. M/s Lombardini India Private Limited |
| Background | After filing of the plaint the Plaintiff herein kept the matter pending before the Hon'ble Principal Senior Civil Judge Aurangabad for a long time by not filing appropriate Court fees. The present suit is in form of a counter blast to the suit filed by the Defendant Company at Gondal District – Rajkot. The present suit pertains to the same transactions of selling defective engines. After the order of rejection from the Hon'ble High Court of Gujarat in Special Civil Application No. 9433 of 2009, the plaintiff persuaded the present suit. |
| Present Status | Summons was served upon the Defendant and thereafter a detailed written statement filed by the Defendant. The matter is pending for framing issues. |
| Amount Involved | ₹ 11,17,29,796/- |

b) Litigations involving Criminal Laws : NIL

c) Litigations involving Securities and Economic Laws : NIL

d) Litigations involving Statutory Laws:

i) Excise matters:

| Sr. No. | 1 |
|-----------------|----------------------------|
| Department | Central Excise and Customs |
| Case No. | A/1231-1233/WZB/AHD/2009 |
| Date instituted | 24.06.2009 |

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| | |
|-----------------|--|
| Background | Wrongly taking Service Tax on Transit insurance. Sales is factory gate sales and transit insurance is post sales expense and recovered the amount of transit insurance from buyer on invoice. |
| Present Status | Commissioner (Appeal) has allowed the appeal but department has made appeal in CESTAT against said OIA. CESTAT remand back the case and instructed the Department to decide the case on the basis of judgement available as reported in 2009-TIOL-830-CESTAT-BANG-LB.(In the said case Larger Bench holding in favour of the assessee) |
| Amount Involved | ₹ 51,255/- |

| | |
|-----------------|---|
| Sr. No. | 2 |
| Department | Central Excise and Customs |
| Case No. | IV/3-12/D/2009-10 |
| Date instituted | 23.03.2010 |
| Background | CERA Audit party has raised the point on the basis of CENVAT credit rules. According to the same we reverse the attributed CENVAT credit of excise duty on as such removal, now the ground of argument is also to reverse the CENVAT credit of Service tax of Freight (Inward) accordingly. |
| Present Status | Defence reply has been filed and awaiting for personal hearing |
| Amount Involved | ₹ 53,327/- |

| | |
|-----------------|--|
| Sr. No. | 3 |
| Department | Central Excise and Customs |
| Case No. | VI(a)/8-123/IA/ST/09-10 |
| Date instituted | 28.04.2010 |
| Background | Export has been made between June-2008 to December 2008 and amount realized through Bank i.e. SBI. The department on the basis of that says that the service tax liability is on the service recipient and made additions. |
| Present Status | Defence reply has been filed and awaiting for personal hearing |
| Amount Involved | ₹ 4,74,336/- |

| | |
|-----------------|---|
| Sr. No. | 4 |
| Department | Central Excise and Customs |
| Case No. | 363/RAJ/2010 31.03.2010 |
| Date instituted | 31.03.2010 |
| Back Ground | Freight & Transit insurance has been allowed in full but comm.. of Rajkot Dept. file appeal against SCN. No. V-Din-II/ar shaper/Jc/51/2009 w.r.t. transportation and transit insurance charges. |
| Present Status | Case is pending with Commissioner Appeals |
| Amount Involved | ₹ 16,81,586/- |

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| | |
|-----------------|--|
| Sr. No. | 5 |
| Department | Central Excise and Customs |
| Case No. | IV/3-70/D/2010-11 |
| Date instituted | 14.10.2010 |
| Back Ground | Excise Duty on transit insurance & Excise duty on sale of old and used capital goods |
| Present Status | Case is pending before Commissioner (Appeals). Defense reply filed to assistant commissioner as on 09.12.2010. |
| Amount Involved | ₹ 1,03,025/- |

ii) Income Tax matters:

| | |
|-----------------|--|
| Sl. No. | 1 |
| Department | Commissioner of Income Tax (Appeals -1), Rajkot |
| Case No. | CIT (A) 624/08-09 |
| Date Instituted | AY 2006-07 |
| Background | Amount of Depreciation on car purchased by the company was disallowed by Assessing officer, as the car is not owned by the company as it is registered in the name of the director as director of the company. Issue is covered in favour of the company by high court decision. In later year identical issue is allowed to the assessee by the Department. |
| Present Status | Appeal is pending before CIT(A)- 1. |
| Amount involved | ₹ 145000/- and demand there on is ₹ 65,370/-. Demand is fully paid by the company. |

| | |
|-----------------|---|
| Sl. No. | 2 |
| Department | ITAT, Rajkot |
| Case No. | CIT (A)-1/0299/09-10 |
| Date Instituted | 2007-08 |
| Background | In this year there were following issues were considered. <ol style="list-style-type: none"> 1. Disallowance of revenue expenditure of product development expenses of ₹ 39,40,016/- 2. Disallowance of ₹ 1,23,250/- being depreciation on car. 3. Claim Divided income of ₹ 22,96,155/- and disallowance of ₹ 4,75,238/- under section 14A. The appeal of the assessee is disposed of by the CIT (A) in favour of the company. The issue of disallowance of expenses under section 14A is because of retrospective effect of operation of law, therefore that disallowance is upheld. |
| Present Status | Department has preferred an appeal before ITAT Rajkot against the order of CIT (A) and appeal is pending for hearing appeal. |
| Amount involved | ₹ 58,84,183/- and demand thereon is amounted to ₹ 20,03,740. There is no demand payable as the appeal is allowed fully in favour of the company and consequent refund is issued. |

| | |
|-----------------|---|
| Sl. No. | 3 |
| Department | Income tax |
| Case No. | CIT(A)-II/642595 |
| Date Instituted | For A. Y. 2002-2003 on 29.04.2011 |
| Background | TDS liability because of order of DCIT (TDS) u/s. 201(1)/201(1A). |
| Present Status | Appeal is pending before CIT(A)- II, Rajkot |

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|-----------------|--|
| Amount involved | ₹ 1,60,29,732/- on which TDS liability of ₹ 14,39,060/- and interest u/s. 201(1)/(1A) of ₹ 18,20,410/- totaling to demand of ₹ 32,59,470/-. No amount is paid as the stay petition is pending before hearing and demand is disputed. |
|-----------------|--|

| | |
|-----------------|--|
| Sl. No. | 4 |
| Department | Income tax |
| Case No. | CIT(A)_II/642596 |
| Date Instituted | For A.Y. 2003-2004 on 29.04.2011 |
| Background | TDS liability because of order of DCIT (TDS) u/s. 201(1)/201(1A). |
| Present Status | Appeal is pending before CIT(A)- II, Rajkot |
| Amount involved | ₹ 1,51,01,109/- on which TDS liability of ₹ 12,50,206/- and interest u/s. 201(1)/(1A) of ₹ 12,72,082/- totaling to demand of ₹ 25,22,288/-. No amount is paid as the stay petition is pending before hearing and demand is disputed. |

| | |
|-----------------|--|
| Sl. No. | 5 |
| Department | Income tax |
| Case No. | CIT(A)-II/ 642597 |
| Date Instituted | For A.Y. 2004-2005 on 29.04.2011 |
| Background | TDS liability because of order of DCIT (TDS) u/s. 201(1)/201(1A). |
| Present Status | Appeal is pending before CIT(A)- II, Rajkot |
| Amount involved | ₹ 88,46,974/- on which TDS liability of ₹ 5,05,255/- and interest u/s. 201(1)/(1A) of ₹ 4,47,150/- totaling to demand of ₹ 9,52,405/-. No amount is paid as the stay petition is pending before hearing and demand is disputed |

| | |
|-----------------|--|
| Sl. No. | 6 |
| Department | Income Tax |
| Case No. | 133/Rjt. - 2011 |
| Date Instituted | 2005-06 |
| Background | Disallowance of the compensation paid of ₹ 3,00,000/- to Shri Nanji Ramji Rajani and CIT(A) also erred in confirming the disallowance of ₹ 1,50,000/-. He ought to have allowed full compensation of ₹ 3,00,000/-. |
| Present Status | Appeal is pending before ITAT, Rajkot |
| Amount involved | ₹ 1,50,000/- and Company has paid full demand and nothing is outstanding. |

iii) Central Sales Tax & VAT matters:

| | |
|-----------------|---|
| Sl. No. | 1 |
| Department | High Court of Gujarat, |
| Case No. | OJCA/345/2010 in TAXAP/35/2007 |
| Date Instituted | 27.12.2008 |
| Background | The company has enjoyed tax exemption up to 30.06.2002. Additional Tax introduced by govt. from 01.04.2000. F.D amended the exemption entry 69 under section 49(2) of sales tax act from dt. 03.03.01. During the AY. 2000-01 department charged the additional tax for the whole year. The counter argument for the same is that additional tax should be charged from 03.03.2001 and not from 01.04.2000. and not to adjust additional tax in exemption limit granted. |
| Present Status | Hon'ble court has allowed the application and the matter is at final hearing stage. |

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|-----------------|--|
| Amount involved | ₹ 17,36,322/- out of which ₹ 3,50,000/- is already paid. |
|-----------------|--|

e) **Litigations involving Labour Laws : NIL**

f) **Other Laws :**

i) **Consumer forum matters:**

54 cases aggregating ₹ 35,14,250/- have been filed by various persons before various Consumer Forum Against the Company for engine and vehicle and his mental agony.

| Sr. No. | Name of Court \ Forum | No. of Cases | Stage Adjudication | Amount (₹) |
|---------|--|--------------|---|------------|
| 1 | Consumer Complaint Redressal Forum, AP | 1 | Documentary evidences are submitted and matter is pending at various stages of hearing. | 72000 |
| 2 | Consumer Complaint Redressal Forum BANDA | 1 | | 50000 |
| 3 | Consumer Complaint Redressal Forum CG | 1 | | 44625 |
| 4 | Consumer Complaint Redressal Forum GUJ | 15 | | 935500 |
| 5 | Consumer Complaint Redressal Forum HR | 6 | | 267750 |
| 6 | Consumer Complaint Redressal Forum LUCKNOW | 1 | | 50000 |
| 7 | Consumer Complaint Redressal Forum MAH | 9 | | 1178500 |
| 8 | Consumer Complaint Redressal Forum MP | 10 | | 446250 |
| 9 | Consumer Complaint Redressal Forum NCR | 1 | | 44625 |
| 10 | Consumer Complaint Redressal Forum PUN. | 1 | | 44625 |
| 11 | Consumer Complaint Redressal Forum RAJ | 1 | | 44625 |
| 12 | Consumer Complaint Redressal Forum UP | 7 | | 335750 |
| | Grand Total | 54 | | 3514250 |

II. Litigations filed by the Company

a) **Litigations involving Civil Laws:**

| | |
|------------------|---|
| Sr. No. | 1 |
| Department | Principal Senior Civil Judge Gondal at Gondal District Rajkot |
| Case No. | Special Civil Suit No. 23 of 2008 |
| Parties Involved | M/s Atul Auto Limited v/s 1. M/s Kohler Co. USA 2. M/s Lombardini International Italy 3. M/s Lombardini India Private Limited |
| Background | After the filing of the Plaint, praying for Recovery of money, damages and compensation, summonses were served upon all the Defendants. Thereafter Defendant No. 3 filed a detailed written statement where as Defendant No. 1 & 2 filed objection to filing written statement along with application for deleting them from party Respondents. Hon'ble Principle Senior Civil Judge Gondal was pleased to reject the said application. Defendant Nos. 1 & 2 challenged the said rejection order before the Hon'ble High Court of Gujarat at Ahmedabad by way of filing Special Civil Application No. 9433 of 2009. The Hon'ble High Court was pleased to dismiss the said Special Civil Application vide order dated 08.03.2010. The matter is pending before the Hon'nble Principal Senior Civil Judge at Gondal. |

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| | |
|-----------------|--|
| Present Status | The matter is pending before the Hon'ble Principal Senior Civil Judge at Gondal. |
| Amount Involved | ₹ 43,08,48,961/- |

ii) LITIGATIONS INVOLVING THE PROMOTERS / DIRECTORS

A criminal Case is pending at Honorable Upper Division First Class and Special Judge-Bhopal registered as 01/2001 against five accused viz. (1) Mr.P. Raghavan MD-Madhya Pradesh Schedule Caste Development Corporation (2) Mr.OM Prakash Gupta, Development Officer – Madhya Pradesh Schedule Caste Development Corporation (3) Mr. K. M. Cheriyan, Marketing Manager-Atul Auto Limited (4) Mr. J. J. Chandra, MD - Atul Auto Limited (5) Mr. Mahendrabhai Patel, Director - Atul Auto Limited. The amount involved in the FIR is ₹ 12,31,630/-

The criminal case is about Corruption charges levelled against by Mr. P. Raghavan MD-Madhya Pradesh Schedule Caste Development Corporation and Mr.OM Prakash Gupta, Development Officer – Madhya Pradesh Schedule Caste Development Corporation. Khushbu Auto Private Limited were the supplier of vehicles on the instructions of the above named government officers and therefore they've been added in the FIR as formal parties, necessary for the purposes of investigation.

Mr. P. Raghvan has already got the FIR quashed and set aside filing a Quashing Petition before the Hon'ble High Court of Madhya Pradesh.

A Quashing Petition is also filed by the Directors of Atul Auto Limited before the Hon'ble High Court of Madhya Pradesh and the same is pending its final hearing. Nothing further any ways remains in the matter as the main accused in the matter has got the FIR quashed and set aside.

No Matters relates to Material violation of statutory regulations by the Company and Economic Offences, where proceedings have been initiated against the Company are pending or which have arisen in the immediately preceding ten years.

No past penalties imposed on the Company or any of its Directors.

iii) LITIGATIONS INVOLVING SUBSIDIARY COMPANIES

Not applicable as the Issuer Company has no Subsidiary Companies

iv) LITIGATIONS INVOLVING GROUP / ASSOCIATE COMPANIES

I. Litigations against Group / Associate Companies

1) Khushbu Auto Finance Limited

i) Income Tax matters:

| Sl. No. | 1 |
|-----------------|---|
| Department | ITAT, Rajkot |
| Case No. | Appeal No. 884/RJT/2010 |
| Date Instituted | 2005-06 |
| Background | The issue is regarding allowance of depreciation on windmill which is installed by the company on 30.09.2004 and as per inquiries it was found that same is installed in the month of January 2005. The assessee claimed depreciation @ 80% of cost of windmill. However Assessing offer allowed only 50% of 80% as depreciation. Matter went to CIT (A) and he allowed the claim of the assessee based on installation certificate of government organisation. |
| Present Status | Department has gone in to appeal before ITAT Rajkot vide appeal no. 884/ RJT/2010. |

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| | |
|-----------------|---|
| Amount involved | ₹ 2,20,10,209/- and demand thereon of ₹ 9,18, 940/-. There is no demand payable as CIT (A) has allowed the appeal in favour of the company. |
|-----------------|---|

ii) Other matters:

a. Matter pending before Consumer forum

36 cases aggregating ₹ 36,56,936/- have been filed by various persons before various Consumer Forum Against the Khusbhu Auto Finance Ltd. For recovery of money for various reasons including accident Claim compensation, non-seizure of vehicle etc.

| Sr. No. | Name of Court / Consumer Forum | No. of Cases | Present Status | Amount involved (₹) |
|---------|--|--------------|-----------------------------|---------------------|
| 1 | CONSUMER COMPLAINT REDRESSAL FORUM C.G. | 1 | ARGUMENT | 200000.00 |
| 2 | CONSUMER COMPLAINT REDRESSAL FORUM DELHI | 1 | HEARING | 0.00 |
| 3 | CONSUMER COMPLAINT REDRESSAL FORUM GUJARAT | 3 | ARGUMENT | 276080.00 |
| 4 | CONSUMER COMPLAINT REDRESSAL FORUM GUJARAT | 1 | ARREST WARRANT ISSUED | 18000.00 |
| 5 | CONSUMER COMPLAINT REDRESSAL FORUM GUJARAT | 12 | HEARING | 1070576.00 |
| 6 | CONSUMER COMPLAINT REDRESSAL FORUM GUJARAT | 1 | STATE FORUM DETAILS AWAITED | 77000.00 |
| 7 | CONSUMER COMPLAINT REDRESSAL FORUM GUJARAT | 2 | SUMMONS ISSUED | 392000.00 |
| 8 | CONSUMER COMPLAINT REDRESSAL FORUM HARYANA | 1 | EVIDANCE & FINAL ARGUMENT | 95500.00 |
| 9 | CONSUMER COMPLAINT REDRESSAL FORUM HARYANA | 2 | HEARING | 260000.00 |
| 10 | CONSUMER COMPLAINT REDRESSAL FORUM M.P. | 1 | HEARING | 150000.00 |
| 11 | CONSUMER COMPLAINT REDRESSAL FORUM M.P. | 5 | SUMMONS ISSUED | 160000.00 |
| 12 | CONSUMER COMPLAINT REDRESSAL FORUM MAHARASHTRA | 1 | EVIDANCE | 23000.00 |
| 13 | CONSUMER COMPLAINT REDRESSAL FORUM MAHARASHTRA | 1 | HEARING | 220000.00 |
| 14 | CONSUMER COMPLAINT REDRESSAL FORUM RAJASTHAN | 2 | HEARING | 397280.00 |
| 15 | CONSUMER COMPLAINT REDRESSAL FORUM U.P. | 2 | HEARING | 317500.00 |
| TOTAL | | 36 | | 3656936.00 |

b. Matter pending before Court of Judicial Magistrate:

3 cases aggregating ₹ 2,69,640/- have been filed by various persons before various Judicial Magistrate Court against the Khushbu Auto Finance Limited for recovery of money for various reasons including accident claim compensation, non-seizure of vehicle etc.

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| Sl. No. | Name of Court / Consumer Forum | No. of Cases | Present Status | Amount ₹ |
|---------|--|--------------|--------------------|-------------|
| 1 | In The Court Of Judicial Magistrate, Rajkot | 2 | Hearing | 2,69,640.00 |
| 2 | In The Court Of Judicial Magistrate Sankheda Gujarat | 1 | Filing stage issue | 0.00 |
| | Total | 3 | | 2,69,640.00 |

2) Atul Build Con Private Limited

i) Income Tax matters:

| Sl. No. | 1 |
|-----------------|---|
| Department | Commissioner of Income Tax Appeals – II, Rajkot |
| Case No. | Appeal No. 246/06-07 |
| Date Instituted | 22/11/2006 |
| Background | Penalty u/s 271(1)(c) of income tax Act, 1961 were initiated due to difference in valuation report of DVO and the cost of construction as shown in books of accounts. |
| Present Status | Matter is still pending with the Commissioner of Income Tax (Appeals)-II, Rajkot |
| Amount involved | ₹ 77,133/- |

| Sl. No. | 2 |
|-----------------|--|
| Department | Hon'ble High court, Gujarat |
| Case No. | Tax Appeal No. 926 of 2006 |
| Date Instituted | 18.12.2006 |
| Background | 5% difference of closing stock declared in the return and valued by valuation officer of department. |
| Present Status | Case is pending before with the High Court, Gujarat |
| Amount involved | ₹ (11,362/-) due to excess payment refund is there. |

| Sl. No. | 3 |
|-----------------|--|
| Department | Hon'ble High court, Gujarat |
| Case No. | Tax Appeal No. 927 of 2006 |
| Date Instituted | 18.12.2006 |
| Background | 5% difference of closing stock declared in the return and valued by valuation officer of department. |
| Present Status | Case is pending before with the High Court, Gujarat |
| Amount involved | ₹ (47,400/-) due to excess payment refund is there. |

| Sl. No. | 4 |
|-----------------|---|
| Department | Commissioner of Income Tax (Appeals) – II, Rajkot |
| Case No. | Appeal No. 0190/05-06 |
| Date Instituted | 09/03/2006 |
| Background | Disallowing of impact Fees by assessing officer for fees paid to Rajkot Municipality. |
| Present Status | Pending before Commissioner of Income Tax (Appeals) – II, Rajkot |
| Amount involved | ₹ 2,57,700/- |

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3) Khushbu Auto Private Limited

i) Litigations involving Civil Laws:

| | |
|------------------|---|
| Sr. No. | 1 |
| Department | Principal Senior Civil Judge at Aurangabad |
| Case No. | Special Civil Suit No. 50 of 2010 |
| Parties Involved | M/s Lombardini India Private Limited v/s M/s Khushbu Auto Private Limited |
| Background | The Plaintiff in the present suit has filed the plaint on the basis of their own accounting system. The Defendant herein has filed a detailed written statement defying the statement of claims. The Hon'ble Court has framed the issues and therefore the matter is at the stage of presentation/submission of evidence. |
| Present Status | The Hon'ble Court has framed the issues and therefore the matter is at the stage of presentation/submission of evidence. |
| Amount Involved | ₹ 51,98,423/- |

II. Litigations filed by Group / Associate Companies

1) Khushbu Auto Private Limited

i) Litigations involving Civil Laws:

| | |
|------------------|--|
| Sr. No. | 1 |
| Department | Principal Senior Civil Judge Rajkot At Rajkot |
| Case No. | Special Civil Suit No. 161 of 2010 |
| Parties Involved | M/s Khushbu Auto Private Limited v/s M/s Lombardini India Private Limited |
| Background | The present suit is pertaining to the outstanding amount due and payable by the Defendant. The defendant is yet to file their written statement. |
| Present Status | The defendant is yet to file their written statement. |
| Amount Involved | ₹ 4,32,01,958 /- |

2) Khushbu Auto Finance Limited

i) Litigations involving Civil Laws:

5319 cases aggregating ₹ 33,55,88,432 have been filed in the Name of the Company before various Consumer Forums against various persons for recovery of money/ vehicle for various reasons including non-payment of EMI etc. The matters are currently at various stages of adjudication.

| | | | | |
|---|---|------|---------------------------|-----------|
| 1 | In The Court of Additional Senior Civil Judge | 19 | ACCUSED EXPIRED | 1514542 |
| 2 | In The Court of Additional Senior Civil Judge | 2 | ANSWER OF NEW APPLICATION | 144249 |
| 3 | In The Court of Additional Senior Civil Judge | 2234 | BAILABLE WARRANT | 138514811 |
| 4 | In The Court of Additional Senior Civil Judge | 33 | BAILABLE WARRANT FOR | 2297348 |

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| | | | | |
|----|---|-------------|-------------------------|------------------|
| | | | PLEA | |
| 5 | In The Court of Additional Senior Civil Judge | 2 | COMPROMISE | 293680 |
| 6 | In The Court of Additional Senior Civil Judge | 298 | CROSS EXAMINATION | 20073139 |
| 7 | In The Court of Additional Senior Civil Judge | 93 | EFFIDAVIT OF EVIDENCE | 5666392 |
| 8 | In The Court of Additional Senior Civil Judge | 7 | EVIDENCE FOR INQUIRY | 716191 |
| 9 | In The Court of Additional Senior Civil Judge | 1 | FASSEL | 60986 |
| 10 | In The Court of Additional Senior Civil Judge | 3 | FRDHAR EVIDENCE | 226736 |
| 11 | In The Court of Additional Senior Civil Judge | 41 | FURTHER STATEMENT | 1734923 |
| 12 | In The Court of Additional Senior Civil Judge | 4 | HEARING | 315737 |
| 13 | In The Court of Additional Senior Civil Judge | 1 | HEARING ON EXEBIT | 49259 |
| 14 | In The Court of Additional Senior Civil Judge | 37 | INQUERY | 2142321 |
| 15 | In The Court of Additional Senior Civil Judge | 4 | LANGUAGE EXPERT MARATHI | 392189 |
| 16 | In The Court of Additional Senior Civil Judge | 116 | NEW ADDRESS | 9368431 |
| 17 | In The Court of Additional Senior Civil Judge | 171 | NON BAILABLE WARRANT | 10675358 |
| 18 | In The Court of Additional Senior Civil Judge | 9 | ORDER | 792719 |
| 19 | In The Court of Additional Senior Civil Judge | 38 | PLEA | 2926864 |
| 20 | In The Court of Additional Senior Civil Judge | 1 | PURSHISH | 108333 |
| 21 | In The Court of Additional Senior Civil Judge | 210 | RE-SUMMON | 14326685 |
| 22 | In The Court of Additional Senior Civil Judge | 8 | SETALMENT BY KAFL | 386802 |
| 23 | In The Court of Additional Senior Civil Judge | 2 | SUMMON TO BANK OFFICER | 181052 |
| 24 | In The Court of Additional Senior Civil Judge | 1950 | SUMMONS | 121051534 |
| 25 | In The Court of Additional Senior Civil Judge | 35 | VERIFICATION | 1628151 |
| | TOTAL | 5319 | | 335588432 |

Amount owed to Small Scale Undertakings

As on March 31, 2011, there is no Small Scale Undertakings under the Micro, Small and Medium Enterprises Development Act, 2006 whom the Issuer Company owes a sum exceeding ₹ 1 Lac which is outstanding for more than thirty days.

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Amount owed to Other Creditors

List of Sundry Creditors for expenses and goods to whom the Company owes more than ₹ 1 lac for more than 30 days as on March 31, 2011 is enumerated below:

| Sl. No. | Name of the Party | Amount (₹ in Lacs) |
|---------|---|--------------------|
| 1 | Galaxy Indicators | 1.3 |
| 2 | Remson Industries Ltd. | 8.22 |
| 3 | Surya Springs Pvt Ltd | 1.42 |
| 4 | Maruti Industries | 1.1 |
| 5 | Nash Robotics | 1.5 |
| 6 | Suzlon Infrastructure Services Ltd | 5.92 |
| 7 | Drishty Communication | 1.6 |
| 8 | Icra Ltd. | 1.48 |
| 9 | Achal Industries | 3.28 |
| 10 | J P Enterprise | 2.69 |
| 11 | Klassic Wheels Pvt. Ltd. | 2.75 |
| 12 | Lumax Ind. Ltd. | 2.39 |
| 13 | Pokhar Engineering Products Ltd. | 6.21 |
| 14 | Sipra Engineers Pvt. Ltd. | 3.1 |
| 15 | Sushant Industries | 5.15 |
| 16 | Thacker Rubber & Allied Ind. P. L. | 3.78 |
| 17 | Vi-Son Wires Pvt. Ltd. | 2.21 |
| 18 | Apar Industries - Ahmedabad | 1.22 |
| 19 | Arvind Engineering Works Ltd-Kolkata | 1.32 |
| 20 | Berger Paints India Ltd. -Pune | 5.50 |
| 21 | Bosch Chassis Systems India Ltd . - Jalgaon | 7.15 |
| 22 | D.M. Auto Industries. - Rajkot | 1.33 |
| 23 | Gabriel India Limited. - Parwanoo | 2.41 |
| 24 | Laxmi Auto Fastners. - Rajpura Town | 1.23 |
| 25 | Om Vinyls Pvt Ltd Ovada | 1.13 |
| 26 | Sagar Springs Pvt. Ltd. - Vadodara | 1.72 |
| 27 | Steel Strips Wheels Ltd | 3.62 |
| | Total | 80.73 |

Material Development since last Balance Sheet

There are no material changes and commitments, affecting the financial position of the Company since the last Balance Sheet date i.e. March 31, 2011.

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GOVERNMENT AND OTHER APPROVALS

The Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for the present business (as applicable on date of this Letter of Offer) and except as mentioned below, no further approvals are required for carrying on the existing business and expansion plans. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for the Company financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

In view of the approvals already obtained, the Company can undertake this Issue and the current/ proposed business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue the business activities, except the pending approvals mentioned below. Unless otherwise stated, these approvals are all valid as of the date of this Letter of Offer.

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.

I. Approvals involving Incorporation

- a) Certificate of Incorporation dated June 18 1986 issued by the Registrar of Companies, Gujarat in the name of ATUL AUTO (JAMNAGAR) PRIVATE LIMITED.
- b) Fresh Certificate of Incorporation dated August 12 1994 issued by the Registrar of Companies, Gujarat, upon change of name of the Company from ATUL AUTO (JAMNAGAR) PRIVATE LIMITED TO ATUL AUTO PRIVATE LIMITED.
- c) Fresh Certificate of Incorporation dated August 12 1994 issued by the Registrar of Companies, Gujarat upon change of status of the Company from ATUL AUTO PRIVATE LIMITED to ATUL AUTO LIMITED.

II. Approvals related to the Issue

- a) Pursuant to the resolutions passed by the Board of Directors under section 81(1) of the Companies Act, 1956 at the meeting held on June 25 2010, the Board of Directors have approved the Issue and allotment of Right Equity Shares to the Eligible Equity Shareholders of the Company, with a right to renounce.
- b) Pursuant to the resolution passed at the Extra Ordinary General Meeting of the Company held on August 31 2010, the shareholders have approved the Issue and allotment of Right Equity Shares to the Eligible Equity Shareholders of the Company, with a right to renounce.
- c) In-principle approval from the Bombay Stock Exchange of India Limited dated 14th January, 2011.

III. Approvals obtained by the Company

The Company requires various approvals to carry on its business in India. The approvals required by the Company include the following:

| Sl. No. | Name of Registration | License/ Registration No. & Date | Name of Issuing Authority/Department |
|---------|--|--|--|
| 1. | Certificate of Change of Name | 12/08/1994 | Registrar of Companies, Gujarat |
| 2. | CIN | L54100GJ1986PLC016999 | Registrar of Companies, Gujarat |
| 3. | Company's PAN (Permanent Account Number) | AACCA3018M | Commissioner of Income Tax, Rajkot |
| 4. | Company's TAN (Tax Deduction Account Number) | RKTA00416D | Income Tax Department, GOI |
| 5. | Employees Provident Fund | GJ/RJ/25651/ENF/VI/449 Dated 09/01/1996 | Regional Provident Fund Commissioner, Gujarat. |

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| Sl. No. | Name of Registration | License/ Registration No. & Date | Name of Issuing Authority/Department |
|---------|---|---|---|
| 6. | Supply of Electricity | Letter reference No. OM/COM/F/PF.55/R.117 Dated 29/02/1996 | Gujarat Electricity Board |
| 7. | License to work a factory/ Factory License | Registration No. 1281/35913/1992 License No. 5339 Dated 14/10/2009 | Joint Director Industrial Safety & Health (Directorate Industrial Safety & Health) |
| 8. | Central Excise Registration Certificate | AACCA3018MXM001 Dated 24/12/2001 | Office of Superintendent of Central Excise |
| 9. | Service Tax Registration under Excise | AACCA3018MST001 Dated 04/12/08. | Office of the Asst. Commissioner of Central Excise , under section 69 of the Finance Act, 1994 |
| 10. | Gujarat Sales Tax Number (Certificate of Registration No. 071308) | TIN No. 24092500893 | Office of the Asst. Commissioner of Sales Tax Division |
| 11. | Registration with Gujarat Pollution Control Board | Consent Order No. 9057, Date of issue: 18/06/07 | Gujarat Pollution Control Board |
| 12. | Import Export Code | IEC No 2492000125, Date of issue 30/04/92. | Office of the Foreign Trade Development officer, Ministry of Commerce, Gujarat |
| 13. | Registration under ARAI (Automotive Research Association of India) | ATUL RE - Certificate No. AAFN0154 Dated 11/05/10; ATUL SHKTI- Certificate No. AAFN0231 dated 01/06/10 | Automotive Research Association of India. |
| 14. | Engineering Export Promotion Council | RCMC:B:MFG:10163:2008-09 | Office of Regional Director of Engineering Export Promotion Council. |
| 15. | Department of Industrial Development Secretariat for Industrial Approvals Entrepreneurial Assistance unit | 28781A7IM0204 dated 01.09.1994 | Department of Industrial Development Secretariat for Industrial Approvals Entrepreneurial Assistance unit |
| 16. | Shops and Establishments | Jaipur: SH/159/R11A/P20/04 Pune R&D: II/97054 Pune Office: II/9365 | Shop License Authority |
| 17. | Industrial Entrepreneur's Memorandum | 04-16999 | Ministry of Industries |

SECTION - VIII. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority to the Issue

The Issue is being made pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on June 25 2010 and subsequently approved by the shareholders at the Extra Ordinary General Meeting of the Company held on August 31 2010. The Board of Directors determined the Rights Issue price at ₹ 30.00 per Equity Share and a rights entitlement of 1 Equity Shares for every 4 fully paid-up Equity Shares held on the Record Date, i.e. on 5th September, 2011.

Consent of Lenders

The agreements in respect of some of the debt taken by the Company contain certain covenants inter-alia requiring the Company to seek the prior permission of the said bank for various activities, including amongst others, such as effecting any change in the capital structure, declaration and payment of dividends for any year in case of default on payment of any amount due to the Bank, issuing new securities, changing the ownership, shareholding pattern, Management etc. Company has obtained these consents from its lenders, where require.

Prohibition by SEBI, RBI or Governmental Authorities

The Company, its Promoters or members of the Promoter Group, Directors or person(s) in control of the Company, Company Associates or Group Companies with which the Directors of the Company were or are associated, as Directors or Promoters have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. None of the Directors of the Company are associated with the securities market in any manner.

Neither the Company, nor the Promoters, Promoter Group Companies, the relatives of Promoters, have been declared as willful defaulters by the RBI or any other governmental authority and there have been no violations of securities laws committed by any of them in the past and no such proceedings are currently pending against them except as provided under the section titled "Legal & Other Information" beginning on page 167 of this Letter of Offer.

Compliance with Part A of Schedule VIII of SEBI (ICDR) Regulations.

Pursuant to Clause (1) of Part E of Schedule VIII of the SEBI Regulations, the Company is eligible to offer this Issue in terms of Part A of Schedule VIII of the SEBI (ICDR) Regulations.

The Company has duly complied with the following during the last financial year:

- i) Provisions of the Listing Agreement with respect to reporting and compliance under Clauses 35, 40A, 41 and 49.
- ii) Provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, with respect to reporting in terms of Regulation 8(3) pertaining to disclosure of changes in shareholding and Regulation 8A pertaining to disclosure of pledge shares.
- iii) Provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992, with respect to reporting in terms of Regulation 13.

Eligibility of the Issue

The Company is an existing company registered under the Companies Act, whose Equity Shares is listed on BSE. The Company is eligible to offer this Rights Issue in terms of Chapter IV of the SEBI (ICDR) Regulations, 2009. It satisfies the following conditions:

- a. The Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this Letter of Offer with the designated stock exchange.

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- b. The reports, statements and information referred to sub-clause (a) above are available on the website of Bombay Stock Exchange Limited (BSE), the recognized stock exchange with nationwide trading terminals.
- c. The Company has investor grievance – handling mechanism which includes meeting of the Shareholder’s Committee at frequent intervals, appropriate delegation of power by the Board of Directors of the Company as regards share transfer and have clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAD BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

“IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ 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 LETTER OF OFFER. THE LEAD MANAGER TO THE ISSUE, SUMEDHA FISCAL SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER SUMEDHA FISCAL SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 06.01.2011 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID RIGHTS 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 LETTER OF OFFER 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 LETTER OF OFFER 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 &

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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 LETTER OF OFFER 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 – NOT APPLICABLE
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 LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE LETTER OF OFFER. – NOT APPLICABLE
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUES 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 LETTER OF OFFER – NOT APPLICABLE
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 & 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 MONIES RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM THE STOCK EXCHANGE MENTIONED IN THE LETTER OF OFFER. 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 LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR

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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 LETTER OF OFFER:
 - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
 - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO THE ADVERTISEMENT IN TERMS OF 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 OF 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 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 LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER, SUMEDHA FISCAL SERVICES LIMITED ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

DISCLAIMER

The Company and the Lead Manager to the issue accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the issue will be deemed to have been represented to the Issuer Company and Lead Manager 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 are relying on independent advice / evaluation as to their ability and quantum of investment in this issue.

CAUTION

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI. The Lead Manager and the Company shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

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DISCLAIMER WITH RESPECT TO JURISDICTION

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations hereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Gujarat, India only.

The distribution of this Letter of Offer and the offering of the securities on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. The Company is making this Issue of Equity Shares on a rights basis to the Shareholders of the Company and will dispatch the Letter of Offer and CAFs to Shareholders who have provided the Indian address.

No action has been, or will be taken to permit an offering of these securities in any jurisdiction where action would be required for that purpose, except that the Letter of Offer has been filed with SEBI and SEBI has given its observations and that the Letter of Offer would be filed with the relevant stock exchanges in India. Accordingly, the equity shares may not be offered or sold, directly or indirectly, and the Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Letter of Offer, nor any sale hereunder, shall under any circumstances, create any implication that the affairs of the Company has remained unchanged since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

United States Restrictions

NEITHER THE RIGHTS ENTITLEMENTS NOR THE EQUITY SHARES THAT MAY BE PURCHASED PURSUANT THERETO HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF (THE "UNITED STATES" OR THE "U.S.") OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "US PERSONS" (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RIGHTS REFERRED TO IN THIS LETTER OF OFFER ARE BEING OFFERED IN INDIA, BUT NOT IN THE UNITED STATES. THE OFFERING TO WHICH THIS LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY SHARES OR RIGHTS FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SHARES OR RIGHTS. ACCORDINGLY, THIS LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME, EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. NEITHER OUR COMPANY NOR ANY PERSON ACTING ON BEHALF OF THE COMPANY WILL ACCEPT SUBSCRIPTIONS FROM ANY PERSON, OR THE AGENT OF ANY PERSON, WHO APPEARS TO BE, OR WHO THE COMPANY OR ANY PERSON ACTING ON BEHALF OF THE COMPANY HAS REASON TO BELIEVE IS, A RESIDENT OF THE UNITED STATES AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THIS LETTER OF OFFER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

DISCLAIMER CLAUSE OF THE BSE

Bombay Stock Exchange Limited ("BSE") has given vide its letter ref. no.DCS/PREF/JA/IP-RT/1390/10-11 dated 14th January, 2011 permission to this Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The Exchange does not in any manner:

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- ii. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. Take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or

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construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

FILING

The Letter of Offer has been filed with SEBI, Western Regional Office, Unit No: 022, Ground Floor, SAKARI, Near Gandhigram Railway Station, Opp. Nehru Bridge Ashram Road, Ahmedabad – 380 009 to give its observations and a copy has been filed with the Stock Exchange as per the requirement under Regulation 6(4) of the SEBI (ICDR) Regulations. All the legal requirements applicable till the date of filling this Letter of Offer with the Stock Exchange have been complied with.

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DESIGNATED STOCK EXCHANGE

The Designated Stock Exchange for the purposes of this Issue will be the BSE.

IMPERSONATION

As a matter of abundant caution, 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”

LISTING

The existing Equity Shares is listed on BSE (Designated Stock Exchange). The Company has made application to BSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. The Company has received in-principle approval from BSE vide letter dated 14th January, 2011.

If the permission to deal in and for an official quotation of the securities is not granted by the Stock Exchange mentioned above, within 15 days from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within 8 days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Act.

CONSENTS

The written consents of Promoters, Directors, Auditors, Lead Managers to the Issue, Registrars to the Issue, Bankers to the Issue, Legal Advisor and Bankers to the Company to act in their respective capacities have been obtained and such consents have not been withdrawn up to the time of delivery of this Letter of Offer with the Stock Exchange.

The Auditors of the Company has given their written consent for inclusion of their report in the form and content appearing in this Letter of Offer and such consent and report have not been withdrawn up to the time of delivery of this Letter of Offer to the Stock Exchange.

The Auditors of the Company has given their written consent for inclusion of income tax benefits in the form and content appearing in the Letter of Offer, accruing to the Company and its members.

To the best of our knowledge, there are no other consents required for making this Rights Issue. However, should the need arise, necessary consents shall be obtained by us.

EXPERT OPINION

The Company has not obtained any expert opinion apart from whatever is already mentioned in this Letter of Offer.

EXPENSES TO THE ISSUE

The expenses to this Rights Issue payable by the Company including lead manager's fees, fee payable to auditors, legal counsel, registrar to the issue, printing and distribution expenses, publicity, listing fees, stamp duty and other miscellaneous expenses will not exceed ₹ 15.00 Lacs and will be met out of the proceeds of the Rights Issue.

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| Sl. No. | Particulars | Amount (₹ in Lacs) | % of Total Issue Expenses | % of Total Issue Size |
|---------|--|--------------------|---------------------------|-----------------------|
| 1. | Fees of Lead Manager, Registrar, Legal Advisor, Auditors, etc. | 9.20 | 61.33 % | 2.10 % |
| 2. | Printing & Stationery, Distribution, Postage, etc. | 2.00 | 13.33% | 0.46 % |
| 3. | Advertisement & Marketing Expenses | 1.00 | 6.67% | 0.23 % |
| 4. | Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.) | 1.50 | 10.00% | 0.34 % |
| 5. | Contingencies | 1.30 | 8.67% | 0.30 % |
| | TOTAL | 15.00 | 100.00% | 3.43 % |

PREVIOUS RIGHTS AND PUBLIC ISSUES

Except as disclosed in the “Capital Structure” on page 43 of this Letter of Offer, Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Letter of Offer.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

Except as stated in the section titled “Capital Structure” on page 43 of this Letter of Offer, Company has not made any previous issues of shares for consideration otherwise than for cash.

COMPANIES UNDER THE SAME MANAGEMENT

No company under the same management (within the meaning of section 370(1)(B) of the Companies Act) has made any capital issue during the last 3 years.

OUTSTANDING DEBENTURES OR BONDS OR PREFERENCE SHARES

There are no outstanding debentures or bonds or preference shares as on date of filing of this Letter of Offer.

OPTION TO SUBSCRIBE

Other than as disclosed in the section titled “Capital Structure” of this Letter of Offer, the Company has not given any person any option to subscribe for the Equity Shares.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in physical form and in respect of which the Company issues letters of allotment, the corresponding Share Certificates will be delivered within three months from the date of allotment thereof or such extended time as may be approved by the Central Government under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which will subsequently be exchanged for the Share Certificates. For further details, see “—Option to receive Equity Shares in Dematerialized Form” below under the section titled “Terms and Procedure of the Issue” of this Letter of Offer.

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SECTION IX. - STOCK MARKET DATA

The Equity Shares of the Company were initially listed on the Ahmadabad Stock Exchange Limited, Bombay Stock Exchange and Saurashtra Kutch Stock Exchange Limited. Subsequently, the Company was voluntarily delisted from the Ahmadabad Stock Exchange Limited with effect from 21.01.2009 and the Company was delisted from Saurashtra Kutch Stock Exchange Limited with effect from July 2007, as the recognition of the Stock Exchange had been withdrawn by SEBI vide its order dated July 5, 2007. The shares are actively traded on BSE. The Company has received In-Principle approvals for listing of the Equity Shares to be issued pursuant to this Issue from the BSE by letter dated 14th January, 2011 the Company will make applications to the BSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. If the permission to deal in and for an official quotation is not granted for the Equity Shares by the BSE, the Company shall forthwith repay, without interest, all monies received from the Investors pursuant to the Letter of Offer. If such money is not repaid within eight days after Company becomes liable to repay it (i.e. 15 days after Issue Closing Date or the date of refusal by the BSE, whichever is earlier), the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest as prescribed under Section 73 of the Companies Act.

The Company's shares are presently listed on BSE only. On 31-Dec-2010, the closing price of Equity Shares of the Company on BSE was ₹ 113.55 (Equity Shares of face value of ₹ 10 each). The high and low closing prices recorded on BSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

The week end prices of the Equity Shares of the Company on the BSE in the last four weeks together with the high and low prices are set out below:

| Week ending | High | | Volume on date of high (No. of Shares) | Low | | Volume on date of low (No. of Shares) | Average (₹) |
|-------------|--------|----------|--|--------|----------|---------------------------------------|-------------|
| | (₹) | Date | | (₹) | Date | | |
| 24-June-11 | 118.10 | 21.06.11 | 2,857 | 114.20 | 23.06.11 | 1,417 | 116.15 |
| 01-July-11 | 117.60 | 01.07.11 | 1,103 | 115.20 | 29.06.11 | 2,499 | 116.40 |
| 08-July-11 | 116.30 | 08.07.11 | 12,648 | 113.10 | 07.07.11 | 3,228 | 114.70 |
| 15-July-11 | 122.30 | 15.07.11 | 2,772 | 117.00 | 11.07.11 | 1,244 | 119.65 |

Source: www.bseindia.com

Notes:

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

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The high and low prices of the Equity Shares of the Company recorded on BSE for the preceding three years are stated below:

| Year ended 31st March | High | | Volume on date of high (No. of Shares) | Low | | Volume on date of low (No. of Shares) | Average Closing Price for the year |
|-----------------------|-----------|--------|--|-----------|-------|---------------------------------------|------------------------------------|
| | Date | (₹) | | Date | (₹) | | |
| 2011 | 5-Nov-10 | 159.90 | 2129 | 13-Apr-10 | 42.55 | 5027 | 101.23 |
| 2010 | 17-Oct-09 | 56.7 | 25 | 15-May-09 | 22.05 | 100 | 39.38 |
| 2009 | 25-Jun-08 | 71.2 | 47855 | 28-Oct-08 | 20 | 5 | 45.60 |

Source: www.bseindia.com

Notes: High, low and average prices are of the daily closing prices.

The high and low prices of the Equity Shares of the Company recorded on BSE for the six months preceding the date of filing of the Letter of Offer are stated below:

| Month | High | | Volume on date of high (No. of Shares) | Low | | Volume on date of low (No. of Shares) | Average (₹) |
|----------|----------|--------|--|----------|--------|---------------------------------------|-------------|
| | Date | (₹) | | Date | (₹) | | |
| Jan'11 | 07.01.11 | 118.65 | 8,911 | 17.01.11 | 102.50 | 2,548 | 110.58 |
| Feb'11 | 18.02.11 | 124.45 | 54,361 | 09.02.11 | 102.65 | 1,303 | 113.55 |
| Mar' 11 | 03.03.11 | 121.45 | 4,042 | 30.03.11 | 108.10 | 1,710 | 114.78 |
| Apr' 11 | 27.04.11 | 138.80 | 8,643 | 01.04.11 | 113.10 | 251 | 125.95 |
| May' 11 | 02.05.11 | 136.65 | 9,862 | 24.05.11 | 117.15 | 2,109 | 126.90 |
| June' 11 | 14.06.11 | 132.25 | 11,873 | 23.06.11 | 114.20 | 1,417 | 123.23 |

Source: www.bseindia.com

Notes: High, low and average prices are of the daily closing prices.

The market capitalization of the Equity Shares as on December 31, 2010 was ₹ 6644 Lacs on the BSE based on a market price of ₹ 113.55.

Closing Market price immediately after the date of the Board Meeting approving the rights issue is ₹ 110/-.

CAUTION

- The Issue is pursuant to a resolution passed by the Board of Directors at its meeting held on June 25 2010.
- The Issue is applicable to those Equity Shareholders whose names appear (i) as beneficial owners in the list to be furnished by the Depositories on the Record Date in respect of the Equity Shares held in the electronic form, and (ii) in the Register of Members of the Company at the close of business hours on the Record Date in respect of the Equity Shares held in physical form, in each case, after giving effect to any valid share transfers up to the Record Date, i.e., 5th September, 2011.
- Attention is drawn to the section titled "Risk Factors" of this Letter of Offer.
- Please ensure to receive the CAF with this Letter of Offer/Abridged Letter of Offer.
- Please read this Letter of Offer and the instructions contained therein and in the CAF carefully before completing the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer/Abridged Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance with the provisions contained in the Letter of Offer/Abridged Letter of Offer or the CAF.

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- All enquiries in connection with this Letter of Offer or the CAF should be addressed to the Registrar to the Issue, quoting the registered folio number/the DP ID number, the client ID number, the CAF serial number and the name of the first Equity Shareholder as mentioned in the CAF.
- All information shall be made available to the investors by the Lead Managers and the Company, and no selective or additional information will be made available by them for any section of the investors in any manner whatsoever including at presentations or in research or sales reports.
- The Lead Manager and the Company shall update this Letter of Offer and keep the public informed of any material changes until the listing and commencement of trading of the Equity Shares.

Issue Schedule

| | |
|--|-----------------------------|
| Issue Opening Date: | 15th September, 2011 |
| Last date for receiving requests for split forms: | 23rd September, 2011 |
| Issue Closing Date: | 29th September, 2011 |

The Board of Directors will have the right to extend the Issue Closing Date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES BY THE COMPANY

The Memorandum of Understanding between the Registrar to the Issue and the Company, will provide for retention of records with the Registrar to the Issue for a period of at least 3 years from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository 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.

The Company has constituted a Shareholders' Committee to look into the redressal of shareholder/investor complaints such as Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures, complaints for non receipt of dividends etc.

For further details on this committee, please refer section titled "Management and Corporate Governance", on page no. 96 of this Letter of Offer. To expedite the process of share transfer, the Company has appointed Sharex Dynamic (India) Pvt. Ltd. as the Registrar and Share Transfer Agents of the Company.

Details of Investor complaints during last three years preceding the filing Letter of Offer with SEBI

| For the Period / Financial Year ended | Particulars | Nos. of Complaints received | Nos. of Complaints disposed | Nos. of Complaints pending |
|--|-------------------------|------------------------------------|------------------------------------|-----------------------------------|
| 2010-11 | Non Receipt of Dividend | 2 | 2 | NIL |
| 2009-10 | Nil | NIL | NIL | NIL |
| 2008-09 | Non Receipt of Dividend | 3 | 3 | NIL |

Details of Investor complaints as on the date of filing Letter of Offer with SEBI

NIL.

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DISPOSAL OF INVESTOR GRIEVANCES BY THE COMPANY

Company estimates that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be 7 working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, Company will seek to redress these complaints as expeditiously as possible.

Investors may contact the Company Secretary and Compliance Officer of the Company in case of any Pre-Issue/Post-Issue related problems such as non-receipt of allotment advice/Share Certificates/demat credit/refund orders, etc. The contact details of the Company Secretary and Compliance Officer are as follows:

Ms. Purvi Prashant Mehta
(Company Secretary & Compliance Officer)
Atul Auto Limited, Registered Office:
Survey No. 86, Plot No. 1 to 4,
National Highway 8-B, Near Microwave Tower,
Rajkot Gondal Highway, Village Shapar (Veraval),
Taluka Kotda Sangani, Rajkot-360002, Gujarat
Tel No: +91 2827-666000,
Fax No: +91 2827-666029
Email: investorrelations@atulauto.co.in
Website: www.atulauto.co.in

All grievances relating to the ASBA process may be addressed to the SCSB, giving complete details such as the name and address of the ASBA Applicant, the number of Equity Shares applied for, the Application Money paid on the CAF and the Designated Branch or the collection center of the SCSB where the CAF was submitted by the ASBA Applicant.

CHANGES IN AUDITORS

There has been no change in Statutory Auditors in the last 3 years

CAPITALISATION OF RESERVES OR PROFITS

Except as disclosed in the section titled "Capital Structure" of this Letter of Offer, the Company has not capitalized any of its reserves or profits in the last 5 years.

REVALUATION OF ASSETS

There has been no revaluation of the Company's fixed assets in the last five years. For further details, see the section titled "Financial Statements" beginning on page 115 of this Letter of Offer.

ISSUE SCHEDULE

| | |
|--|-----------------------------|
| Issue Opening Date | 15th September, 2011 |
| Last date for receiving request for split forms | 23rd September, 2011 |
| Issue Closing Date | 29th September, 2011 |

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Allotment Letters / Refund Orders

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. In case of ASBA Investors, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to the extent of the refund to be made within 15 days of the Issue Closing Date. If such money is not repaid within 8 days from the day Company become liable to pay it, Company shall pay that money with interest as stipulated under Section 73 of the Act. Letters of allotment/ share certificates/ demat credit/ refund orders will be dispatched by registered post/ speed post to the sole/ first applicant's registered address.. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in

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the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for dispatch of the letters of allotment/ share certificates/ demat credit/ refund orders.

In case Company issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the share certificates.

Option to Subscribe

Other than the present rights Issue, Company has not given any person any option to subscribe to the Equity Shares of the Company. The Equity Shareholders are given the option to receive the share certificates in physical form or hold shares in dematerialised form with a depository. (Refer the “Terms of Issue” on page 248 of this Letter of Offer for details)

Important

- (a) This Issue is authorized pursuant to the resolution passed by the Board of Directors at its meeting held on June 25 2010 and the resolution passed by the Equity Shareholders at the Extra Ordinary General Meeting of the Company held on August 31 2010.
- (b) The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e., 5th September, 2011 fixed in consultation with the Stock Exchange.
- (c) Company will arrange to dispatch the Letter of Offer and Composite Application Form (“CAF”) by post to such Equity Shareholders in India.
- (d) Your attention is drawn to the section entitled “Risk Factors” appearing on page 12 of this Letter of Offer.
- (e) Please ensure that you have received the Composite Application Form (“CAF”) with this Letter of Offer
- (f) Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAF. The instruction contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.
- (g) All enquiries in connection with this Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.
- (h) All information shall be made available to the Investors by the Lead Managers and the Issuer, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, research or sales reports, etc.
- (i) The Lead Managers and the Issuer shall update this Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

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SECTION X. – MAIN PROVISIONS OF THE MEMORANDUM & ARTICLES OF ASSOCIATION

MEMORANDUM OF ASSOCIATION

THE MAIN OBJECT OF THE COMPANY TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION:

To design, develop, manufacture, assemble, buy, sell distribute, import, export, alter, remodel, hire exchange repair, service and otherwise deal in all classes of Automotives including. Two-wheelers and Three-wheeler of every kind and description, motorcars, jeeps, trucks, motor lorries, station wagons, tractors, commercial vehicles and carriages, whether propelled mechanically or by steam, oil, gas, petrol, diesel, spirit, electricity or any other power or energy or otherwise name called.

ARTICLES OF ASSOCIATION

THE MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION ARE SETFORTH BELOW:

5. SHARE CAPITAL AND VARIATION OF THE RIGHT

- (a) The Authorized Share Capital of the company shall be in accordance with clause V of the Memorandum of Association of the company from time to time divide the share capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or accordance with the Articles of association of Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of company.
- (b) Subject to the right of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares respectively at the commencement of the winding up.
- (c) The cumulative redeemable shares shall confer on the holders thereof the right to a fixed cumulative preferential dividend at the rate of 14% per annum or such other rate as may be fixed by the Board of Directors from time to time either at the time of issue or revising the rate of dividend on the existing preference shares in conformity with the rate from time to time prescribed under the preference shares (regulation of dividend) Act, 1960 free of company's tax, but subject to deduction of tax at source at the prescribe rates, on the capital, for the time being paid up thereon, or deemed to be paid up thereon and in the event of winding up the right to redemption of capital and arrears of the said fixed dividend accrued upto the date of the commencement of the winding up and payable whether such dividend has been earned or declared or not, and shall as regards such dividend and payment in winding up rank in priority to equity shares in the capital of the company for the time being, but the said preference shares shall not entitle the holder thereof to any further or other participation in the profits or assets of the company.
- (d) Subject to the provisions of the Act the preference shares shall be redeemed before the expiry of 10 years the date of allotment provided.
- (e) If the company through its directors decides to redeem only a part of the preference share for the time being outstanding during the period' mentioned in paragraph (d) above, the said preference shares to be redeemed on each occasion shall be determined by drawing of lots to be made at such time and place and in such manner as the directors may determine, but in the presence of at least one of the directors and representatives of the auditors of the company for the time being.
- (f) The company shall not create and/or issue preference shares in future ranking in priority to the preference shares already issue and further in the event the company creates and/or issue preference

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shares in future ranking pari passu with the preference shares already issued it would do so only with the consent in writing of the holders of not less than 3/4th of the preference shares then outstanding or with the sanction by special resolution passed at a separate meeting of the holders of preference shares.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

6. The company may from time to time in general meeting increase its share capital by the issue of new shares of such amounts as it think expedient.
 - (a) Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the general meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the company and subject to the provisions of the said sections with special or without any right of voting and subject to the provisions of section 80 of the Act and preference shares may be issued on the terms that they are or at the option of the company are to be liable to be redeemed.
 - (b) Further Issue of Capital
 - (i) Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares, whether out of unissued share capital or out of the increased share capital.
 - (ii) such further shares shall be offered to the persons who at the date of offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit to the capital paid up on those shares at that date.
 - (iii) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
 - (iv) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice shall contain a statement of this right.
 - (v) After the expiry of the time specified in the notice aforesaid or in receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.
 - (c) Notwithstanding anything contained in the preceding sub clause the company may :
 - (i) by a special resolution; 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 that general meeting (including the casting vote, if any, of the chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, of 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.
 - (iii) Offer further shares to any person or persons, and such person or persons may or may not include the persons/s who at the date of the offer, are the holders of the equity shares of the company.

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- (d) Notwithstanding anything contained in sub-clause (a) above, but subject, however, to section 81(3) of the Act, the company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the company to convert such debentures or loans into shares, or to subscribe for shares in the company.
- (e) Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash and if so issued shall be deemed to be fully paid up or partly paid up shares as the case may be.
- (f) Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

7. Power to issue redeemable Preference Shares

- (a) Subject to the provisions of sections 80 and 80 A of the Act and subject to the provisions on which any shares may have been issued, the company, may issue preference shares which are or at the option of the company are to be liable to be redeemed.

PROVIDED THAT:

- (i) no such shares shall be redeemed except out of the profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of redemption;
 - (ii) no such shares shall be redeemed unless they are fully paid;
 - (iii) the premium, if any, payable on redemption shall have been provided for out of the profits of the company or out of the company's share premium account before the shares are redeemed;
 - (iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the capital redemption reserve account", a sum equal to the nominal amount of the shares deemed and the provisions of the Act relating to the reduction of the share capital of the company shall, except as provided in section 80 of the Act, apply as if the capital redemption reserve account were paid up share capital of the company.
- (b) Subject to the provisions of sections 80 and 80 A of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be effected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.
 - (c) The redemption of preference shares under these provisions by the company shall not be taken as reducing the amount of its authorized share capital.
 - (d) Were in pursuance of this Article, the company has redeemed or is about to redeem any preference shares, it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued; and accordingly the Share Capital of the Company shall not, for the purpose of calculating the fees payable under section 611 of the Act, be deemed to be increased by the issue of shares in pursuance of this clause.

Provided that where new shares are issued before the redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.

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- (e) The capital Redemption Reserve Account may, notwithstanding anything in this article, be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.
8. The company shall be at liberty at any time, either at one time or from time to time as the company shall think fit, by giving not less than six month previous notice in writing to the holders of the preference shares to redeem at par the whole or part of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated upto the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect:
- (a) The shares to be redeemed shall be determined by drawing of lots which the company shall cause to be made at registered office in the presence of one director at least; and
 - (b) Forthwith after every such drawing, the company shall, notify to the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the registered office of the Company at the time and on the date to be named against surrender of the Certificates in respect of tag shares to be so redeemed and the time and date so notified each such shareholder shall be bound to surrender to the company the Share Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount to such shareholders in respect of such redemption. The shares to be redeemed shall cease to carry dividend from the date named for payment as aforesaid. Where any such certificate comprises any shares which have not been drawn for redemption, the Company shall issue to the holder thereof a fresh certificate therefore.
9. The company may from time to time by special resolution, subject to confirmation by the court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account of premium account in any manner for the time being authorized by law and in particular without prejudice to the generality of the foregoing power may by:
- (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresentative by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company.
- And may if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.
10. Subject to the provisions of Section 94 of Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows that is to say it may.
- (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
 - (b) sub divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub division the proportion between the amount paid and the amount if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub division one or more of such shares may subject to the provisions of the Act, be given any preference or advantage over the others of any other such shares.
 - (c) convert, all or any of its fully paid up shares into stock, and reconvert that stock into fully paid up shares of any denomination.

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- (d) Cancel shares which at the date of such general meeting have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

11. If the Company has:

- (i) consolidated and divided its Share Capital into shares of large amount than its existing shares;
- (ii) converted any shares into stock;
- (iii) reconverted any stock into shares;
- (iv) sub- divided its share or any to them;
- (v) redeemed any redeemable preference shares; or
- (vi) cancelled any shares otherwise than in connection with a reduction of Share Capital under Section 100 to 104 of Act.

The company shall within one month after doing so, give notice thereof to the registrar specifying as the case may be, the shares consolidated,' divided, converted, sub-divided, redeemed or cancelled or the stocks reconverted.

12. the Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.
13. If at any time the share capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Section 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article were omitted. The provisions of these Articles relating to general meetings shall mutates mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 102 is not present, those persons who are present shall be quorum.

SHARES AND CERTIFICATES

14. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise be deemed to be varied or modified or affected by the creation or issue of further shares ranking pari passu therewith.
15. The Provisions of Section 85 to 88 of the Act in so far as the same may be applicable shall be observed by the company.

"In respect of shares or other securities of the company held in dematerialized form, the provisions relating to joint holders contained herein shall mutates-mutandis apply to the joint beneficial owners."

DEMATERIALIZATION AND DEPOSITORY

15A "Authority to dematerialize securities,"

- (1) Notwithstanding anything to the contrary contained in these Articles, the Board of Directors may at any time decide to permit holding of and dealings in any or all the shares or debentures or other securities of the Company (hereinafter' referred to as "securities") in dematerialized form under the provisions of the Depositories Act and may offer the securities of the Company for subscription/allotment in dematerialized form in the manner provided by the said Act.
- (2) When any securities of the Company are held or dealt in dematerialized form.

"Option to hold securities in certificates or with Depository"

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- (a) Every person holding any securities of the Company through allotment or otherwise, shall have the option to receive and hold the same in the form of certificates or to hold the same with a depository.

"Securities with Depository to be dematerialized"

- (b) All securities held with a depository shall be dematerialized and the depository shall hold the same for the Beneficial Owners thereof in a fungible form.

"Beneficial owner is member"

- (c) Every person holding securities, of the Company and whose name is entered as a beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities held by him in a depository,

"Beneficial owner may opt out of a Depository"

- (d) Every person holding securities of the company with depository, being the beneficial owner thereof may at any time opt out of the depository in the manner provided under the provisions of the Depositories Act and on exercise of such option and on fulfillment of the conditions and payment of the fees, prescribed under the said Act, the Company shall rematerialize the relevant securities and issue to the beneficial owner thereof the requisite certificates of such securities.
- (e) 15A "Authority to dematerialize securities,"

15B "Intimation of Depository"

- (1) The Company shall make available to the depository, copies of the relevant records in respect of securities held by such depository for the beneficial owners thereof.
- (2) When a holder or an allotted of securities opts to hold the same with a depository, the Company shall intimate such depository the details of his holdings or allotment of securities and thereupon the depository shall enter in its record the names of the holders/allotters as the Beneficial owners of such securities.

"Register and Index of Beneficial Owners"

- 15C The Register and Index of Beneficial Owners of securities maintained by a depository under Section 11 of the Depositories Act shall be deemed to be and forming part of the Register and Index of Members or of holders of Debentures of other securities of the Company.

15D "Transfer of securities held in a Depository"

- (1) Transfer of securities held in a depository will be governed by provisions of the Depositories Act.
- (2) Every depository shall furnish to the Company information about the transfer of securities, the name of Beneficial Owners at such intervals and in such manner as may be specified under the provisions of the Depositories. Act.
- (3) Section 108 of the Act shall not apply to transfer of securities effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the records of a Depository.

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NOMINATION INTER VIVO:

15E NOMINATION

- (1) Every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares in or debentures of, the Company shall vest in the event of death of such holder.
- (2) Where the shares in or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, held by them shall vest in the event of death of all joint holders.
- (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise or in these Articles in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or, debentures of the company, nominee shall, on the death of the holder, or as the case may be, on the death of joint holders or as the case may be, on the death of joint holders of shares or debentures become entitled to, all the rights of the deceased holder or, as the case may be, of all the deceased joint holders of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the provisions of the Act.
- (4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to make the nomination to appoint, in the manner prescribed under the provisions of the Act, any person to become entitled to shares in or debentures of the Company, in the event of his death during the minority.
- (5) The provisions of this Article shall apply mutates-mutandis to a depositor of money with the Company as per Section 58A of the Act.

15F "Transmission in the name of nominee"

- (1) Any person who becomes a nominee by virtue of the provisions of Article 15E, upon production of such evidence as may be required by the Board of Directors and subject as hereunder provided, shall elect, either.
 - (i) to be registered himself as holder of the shares or debentures, as the case may be, or
 - (ii) to make such transfer of the shares or debentures, as the case may be, as the deceased shareholder or debenture holder, could have made.
- (2) If the nominee elects himself to be registered as holder of the shares, or debentures, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied by the certificate of death of the deceased holder and the certificate(s) of shares or debentures as the case may be held by the deceased in the Company.
- (3) subject to the provision of the Section 109B(3) of the Act and these Articles, the Board of Directors may register the relevant shares or debentures in the name of the nominee or the transfer as if the death of registered holder of the shares or debenture had not occurred and the notice of transfer were a transfer signed by the holder.
- (4) A nominee on becoming entitled to any shares or debentures on the death holder or joint holders shall be entitled to the same dividends and other advantages to which he would have been entitled if he was the registered holder of shares or debentures, except that he shall not, before being registered as a holder of such shares or debentures, be entitled in respect of them to, exercise any right conferred on a member or debenture holder in relation to meetings of the Company.
- (5) The Board of Directors 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 within ninety days, the Board of Directors may thereafter withhold payment of all dividends, bonuses interest or other moneys payable or rights accruing in respect of the relevant shares or debentures, until the requirements of the notice have been complied with.

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16. Register of members and debenture holders
 - (a) The company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company may also keep a foreign Register of Members and Debenture holders in accordance with Section 157 of the Act.
 - (b) The Company shall also comply with the provisions of Sections 159 and 161 of the Act as to filing of Annual Returns.
 - (c) The Company shall duly with the provisions of Section 163 of the Act in regard to keeping of the Registers, Indexes, copies of Annual Returns, giving inspection thereof furnishing copies thereof.
17. The Company shall comply with the provisions of Section 149 of the Act.
18. The Board of Directors shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act shall cause to be made the return as to allotment provided for in Section 75 of the Act.
19. The shares in the Capital shall be numbered progressively according to the several denominations and except in the manner herein before mentioned no share shall be subdivided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.
20. 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 proportion and on such terms and conditions and either at a premium or at par or (subject to 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 general meeting to give to any person the option to call for any shares either at par or at a 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 for any property sold and transferred or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares.
21. Every share transferable etc.
 - (i) The shares or other interest of any member in the Company shall be a movable property transferable in the manner provided by the Articles.
 - (ii) Each share in the Company shall be distinguished by its appropriate number.
 - (iii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be, prima facie, evidence of the title of the member of such shares.
22. Applications of premium received on issue of shares
 - (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called "the share premium account" and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the share premium account were paid-up share capital of the Company.
 - (b) The share premium account, may notwithstanding anything in clause (a) above, be applied by the Company.
 - (i) in paying up unissued shares of the company to be issued to members of the Company as fully paid bonus shares;
 - (ii) in writing off the preliminary expenses of the Company;
 - (iii) in writing off the expense of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company or

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- (iv) in providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company.
23. If and whenever, as the result of issue of new or further shares or any consolidation or sub-division of shares, any shares are held by members in fractions, the Directors shall, subject to the provisions of the Act and the Articles and to the directions of the Company in general meeting, if any, sell those shares, which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof.
- For the purpose of giving effect to any such sale the Directors may authorize any person to any such sale the Directors may authorize any person to transfers the shares sold to the purchases thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchases money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
24. An application signed by or on behalf of an applicant for share in the Company, followed by an allotment within the meaning of these articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Directors shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.
25. The money (if any) which the Board of Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call otherwise in respect of any shares allotted by them, immediately, in the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee the allottee thereof, and shall be paid by him accordingly.
26. Save as herein provided, the Company shall be entitled to treat the person whose name appears on the register of members as the holder of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognize any benami, trust of equity or equitable, contingent, future or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply.
27. Issue of Certificate of shares to be governed by section 84 of the Act etc.
- (a) The issue of certificates of shares or of duplicate or renewal of certificates of Shares shall be governed by the provisions of Section 84 and other provisions of the Act, as may be applicable and by the Rules or notifications or orders, if any which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules of regulations of any stock exchange where the shares of the company may be listed for the time being.
- (b) The certificate of title to shares shall be issued under the seal of the company and shall be signed by such Directors or officers or other authorized persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed in such manner and by such persons as the Directors may determine from time to time.
- (c) The company shall comply with all rules and regulations and other directions which may be made by any competent authority under section 84 of the Act.
28. Limitation of time of issue of certificate
- (a) Every member shall be entitled, without payment, to one certificate for all the shares of each class or denomination registered in, his name, or if the Directors so approve (upon paying such fee as the Directors 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 the time provided by section 113 of the Act unless the conditions of issue thereof otherwise provide. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and the amount paid up thereon and shall be in such form as the Director shall prescribe or approve provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue held jointly by several persons, the company

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shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.

- (b) The company shall not entertain any application for split of share/debenture certificate for less than 10 shares/debentures (all relating to the same series) in market lot as the case may be.

Provided however this restriction shall not apply to an application made by the existing member or debenture holder for split of share/debenture certificates, with a view to make an odd lot holding into a marketable lot subject to verification by the company.

- (c) Notwithstanding anything contained in clause (a) above the Directors shall, however, comply with such requirements of the stock Exchange where shares of the company may be listed or such requirements of any rules made under the Act or such requirements of the securities contracts (Regulation) Act, 1956 as may be applicable.

29. 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 of any certificate be 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 a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate, Every Certificate under this Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding ₹ 1/-for each certificate) as the Directors shall prescribe, out of pocket expenses incurred by the company in investigation the evidence as to the loss or destruction shall be paid to the company if demanded by the Directors.

Provided that notwithstanding what is stated above the Directors shall comply with such Rule of 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.

30. The provisions of the Article under this heading shall mutates mutandis apply to debentures of the company.

UNDERWRITING COMMISSION AND BROKERAGE

31.

(A) The company may pay a commission to any person in consideration of:

- (i) his subscribing or agreeing to subscribe whether absolutely or conditionally, for any shares in or debentures of the company, subject to the restrictions specified in sub-section (4A) section 76 of the Act, or
- (ii) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debenture of the company, if the following conditions are fulfilled namely;
- (a) the commission paid or agreed to be paid does not exceed in the case of shares five percent of the price at which the shares are issued and in the case of debentures, two and held percent of the price at which the debentures are issued;
- (b) the amount or rate percent of the commission paid or agreed to be paid, on shares or debentures offered to the public for subscription, is disclosed in the prospectus, and in the case of shares or debentures not offered to the public for subscription, is disclosed in the statement in lieu of prospectus and filed before the payment of the commission with the Registrar, and where a circular or notice not being a prospectus inviting subscription for the shares or debentures is issued is also disclosed in that circular or notice;
- (c) the number of shares or debentures which such persons have agreed for a commission to subscribe, absolutely or conditionally is disclosed in the manner aforesaid and
- (d) a copy of the contract for the payment of commission is delivered to the Registrar at the time of delivery of the prospectus or the statement in lieu of prospectus for registration.

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- (B) Save as aforesaid and save as provided in section 75 of the Act, the company shall not allot any of its shares or debentures or apply any of its moneys, either directly or indirectly, in payment of any commission discount or allowance to any person in consideration of:
- (i) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in, or debentures of the company or;
 - (ii) his procuring or agreeing to procure, subscriptions, whether absolutely or conditionally, for any shares in, or debentures of the company whether the shares, debentures or money be so allotted or applied by, being added to the purchase money of any property acquired by the company or to the contract price of any work to be executed for the company or the money be paid out of the nominal purchase money or contract price, or otherwise.
- (C) Nothing in this Article shall affect the power of the company to pay such brokerage as it has heretofore been lawful for the company to pay.
- (D) A vendor to, promoter of, other person who receives payment in shares, debentures or money from the company shall have and shall be deemed always to have had power to apply any part of the shares, debentures or money so received for payment of any commission, the payment of which if made directly by the company would have been legal under section 76 of the Act.
- (E) The commission may be paid or satisfied (subject to the provisions of the Act and these articles) in cash, or in shares, debentures or debenture stocks of the company.

CALLS

32. The Directors may from time to time and subject to section 91 of the Act and subject to the terms on which and shares/debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board of Directors (and not by circular resolution) make such calls as they think fit upon the members/debenture holders in respect of all moneys unpaid on the shares/debentures held by them respectively and each member/ debenture holder shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by instalments. A call may be postponed or revoked as the Board of Directors may determine.
33. A call shall be deemed to have been made at the time when the resolution of the directors authorizing such call was passed and may be made payable by members/debenture holders on a subsequent date to be specified by the Directors.
34. Thirty days notice in writing shall be given by the company of every calls made payable otherwise than on allotment specifying the time of payment of such call, the Directors may by notice in writing to the members/debenture holders revoke the same.
35. The Directors may from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members/debenture holders who from residence at a distance or other cause, the directors may deem fairly entitled to such extension, but no member/debenture holder shall be entitled to such extension, save as a matter of grace and favour.
36. Any sum, which by the terms of issue of a share / debenture becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share / debenture or by way of premium, shall for the purpose of the Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.
37. If by the condition of allotment of any shares the whole or part of the amount of issue price thereof shall be payable by instalments, every such instalment shall when due, be paid to the company by the person who, for the time being and from time to time, shall be the registered holder of the share or his legal representative.
38. Where any call for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class.

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Explanation : For the purpose of this provision, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

39. The joint holders of a share shall be severally as well as jointly liable for the payment for all installments and calls due in respect of such shares.
40. If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof or any such extension thereof, the holder for the time being or allotted of the share in respect of which a call shall have been made or the installment shall be due, shall pay interest as shall be fixed by the Board of Directors from the day appointed for the payment thereof or any such extension thereof to time of actual payment but the Directors may waive payment of such interest wholly or in part.
41. Neither a judgment nor a decree in favour of the company for calls or other moneys due to respect of any shares nor the company's apportionment of any money which shall from time to time be due from any member in respect of any shares either by way of principal of interest nor any indulgence granted by the company in respect of payment of any such money shall preclude the forfeiture of such shares herein provided.
42. On the trial or hearing of any action or suit brought by the company against any member or its legal representative of the recovery of any money claimed to be due to the company in respect of any shares it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered appears in the Register of members as the holder or one of the holders, at or subsequent to the date at which the money sought to be recovered is alleged to have become due, of the shares in respect of which such money is sought to be recovered and that the resolution making the call is duly recorded in the Minutes Book, and that the notice of such call was duly given to the member or his representatives used in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such calls nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
43. Payment in anticipation of calls may carry interest
 - (a) The Directors may, if they think fit, subject to the provisions of section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, to 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 dividends. The directors may at any time repay the amount so advanced.
 - (b) The member shall not however be entitled to any voting rights in respect of the moneys so paid by him until the same would if for such payment, become presently payable.
44. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

LIEN

45. The company shall have first and paramount lien upon all the shares/debentures (other than fully paid up shares/ debentures) registered in the name of each member/debenture holder (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 shares/ debentures shall be created except upon the footing and condition that Article 26 hereof will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/ debentures. The directors may at any time declare any shares/ debentures, wholly or in part to be exempt from the provisions of the clause.
46. For the purpose of enforcing such lien, the Board of Directors may sell the shares/ debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorize one of their members or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member/ debenture holder. No sale shall be made until such period, as may be stipulated by the Board of Directors from time

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to time, and until notice in writing of the intention to sell shall have been served in such member and/ or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfilment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

47. Application of proceeds of sale

- (a) The net proceeds of any such sale shall be received by the company and applied in or towards payment, of such part of the amount in respect of the which the lien exists as is presently payable and the residue if any, shall. (subject to a like for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and/or debentures at the date of the sale.
- (b) The company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as, ordered by a court of competent jurisdiction or by statute required) be bound to recognize equitable or other claim} to or interest in, such shares or debentures on the part of any other person, the company's lien shall prevail notwithstanding that it had received notice of any such claims.

FORFEITURE

48. If call or installment not paid notice must be given

- (a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any shares or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any . such extension thereof as aforesaid, the Directors may at any time thereafter during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share 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 that may have been incurred by the company be reason of such nonpayment.
- (b) The notice shall name a day not being less than 14 (fourteen) days from the date of the notice and a place or places, on and at which call, or installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited.

49. If the requirements of any such notice as aforesaid are not complied with any share/ debenture in respect of which such notice has been given, may at any time there after before payment of all calls or installments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the company of a portion of any money which shall from time to time be due from ant member of the company in respect to his shares either by way of principal or interest, nor any indulgence granted by the company, in respect of the payment of any such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as herein provided, such forfeiture shall include all dividends declared or interest paid or any other moneys payable in respect of the forfeited shares or debentures and .not actually paid before the forfeiture.

50. When any shares/debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of members or debenture holders but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

51. Any share or debenture so forfeited shall be deemed to be the property of the company, and may be sold re-allotted or otherwise disposed of either to the original holder or to any other person upon such terms and in such manner as the Directors shall think fit.

52. The Directors may, at any time, before and share or debenture so forfeited shall have been sold, re-allotted or otherwise disposed of, annual forfeiture thereof upon such conditions as they think fit.

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53. Any member or debenture holder whose shares or debentures 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 money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.
54. The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such or those rights as by these Articles are expressly saved.
55. A Certificate in writing under the hand of one Director and counter signed by the Secretary or any other officer authorized by the Directors for the purpose, that the call in respect of a share, or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.
56. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove given, the directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of members of Register of debenture holders in respect of the shares or debentures sold and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of members of debenture holders in respect of such shares or debentures the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damaged only and against the company exclusively.
57. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate originally issued in respect of the relative shares or dentures shall (unless the same shall on demand by the company has been previously surrendered to it by the defaulting member or debenture holder) stand cancelled and become null and void and be of no effect, and the directors shall be entitled to issue a duplicate certificate/s in respect of the said shares or debentures to the persons/s entitled thereto.
58. The company may receive the consideration, if any given for the share or debenture on any sale, re-allotment or other disposition thereof, and the person to whom such share of debenture is sold, re-allotted or disposed of may be registered as the holder of the share or debenture and shall not be bound to see to the application of the consideration if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture sale, re-allotment or other disposal of the share or debenture.
59. The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or debenture holder desirous of surrendering them on such terms as they think fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

60. The Company shall keep a book to be called the "Register of transfers" and there shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.
61. The instrument of transfer shall be in writing and all the provisions of section 108 of the Act, shall be duly complied with in respect of all transfer of shares and registration thereof.
62. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of members in respect thereof.
63. Director may refuse to register transfer
 - (a) Subject to the provisions of section 111 of the Act, and section 22A of the Securities Contracts (Regulation) Act, 1956 or any other legislation in force for the time being the Directors may, by giving reasons at their own absolute and uncontrolled discretion 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 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 giving reasons for such refusal to register such transfer provided that registration of a transfer shall not be refused on the ground 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.

- (b) Nothing in sections 108, 109 and 110 of the Act shall prejudice this power to refuse legal ground to register the transfer of or the transmission by operation of law of the rights to, any shares or interest of a member in, or debentures of the Company.

64. Transfer of shares

- (a) An application of registration of the transfer of shares may be made either by the transferor provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this article, the Company shall unless objection is made by the transferee, within two weeks from the date of receipt of the notice, enter in the register of members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares 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 along with the certificate relating to the shares if no such Certificate is in existence, along with the letter of allotment of shares, The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.
- (d) Nothing in clause (c) above shall prejudice any power-of the Company to register as shareholder any person to whom the right to any share has been transmitted by operation of law.
- (e) The Company shall accept all applications for transfer of shares / debentures, however, this condition shall not apply to requests received by the company:
 - (A) For splitting of a share or debenture certificate into several scripts of very small denominations:
 - (B) Proposals for transfer of shares/debentures comprised in a share/debenture certificate to several parties involving; splitting of a share/debenture certificate into small denominations and that such split/transfer appears to be unreasonable or without any genuine need.
 - (i) Transfer of Equity shares/debentures made in pursuance of any statutory provision or an order of a competent court of law:
 - (ii) The transfer of the entire Equity shares/debentures by an existing shareholder/debentures-holder of the Company holding under one folio less than 10 (ten) Equity Shares or 5 (five) debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.
 - (iii) The transfer of not less than 10 (ten) Equity shares or 5 (five) debentures (all relating to the same series) in favour of the same transferee (s) under two or more transfer deeds, out of which one or more relate (s) to the transfer of less than 10 (ten) Equity Shares/5 (five) debentures.

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- (iv) The transfer of less than 10 (ten) Equity shares or 5 (five) debentures (all relating to the same series) to the existing share-holder/debenture-holder subject to verification by the company.

Provided that the Board of Directors may in its absolute discretion waive the aforesaid conditions in a fit and proper case (s) and the decision of the Board of Directors shall be final in such case (s).

- (f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.
65. The instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All instruments of transfer which the Directors may decline to register, shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.
 66. The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situated, to close the Transfer books, the Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year.
 67. Only fully paid shares or debentures shall be transferred to a minor acting through his/her legal or natural guardian, under no circumstances, share or debentures be transferred to any insolvent or a person of insane mind.
 68. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a succession Certificate or the legal representative if a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognize as having any title to the shares registered in the name of such member, and the Company shall not be bound to recognize such executors or administrators or the legal representatives unless they shall have first obtained Probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent 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 Letter of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.
 69. Subject to the provisions of Articles 68 and 78 (d), any person becoming entitled to any share in consequence of death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so he shall not be free from any liability in respect of such shares.
 70. A transfer of the shares or other interest in the company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of instrument of transfer.
 71. The person becoming entitled to a share by reason of death, lunacy, bankruptcy or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled as if he were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board of Directors may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if the notice is not complied within sixty days, the Board of Directors may thereafter withhold payment of all dividends, interests, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

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72. Persons entitled may receive dividend without being registered as member.
- (a) A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends, bonuses or moneys as hereinafter provided by entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share/debenture.
 - (b) This Article shall not prejudice the provisions of Articles 45 and 56.
73. The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transfer named in an ordinary transfer presented for registration.
74. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.
75. No fee shall be charged for registration of transfer or transmission, grant of probate, letter of Administration, certificate of death, marriage, power of Attorney or similar other documents.
76. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice referred thereto in any book of the Company and the Company shall not be bound or required to read or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.
77. The Provisions of these Articles shall mutates mutandis apply to the transfer or transmission by operation of law, of debentures of the Company.

Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of shares, debentures or other securities on behalf of beneficial owners and shall not have any voting rights in respect of shares, debentures and securities held by it. The beneficial owner as per the register of Beneficial owners maintained by Depository shall be entitled to all right including voting rights and benefits in respect of the securities held by him with the Depository.

JOINT HOLDERS

78. where two or more persons are registered as the holders of any shares/debentures, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants of survivorship, subject to the following and other provisions contained in these Articles.
- (a) The joint holders of any share/debenture shall be liable severally for persons as the holders of any share/debenture.
 - (b) In the case of transfer of shares/debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders.
 - (c) The joint holders of any share/debenture shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share/debenture.
 - (d) On the death of any more of such joint holders the survivor, survivors shall be the only person or persons recognized by the Company as having any title to the share/ debenture/ but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares/debentures held by him jointly with any other person.
 - (e) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share/debenture.

- (f) Only the person whose name stands first in the Register of members/debenture-holders as one of the joint holder of any shares/debentures shall be entitled to the delivery of the certificate relating to such share/debenture or to receive notice (which expression shall, be deemed to include all documents as defined in Article (2) (a) hereof) and document served on or sent to such person shall be deemed service on all the joint holders.
- (g) Vote of joint holder
 - (i) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at any meeting personally shall be entitled to vote in preference to a joint holder present by attorney or by proxy although the name of such joint holder present by an Attorney or proxy stands first (or higher as the case may be) in the Register in respect of such shares.
 - (ii) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint holders.

BORROWING POWERS

79. The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of the Articles of Association of the Company.
- (a) sell, lease 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 after the commencement of this Act, 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 can not be carried on or can be carried on only with difficulty or only after a considerable time.
 - (d) borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.
 - (e) contribute, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial years exceed fifty thousand rupees or five percent, 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.

Explanation: Every resolution passed by the company in general meeting in relation to the power referred to in clause (d) or in clause (e) shall specify the total amount upto which money may be borrowed by the Board of Directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e).

80. The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable, debenture or debenture-stocks 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.

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81. Any bonds, debentures, debentures, debenture-stocks or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Provided that bonds, debentures, debenture-stock or other securities so issued or to be issued by the Company with the right to allotment of or conversion into shares shall consider to be for the benefit of the Company.

82. Debenture, debenture stocks, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

83. Any bonds, debenture stocks, or other securities may be issued, subject to the provisions of the Act, at a discount, premium or otherwise and with any special privilege as to redemption, surrender, drawings, appointment of Directors as otherwise and subject to the following:

- (a) The Company shall not issue any debentures carrying voting rights at any meeting of the Company whether generally or in respect of particular classes of business.
- (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- (c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- (d) Certain charge mentioned in Section 125, of the Act shall be void against the liquidators or creditors unless registered as provided in section 125 of the Act.
- (e) The term 'change' shall include mortgage in these Articles.
- (f) A contract with the Company to take up and pay for any debentures of the Company may be enforced by a decree for specific performance.
- (g) The Company shall, within three months after the allotment of any of its debentures or debentures stock, and within one months after the application for the registration of the transfer of any such debentures or debenture stocks have complete and have ready for delivery the Certificate of all the debentures and the Certificate of all debenture stocks allotted or transferred unless the conditions of issue of the debentures or debenture stocks otherwise provide.

The expression 'transfer' for the purpose of this clause means a transfer duly stamped an otherwise valid and does not include any transfer which the Company is for any reason entitled to refuse to register and dose not register.

- (h) Rights to obtain copies of and inspect Trust Deed
 - (i) A copy of any Trust Deed for securing any issue of debentures shall be forwarded to the holder of any such debentures or any member of the Company at his request and within seven days of the making thereof on payment.
 - (1) In the case of a printed Trust Deed of the sum of Rupee One and.
 - (2) In the case of the Trust Deed which has not been printed of thirty seven paise for every one hundred words or fractional part thereof required to copied.
 - (ii) The Trust Deed referred to in item (i) above also be open to inspection by any member or debenture-holder of the Company in the same manner, to the same extent, and on payment of the same fees, as if it were the Register of members of the Company.

84. If any uncalled capital of the Company is included in or char aged by any mortgage or other security the Directors shall, subject to the provisions of the Act, and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.

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85. If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage charge or security over or affecting the whole or any part of the assets of the Company be was of indemnity to secure the Directors or person so becoming liable as aforesaid for many loss in respect of such liability.
86. Registration of Charges
- (a) The provision of the Act relating to registration of charges shall be complied with.
 - (b) In the case of a charge created out of India and comprising solely of property situated outside India, the provisions of Section 125 of the Act shall also be complied with.
 - (c) Where a charge is created in India but comprises of property outside India, the instrument creating or purporting to create the charge under Section 125 of the Act or a copy thereof verified in the prescribed manner, may be filed for registration, notwithstanding that further proceeding may be necessary to make the charge valid or effectual according to the law of the country in which the property is situated, as provided by Section 125 of the Act.
 - (d) Where any charge on any property of the Company required to be registered under Section 125 of the Act has been so registered any person acquiring such property or any part thereof or any share or interest therein shall be deemed to have notice of the charge as from the date of such registration.
 - (e) In respect of registration of charges on properties acquired subject to charge, the provisions of Section 127 of the Act shall be complied with.
 - (f) The Company shall comply with the provisions of Section 128 of the Act relating to particulars in case of series of debentures entitling holders *pari passu*.
 - (g) The Company shall comply with the provisions of Section 129 of the Act in regard to registration of particulars of commission, allowance or discount paid or made, directly, directly or indirectly, in connection with the debentures.
 - (h) The provisions of Section 133 of the Act as to endorsement of Certificate or registration on debenture or certificate of debenture stock shall to be complied with by the Company.
 - (i) The Company shall comply with the provisions of Section 134 of the Act as regards registration of particulars of every charge and of every series of debentures.
 - (j) As to modification of charges the Company shall comply with the provisions of Section 135 of the Act.
 - (k) The Company shall comply with provisions of Section 136 of the Act regarding keeping a copy of instrument creating charge at the registered office of the company and comply with the provisions of Section 137 of the Act in regard of entering in the register of charges any appointment of receiver or manager as therein provided.
 - (l) The Company shall also comply with the provisions of Section 138 of the Act as to reporting satisfaction of any charge and procedure thereafter.
 - (m) The Company shall keep as its registered office a Register of charges and enter therein all charges specifically affecting any property of the Company and all floating charges on the undertaking or on any property of the Company giving in each case:
 - (i) a short description of the property charged;
 - (ii) the amount of the charge; and
 - (iii) except in the case of securities to bearer, the names of persons entitled to the charge.
 - (n) Any creditor or member of the Company and any other person shall have the right to inspect copies of instruments creating charges and the Company's Register of charges in accordance with and subject to the provisions of Section 144 of the Act.

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87. No notice of any trust, express or implied or constructive, shall be entered on the Register of Debenture-holders.

SHARE WARRANTS

88. The Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act and accordingly the Board of Directors may, in its discretion, with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board of Directors 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 fees as the Board of Directors may, from time to time require, issue a warrant.
89. Deposit of share warrants
- (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 name were inserted in the Register of members as the holder of the share included in the deposited warrant.
 - (b) Not more than one person shall be recognized as depositor of the Share Warrant.
 - (c) The Company shall on two days written notice return the deposited share warrant to the depositor.
90. Privileges and disabilities of the holders of share warrant
- (a) 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 privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.
 - (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of members as the holder of the shares included in the warrant and he shall be a member of the Company.
91. The Board of Directors may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

92. 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 interests, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arise 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 reconvert any stock into paid up shares of any denomination.
93. The holders of stock shall according to the amount of stock held by them have same right, privileges and advantages as regards dividends, voting at meeting of the Company and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and the assets on winding up shall be conferred by an amount of stock which would not if existing in shares, have conferred that privilege advantage.

GENERAL MEETINGS

94. subject to the provisions contained in Sections 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as such in the Notice calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

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Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall be held then such annual general meeting may be held within such extend period.

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 have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company there shall be laid on the table, the Director's report, the audited statement of accounts and auditors' report (if any, not already incorporated in the audited statements or accounts). The proxy, registered with the Company and Register of Directors' share' holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board of Directors shall cause to prepare the Annual list of Members, summary of Share capital, balance sheet and profit and Loss Account, and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

95. Every annual general meeting shall be called at anytime during business hours, on a day that is not a public holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate, and the notice calling the meeting shall specify it as the annual general meeting.
96. Section 171 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meeting of any class of members or debenture holders of the company in like manner as they apply with respect to general meeting of the company.
97. The Directors may call an extraordinary general meeting of the company whenever they think fit.
98. Calling of Extraordinary general Meeting on requisition
 - (a) The Board of Directors of the company shall on the requisition of such number of members of the company as is specified in clause (d) of this Articles, forthwith proceed duly to call an Extraordinary general meeting of the company.
 - (b) Te requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitions, and shall be deposited at the registered office of the company.
 - (c) The requisition may consist of several documents in like form, each signed by one or more requisitions.
 - (d) The number of members entitled to requisition a meeting in regard to any mater shall be such number of them as hold at the date of the deposit of the requisition not less than one tenth of such of the paid up share capital of the company as at the date carried the right of voting in regard to that matter.
 - (e) Where two or more distinct matters are specified in the requisition the provisions of clause (d) above, shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
 - (f) If the Board of Directors does not, within twenty one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call meeting for the consideration of those matters then on a day not later than forty five days from the date of the deposit of the requisition, the meeting may be called;
 - (i) by the requisitions themselves;
 - (ii) by such of the requisitions as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of such of the paid up share capital of the company as is referred to in clause (d) above, whichever is less.

Explanation: for the purpose of this clause, the Board of Directors shall in the case of a meeting at which resolution is to be proposed as a special resolution be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section 189 of the Act.

- (g) A meeting, called under clause (f) above, by the requisitionists or any of them :

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- (i) shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board of Directors; but
- (ii) shall not be held after the expiration of three months from the date of the deposit of the requisition.

Explanation : Nothing in clause (g) (ii) above, shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.

- (h) Where two or more persons hold any shares or interest in the Company jointly, a requisition, or a notice calling a meeting, signed by one or some of them shall, for the purposes of this Articles, have same force and effect as if it had been signed by all of them.
- (i) Any reasonable expenses incurred by the requisitionists by reasons of the failure of the Board of Directors duly to call a meeting shall be repaid to the requisitionists by the company, and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration for their services to such of the Directors as were in default.

99. Length of notice for calling meeting

- (a) A general meeting of the Company may be called by giving not less than twenty one days notice in writing.
- (b) A general meeting of the company may be called after giving shorter notice than that specified in clause (a) above, if consent is accorded there to;
 - (i) in the case of an annual general meeting by all the members entitled to vote thereat; and
 - (ii) in the case of any other meeting, by members of the company holding not less than 95 (ninety five) per cent of such part of the paid up capital of the company as gives a right to vote at the meeting.

Provided that where any members of the company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the Purposes of this clause in respect of the former resolution or resolutions and not in respect of the latter.

100. Contents and manner of service of notice and persons on whom it is to be served

- (a) Every notice of a meeting of the company shall specify the place and the day hour of the meeting and shall contain a statement of the business to be transacted thereat.
- (b) Notice of every meeting of the company shall be given :
 - (i) to every member of the company, in any manner authorized by sub section (1) to (4) of section 53 of the Act;
 - (ii) to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title or representatives of the deceased or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred;
 - (iii) to the Auditor or Auditors for the time being of the company in any manner authorized by section 53 of the Act in the case of any member or members of the company and
 - (iv) to all the Directors of the company.

Provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood of the registered office of the company under sub-section (3) of section 53 of the Act, the statement of material facts referred to in section 173 of the Act need not be annexed to the

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notice as required by that section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the company.

- (c) The accidental omission to give notice to, or the receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

101. Explanatory statement to be annexed to notice

(A) For the purpose of this Article :

- (i) in the case of an annual general meeting, all business to be transacted at the meeting shall be deemed special with the exception of business relating to :
 - (a) the consideration of the accounts, balance sheet and the reports of the Board of Directors and auditors.
 - (b) The declaration of a dividend.
 - (c) The appointment of directors in the place of those retiring, and
 - (d) The appointment of and the fixing of the remuneration of the auditors, and
- (ii) in the case of any other meetings, all business shall be deemed special.
- (B) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each item of business including in particular the nature of the concern or interest, if any, therein of every Director, and the manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the company relates, to or affects, any other company, the extent of shareholding interest in that other company of any such person shall be set out in the circumstances specified in the proviso to subsection (2) and section 173 of the Act.

- (C) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the documents can be inspected shall be specified in the statement aforesaid.

102. Quorum for meeting

- (a) Five members personally present shall be the quorum for a meeting of the company.
- (b) If quorum not present meeting to be dissolved or adjourned
 - (i) if within half an hour from the time appointed for holding a meeting of the company, a quorum is not present, the meeting if called off called upon by requisition of members, shall stand dissolved.
 - (ii) In any other case the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place, as the Board of Directors may determine.
- (c) If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.

103. Presence of quorum

- (a) No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.
- (b) No business shall be discussed or transacted at any general meeting except the election of a Chairman while the Chair is vacant.
- (c) Chairman of general meeting
 - (i) The chairman of the Board of Directors shall be entitled to take the chair at every general meeting. If there be no Chairman or in at any meeting he shall not be present within 15

(fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be the chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.

- (ii) If at any meeting a quorum of members shall be present, and the Chair shall not be taken by the chairman or Vice Chairman of the Board or by a Director at the expiration of 15 minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their member to be the Chairman of the meeting
- (d) The chairman with the consent of the meeting may adjourn any meeting from time to time and from place to place in the city, town or village where the registered office of the company is situate.
- (e) No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.
- (f) When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.
- (g) Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith, save as aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the take of the poll.

104. Proxies

- (a) Any member of the company entitled to attend and vote a meeting of the company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in the case of joint holders all holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provided that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

- (b) In every notice calling a meeting of the company there shall appear with reasonable prominence statement that a member entitled to attend and vote in entitled to appoint a proxy to attend vote instead of himself, and that a proxy need not be member.
- (c) The instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy be lodged with the company not less than 48 (forty eight) hours before the meeting in order that the appointment may be effective thereat.
- (d) The instrument appointing a proxy shall:
 - (i) be in writing, and
 - (ii) be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.
- (e) Every instrument of proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit, be in usual common form or in such other form as the Directors may approve from time to time.
- (f) An instrument appointing a proxy, if in any of the forms set out in schedule IX to the Act shall not be questioned on the ground that it fails to comply with any special requirements specified for such instrument by these Articles.
- (g) Every member entitled to vote at a meeting of the company, or on any resolution to be moved thereat, shall be entitled during the period 24 (twenty four) hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the

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proxies lodged at any time during the business hours of the company, provided not less than 3 (three) days notice in writing of the intention so to inspect is given to the company.

VOTE OF MEMBERS

105. Restriction on exercise of voting rights of members who have not paid calls etc.
- (a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has and has exercised any right of lien.
 - (b) Where the shares of the company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of section 187 B of the Act.
106. A members not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 105.
107. Any shareholder whose name is entered in the Register of members of the company shall enjoy the same right and be subject to the same liabilities as all other shareholders of the same class.
108. At any general meeting a resolution put to vote at the meeting shall unless a poll is demand under section 179 of the Act be decided on a show of hands.
- 109.
- (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.
 - (b) No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorized under section 187 of 187 A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the company.
 - (c) A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on poll vote by proxy, if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one, to be selected in case of dispute by the Chairman of the meeting.
 - (d) Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission Clause to any shares may vote at any general meeting n respect thereof ad if he was the registered holder of such shares provided that at least 48 (forth eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposed to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
 - (e) If any such instrument of appointment be confined to the object of appointing proxy or substitute for voting at meeting of the company, if shall remain permanently or for such time as the Directors may determine in the custody of the company; if embracing other objects a copy thereof examined with the original, shall be delivered to the company to remain in the custody of the company.
 - (f) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or of any power of attorney under which such proxy was signed or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the company before the meeting.
 - (g) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally at such meeting or poll shall be deemed valid for all purpose or such meeting or poll whatsoever.

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- (h) The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
110. A declaration by the chairman in pursuance of section 177 of the Act that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.
111. Demand for poll
- (a) Before or on the declaration of the result of the voting on any resolution of a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own mooring and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the company which confer a power to vote on the resolution not being confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- (b) The demand for a poll may be withdrawn at any time by the person who makes the demand.
112. Time of taking poll
- (a) A poll demanded on a question of adjournment shall be taken forthwith.
- (b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in Section 175 of the Act) shall be taken at such time not being late than 48 (Forty eight) hours from the time when the demand was made, as the Chairman may direct.
113. On a poll taken at a meeting of the company a member or other person entitled to vote for him as the case may be, need not, of his votes, use, all his votes or cast in the same way all the votes he uses.
114. Scrutinners at poll
- (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinize the votes given on the poll and to report thereon to him.
- (b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of scrutinizer arising from such removal or from any other cause.
- (c) Of the two scrutinizers appointed under this article, one shall always be a member (not being an officer or employee of the company) present at the meeting, provided such a member is available and willing to be appointed.
115. Manner of taking poll and result thereof
- (a) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- (b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.
116. In case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a member.
117. A body corporate (whether a company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the company may in accordance with the provisions of section 187 of the Act authorize such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the company or of any class of members of the company or at any meeting or creditors of the company.
118. Representation of the president of India of Governors

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- (a) The President of India or the Governor of a state if he is a member of the company may appointed such person as he thinks fit to act as his representative at any meeting of the company or at any meeting of any class of members of the company in accordance with provisions of section 187A of the Act or any other statutory provisions governing the same.
 - (b) A person appointed to act as aforesaid shall for the purpose of the Act be deemed to be a member of such a company and shall be entitled to exercise the same rights and power (including the right to vote by proxy) as the President or as the case may be the Governor could exercise as a member of the company.
 - (c) The company shall observe the provisions of section 187B of the Act, in regard to the Public Trustee.
119. The company shall comply with provisions of section 188 of the Act, relating to circulation of members resolutions.
120. The company shall comply with provisions of section 190 of the Act relating to resolution requiring special notice.
121. The provisions of Section 191 of the Act shall apply of resolutions passed at an adjourned meeting of the company, or of the holders of any class of shares in the company and of the Board of the Directors of the company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.
122. The company shall comply with the provisions of Section 192 to the Act relating to registration of certain resolutions and agreements.
123. Minutes of proceedings of general meeting and of Board and other meetings
- (a) The company shall cause minutes of all proceedings, of general meetings, and of al proceedings of every meeting of its Board of Directors or of every committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
 - (b) Each page of every such book shall be initiated or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed.
 - (i) in the case of minutes of proceedings of the Board of Directors or of a committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
 - (ii) In the case of minutes of proceedings of the general meeting by Chairman of the said meeting within the aforesaid period, of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorized by the Board of Directors for the purpose.
 - (c) In no case the minutes of proceedings of a meeting shall be attached to any such books as aforesaid by pasting or otherwise.
 - (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
 - (e) All appointments of officers made at any to the meetings aforesaid shall be included in the minutes of to meeting.
 - (f) in the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain :
 - (i) the names of the Directors present at the meetings and
 - (ii) in the case of each resolution passed at the meeting the names of the Directors if any dissenting from or not concurring in the resolution.
 - (g) Nothing contained in Clause (a) to (d) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting.

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- (i) is or could reasonably be regarded, as defamatory of any person.
- (ii) is irrelevant or immaterial to the proceeding; or
- (iii) is detrimental to the interests of the Company.

The chairman shall exercise an absolute discretion in regard to the inclusion or non inclusion of any matter in the minutes on the grounds specified in this clause.

- (h) The minutes of meetings kept in accordance with the provision of section 193 of the Act shall be evidence of the proceedings therein.
124. Where minutes of the proceedings of any general meeting of the company or of any meeting of its Board of Directors or of a Committee of the Board have been kept in accordance with the provisions of section 193 of the Act then until the contrary is proved the meeting shall be deemed to have been duly called and held and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein.
125. Inspection of Minutes Books of general Meetings
- (a) The books containing the minutes of the proceedings of any general meeting of the company shall :
 - (i) be kept at the registered office of the Company, and
 - (ii) be open during the business hours to the inspection on any member without charge subject to reasonable restrictions as the Company may in general meeting impose so however that no less than two hours in each day are allowed for inspection.
 - (b) Any member shall be entitled to be furnished within seven days after he has made a request in that behalf of the company with a copy of any minutes referred to in clause (a) above on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.
126. No document purporting to be a report to the proceedings of any general meeting of the Company shall be circulated or advertised at the expenses of the company unless it includes the matters required by section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.

MANAGERIAL PERSONNEL

127. The company shall duly observe the provisions of section 197A of the Act regarding prohibition of simultaneous appointment of different categories of managerial personnel therein referred to.

BOARD OF DIRECTORS

128. Unless otherwise determined by the Company in General Meeting the number of directors shall not be less than three and not more than twelve.
129. Appointment of senior executives as Whole time Director
- (a) Subject to the provisions of the Act and within the overall limit prescribed under the Articles for the number of Directors on the Board, the Board may appoint any Senior Executive of the Company as a whole time Director of the Company for such period and upon such terms and conditions as the Board of Directors may decide. The senior Executive so appointed shall be governed by the following provisions.
 - (i) He shall be liable to retire by rotation as provided in the Act but shall be eligible for reappointment. His reappointment as a Director shall not constitute a break in his appointment as whole time Director.
 - (ii) He shall be reckoned as Director for the purpose of determining and fixing the number of Directors to retire by rotation.
 - (iii) He shall cease to be a Director of the company on the happening of any event specified in section 283 and 314 (2C) of the Act. He shall cease to be a Director of the Company, if for any reason whatsoever, he ceases to be a Director of the Company, if for any reason whatsoever, he ceases to hold the position of Senior Executive in the Company or ceases to be in the employment of the Company.
 - (iv) Subject to what is stated hereinabove he shall carry out and perform all such duties and responsibilities as may, from time to time, be conferred upon or entrusted to him by the Managing Director/s and/or the Board of Directors shall exercise such power and authorities subject to such restrictions and conditions and/or stipulations as the Managing Director/s and/or the Board of Directors may, from time to time determine.
 - (b) Nothing contained in this Article shall be deemed to restrict or prevent the right of the Board of Directors to revoke, withdraw, alter, vary or modify all or any of such powers, authorities, duties and responsibilities conferred upon or vested in or entrusted to such whole time Directors.
 - (c) The Company may have a Director elected by small Shareholders in the manner as may be prescribed in this regard.

Explanation : For the purpose of this Article, Small shareholders means a Shareholder holding shares of nominal value of Twenty Thousands Rupees or less in a public company to which Section 252 or any other applicable Section of the Companies Act, 1956 applies.

130. Any Trust Deed for securing debenture or debenture stock, may, if so arranged, provide for the appointment, from time to time by the trustees thereof or by the holders of debentures or debenture stocks, of some person or persons to be a Director or Directors of the Company and may empower such Trustees or holders of debentures or debenture stocks from time to time, to remove and reappoint any Director/s so appointed. The Director/s so appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" mean the Director for time being in office under this Article. The Debenture director(s) shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the company. The Trust Deed may contain such ancillary provisions as may be arranged between the company and the trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.
131. Nominee of Financial Institution
- (a) Notwithstanding anything contained in these articles, the Promoters Group shall be entitled to appoint one-third of the total strength, for the time being of to Board of Directors and when the promoters so intend to nominate their nominees as Directors of the Company. The promoter Group shall intimate in writing to the Company, the names of the persons nominated by the promoters to be appointed as the Directors of the Company along with their consent to act as Directors of the company and thereupon the company shall co-opt the said persons nominated by

the promoters as the Directors of the company and in the event of the number of the persons nominated by the promoters if appointed would together with the number of the existing Directors exceed the maximum number of Directors permissible under Articles of Association of the Company, the other Directors shall resign in order to allow the Promoters' nominees to be appointed as the Directors of the Company. Such Directors nominated by the Promoters shall not be required to be re-appointed at the General meeting and such non rotational Directors shall continue to be Directors of the company for such time as may be specified by promoters Group. The letter or the intimation in writing received by the company from Promoters Group shall be final, conclusive and binding not only upon the company but also upon other members forming part of the Promoters group.

- (b) Notwithstanding anything to the contrary contained in these Article, so long as any moneys remain owing by the company to the Industrial Development Bank of India (IDBI), The Industrial Credit and Investment Corporation of India Ltd. (ICICI), Industrial Finance Corporation of India (IFCI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Finance Computer or Body out of any loans granted by them to the company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the company as a result of underwriting or by direct subscription or private placement, or so long as the Corporation holds shares in the company as a result of underwriting or direct subscription or so long as any liability of the company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding the Corporation shall have a right to appoint from time to time any person or persons as a Directors whole time or not whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director/s) on the Board of Directors of the Company and to remove from such office any person or persons so appointed and to appoint and to appoint any persons or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any money remain owing by the company to the Corporation or so long as the Corporation holds debentures in the company as a result of direct subscription or private placement or so long as the Corporation holds shares in the company as a result of underwriting or direct subscription or the liability of the company arising out of any guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the money owing by the company to the Corporation is paid off or in the corporation ceasing to hold debentures/shares in the company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General meetings, Board Meetings and of the Meetings of the committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The corporation shall also be entitled to received all, such notices and minutes. The company shall pay to the nominee Director/s sitting fees and expenses which the other directors of the company are entitled but if any other fees, commission monies or remuneration in any form is payable to the directors of the company the fees, commission monies and remuneration in relation to such Nominee Director/s shall accrue to the corporation and the same shall accordingly be paid by the company directly to the corporation and the same shall accordingly be paid by the company directly to the corporation. Any expenses that may be incurred by the corporation or by such Nominee Director/s in

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connection with their appointment or Directorship shall also be paid or reimbursed by the company to the Corporation or as the case may be to such nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fee in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the company directly to the corporation.

Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Borrower. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the lenders.

132. Special Directors

- (a) In connection arrangement with any company or corporation or firm or person for supply of technical know-how or machinery or technical advice, the Directors may authorize such company, corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint from time to time any person or persons as Director or Directors of the company (herein after referred to as "Special Director") and may agree that such Special Director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however, that such special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the company and such collaborator under the collaboration arrangements or at any time thereafter.
- (b) The Collaborator may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed at any time, appoint any other person as a Special Director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the company at its registered office.
- (c) It is clarified that every Collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as a Director(s) and so that if more than one collaborator is so entitled there may at any time be as many special Directors as the Collaborators eligible to make the appointment.

133. Subject to the provisions of section 255 of the Act, the number of Directors appointed under Article 130, 131 and 132 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.

134. Appointment of Alternate Director

- (a) The Board of Directors of the company may appoint an alternate Director to act for a Director (hereinafter in this Article called "the Original Director") during his absence for a period of not less than three months from the state in which meetings of the Board of Directors are ordinarily held.
- (b) An alternate Director appointed under this Article shall not hold office as such for a period longer than permissible to the original director in whose place he has been appointment and shall vacate office if and when the original director returns to the state in which meetings of the Board of Directors are ordinarily held.
- (c) If the term of office of the Original Director is determined before he return to the state aforesaid any default of another appointment shall apply to the original and not to the alternate director.

135. Subject to the provisions of section 260 of the Act, the Board of Directors shall have power at any time to appoint any person as an Additional Director to the Board, but so that the total number of Directors shall not exceed the maximum number fixed by the Articles, Any director so appointed shall hold the office only upto the next annual general meeting of the company and shall then be eligible for re-appointment.

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136. Subject to the provisions of section 262 of the Act, if the office of any Director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had office if it had not been vacated as aforesaid but he shall then be eligible for re-election.
137. At a general meeting of the company a motion shall not be made for the appointment, of two or more persons as Directors of the Company by a single resolution unless a resolutions that it shall be so made has first been agreed to by the meeting without any vote being given against it. Resolution moved in contravention of this Article shall be void whether or not objection was taken at the time of its being so moved. Provided that where a resolution so moved is passed no provision for the automatic reappointment of retiring director by virtue of these Articles and the Act in default of another appointment shall apply.
138. A Director need not hold any shares in the company to qualify him for the office of a Director of the company.
139. Remuneration of Director
- (a) Subject to the provisions of the Act, Managing Director or a Director who is in the whole time employment of the company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profit of the company or partly by one way partly by the other.
 - (b) Subject to the provisions of the Act, a Director, who is neither in the whole time employment, nor a Managing Director may be paid remuneration either.
 - (i) by way of monthly, quarterly on annual payment with the approval of the Central Government, or
 - (ii) by way of commission if the company by a special resolution has authorized such payment.
 - (iii) the fee payable to Directors (other than Managing or whole time Director, if any) for attending each meeting of the Board of Directors or committee there of shall be such sum as may be prescribed by the Act or the Central Government from time to time.
140. The Board of Directors may allow and pay to any Director for the purpose of attending a meeting such sum either as fixed allowance and/or actual as the Board of Directors may consider fair compensation for traveling, boarding and lodging and incidental and/or such actual out of pocket expenses incurred by such Director in addition to his fees, for attending such meetings to and from the place at which the meetings of the Board of Directors or committees thereof or general meetings of the compact are held from time to time or any other place at which the Director executes his duties.
141. If any Director, being willing shall be called upon to perform extra service or to take any special exertions for any of the purpose of the company and in that event the company may, subject to the provisions of the Act, remunerate such Director either by a percentage of profit or otherwise, as may be determined by the Directors but not exceeding that permitted under Section 309 of the Act and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.
142. When the number of Director in office falls below the minimum above fixed, the Directors, shall not act except in emergencies or for the purpose of filling up vacancies or for summoning a general meeting of the company and so long as the number is below the minimum they may so act notwithstanding the absence of the necessary quorum.
143. A person shall not be capable of being appointed a Director if he has the disqualifications referred to in section 274 of the Act.
144. Directors vacating office
- (a) The office of a Director shall become vacant if;
 - (i) he is found to be of unsound mind by a court competent jurisdiction;

- (ii) he has applied to be adjudicated an insolvent;
 - (iii) he is adjudged an insolvent;
 - (iv) he is convicted by a Court, of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six month;
 - (v) he fails to pay any call in respect of shares of the company held by him, whether alone or jointly with others, within six month from the last date fixed for the payment of the call unless the Central Government by Notification in the official Gazette removes the disqualification incurred by such failure;
 - (vi) he absent 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;
 - (vii) he, whether by himself or by any person for his benefit or on his account or on any partnership firm company of which he is a partner or any private company of which he is a director, accepts a loan or any guarantee or security for a loan, from the company in contravention of section 295 of the act;
 - (viii) he acts in contravention of section 299 of the Act.
 - (ix) He becomes disqualified by an order of court under section 203 of the Act;
 - (x) He is removed in pursuant of section 284 of the Act;
 - (xi) Having been appointed a Director by virtue of his holding any office or other employment in the company, he ceases to hold such office or other employment in the company;
 - (xii) He resigns his office by notice in writing given to the company.
- (b) Notwithstanding anything in sub-clause (iii), (v) and (v) of clause (a) above, the disqualifications referred to in these sub-clause not take effect;
- (i) for thirty days from the date of the adjunction, sentence or order;
 - (ii) where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed off, or
 - (iii) where within the seven days aforesaid, any further appeal, or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result the removal of the disqualification, until such further appeal or petition is disposed off.

145. Removal of Directors

- (a) The company may (subject to the provisions of section 284 and other applicable provisions of the Act and these Articles) remove any director other than ex-officio directors or special directors or a nominee director or debenture director or a directors or a nominee director or debenture director or a director appointed by the Central Government in pursuance of section 408 of the Act, before the expiry of his period of office.
- (b) Special notice as provided by section 190 of the Act shall be required of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so a Director so removed at the meeting at which he is removed.
- (c) On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the director concerned and the Director (whether or not he is a member of the company) shall be entitled to be heard on the resolution at the meeting.
- (d) When notice is given of a resolution a Director under this Article and the Director concerned makes with respect thereto representations in writing to the company (not exceeding a reasonable length) and requests their notification to members of the company, the company shall unless the representations are received by it too late for it do so.

- (i) in the notice of the resolution given to members of the company state the fact of the representations having been made, and
 - (ii) send a copy of the representation to every member of the company to whom notice of the meeting is sent (whether before or after receipt of the representation by the company) and if a copy of the representations, is not sent as aforesaid because they were received too late or because of the company's default, the Director may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting, provided that copies of the representations need not be sent or read out at the meeting if so directed by the court.
- (e) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the company in general meeting or by the Board of Directors in pursuance of section 262 of the Act be filled by the appointment of another director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under clause (b) hereof. A director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- (f) If the vacancy is not filled under clause(e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they may be applicable, of section 262 of the Act, and all the provisions of that section shall apply accordingly;
- Provided that the Director who was removed from office under this Article shall not be re appointed as a Director by the Board of Directors.
- (g) Nothing contained in this Article shall be taken :
- (i) as depriving a person removed there under of any compensation or damages payable to him in respect of the termination of his appointment as director or of any appointment terminating with that as director; or
 - (ii) as derogating from any power to remove a Director which may exist apart from this Article.
146. Directors may contract with company
- (a) Subject to the restriction imposed by these Articles and by section 292, 293, 294, 295, 297, 300, 311, 370 and 373 and any other provisions of the Act, no Director, Managing Director, or other officer or employee of the company shall be disqualified from holding his office by contracting with the company either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the company in which any director, Managing Director, Joint Managing director, Executive Director, other officer or employee shall be in any way interested, be avoided, nor shall the director, managing director or any officer or employee so contracting or being so interested be liable to account to the company for any profit realized by any such contract or arrangement by reason only of such director, managing director, officer or employee holding that office or of the fiduciary relation thereby established, but the nature of his or their interest must be disclosed by him or them in accordance with the provisions of section 299 of the Act where that section be applicable.
 - (b) In accordance with section 300 of the Act, no director shall, as a director, vote or take part in any discussion in respect of any contract or arrangement in which he is interested and if he does so vote, his vote shall be void nor shall his presence, count for the purpose of forming the quorum at the time of any such discussion or vote.

Provided that the above prohibition or retraction shall not apply to the extent or under the circumstance mentioned subsection (2) of section 300 of the act.

 - (c) A General notice such as is referred to in sub section (3) of section 299 of the Act shall be sufficient disclosure under this Article as provided in that section.
147. A Director, Managing Director, Officer or employee of the Company may be, or become a director, of any Company promoted by the company or in which it may be interested as a vendor, member or otherwise, and no such director shall be accountable for any benefits received as a director or member of such company except to the extent and under the circumstances as may be provided in the Act.

148. Duty of Directors etc. to make disclosure
- (a) Every Director (including a person deemed to a Director by virtue of the explanation to sub section (1) of section 303 of the Act,) Managing Director, Manager or Secretary of the Company, who is appointed to or relinquishes the office of Director, Managing Director, manager or Secretary of any other body corporate shall, within twenty days of his appointment or relinquishment of such office, as the case may be, disclose to the Company aforesaid the particulars relating to the office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.
 - (b) Every Director of the company and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act and every other person referred to in sub-section (11) of Section 307 of the Act, shall give notice to the Company of such matters as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section and Section 308 of the Act.
149. The Provisions of Section 314 of the Act shall be complied with when applicable in regard to holding of office or place of profit under the company or under any subsidiary of the company by any person mentioned in the said section. The words office or place of profit shall have the meaning assigned to them by Section 314 of the Act.
150. The Company shall observe the restrictions imposed on the Company in regard to granting of loans to Directors and other persons as provided in Section 295 and other applicable provisions, if any of the Act.
151. Appointment of sole selling agents
- (a) The appointment, re-appointment and extension of the term of a sole Selling Agent, shall be regulated in accordance with the provisions of section 294 of the Act and any rules or notifications issued by competent authority in accordance with that section and the Director and/or the Company in general meeting may make the appointment, re-appointment of extension of the term of office in accordance with and subject to the provisions of the said Section and such Rules or Notifications, if any, as may be applicable.
 - (b) The payment of any compensation to a Sole Selling Agent shall be subject to the provisions under Section 294(A) of the Act.
152. Board resolution at a meeting necessary for certain contract
- (a) Except with the consent of the Board of Directors of the Company and with the previous approval of the central Government a Director of the Company or his relative, a firm in which such a Director, or relative is a partner, any other partner in such a firm, or a private company of which the Director is a member or director, shall nor enter into any contract with the Company;
 - (i) for the sale, purchase or supply of any goods materials or services, or
 - (ii) for underwriting the subscription of any shares in, or debentures of the Company.
 - (b) Nothing contained in the foregoing sub-clause (a) shall affect:
 - (i) the purchase of goods and materials from the Company or the sale of goods and materials to the company, by any Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or
 - (ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other side for sale, purchase, or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private company as the case may be, regularly trades or does business;

Provided that such contract or contracts do not relate to goods and materials the value of which or service cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts.

- (c) Notwithstanding anything contained in the foregoing sub-clause (a) and (b) a Director, relative, firm, partner company as aforesaid, may in circumstances of urgent necessity, enter, without obtaining the consent of the Board of Directors, into any contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods, materials or services exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract, but in such a case, the consent of the Board of Directors shall be obtained at a meeting within three months of the date on which the contract was entered into.
- (d) Every consent of the Board of Directors required under this clause shall be accorded by a resolution passed at a meeting of the Board of Directors and not otherwise; and the consent of the Board of Directors required under sub-clause (a) above shall not be deemed to have been within the meaning of that sub-clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.
- (e) if consent is not accorded to any contract under this clause, anything done in pursuance of the contract shall be avoidable at the option of the Board of Directors.
- (f) The Directors, so contracting or being so interested shall not be liable to the Company for any profit realized by such contract or the fiduciary relation thereby established.
- (g) The Company shall also comply with such other provisions of Section 297 of the Act, as may be applicable.

ROTATION OF DIRECTORS

153. Not less than two thirds of the total number of Directors shall:

- (a) be persons whose period of office is liable to determination by retirement of director by rotation, and
- (b) Save as otherwise expressly provided in the Act, be appointed by the Company in general meetings.

The remaining Directors shall, in default of and subject to any regulations in the Articles of the Company, also be appointed by the Company, in general meeting.

154. Ascertainment of Directors retiring by rotation and filing up vacancies

- (a) At every annual general meeting one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearer to one-third, shall retire from office.
- (b) The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot.
- (c) At the annual general meeting at which a Director retires as aforesaid, the Company may fill up the vacancy by appointing the retiring Director or some other person thereto.
- (d) (i) If the place of the retiring Director is not so filled up and that meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place,
(ii) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless;
 - (1) at that meeting or at the previous meeting a resolution for the reappointment of such Director has been put to the meeting and lost;
 - (2) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;
 - (3) he is not qualified or is disqualified for appointment;

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- (4) a resolution, whether special or ordinary, is required for his appointment by virtue of any provisions of the Act; or
- (e) The proviso to sub-section (2) of Section 263 of the Act is applicable to the case.

EXPLANATION: In this Article and Article 156 the expression 'Retiring Director' means Director retiring by rotation.

155. Right of persons other than retiring Directors to stand for Director ship

- (a) A person who is not a retiring Director shall, in accordance with Section 257 of the Act and subject to the provisions of the Act, be eligible for appointment to the office of Director at any general meeting if he or some member or members intending to propose him has, not less than fourteen days before the meeting, left at the registered office of the Company a notice in writing under his hand signifying his candidature for the office of director or the intention of such member or members to propose him as a candidate for that office, as the case may be along with a deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such as a director.
- (b) The Company shall inform its member of the candidature of a person for the office of director or the intention of a member (s) to propose a person's candidature for that office by serving individual notices on the members not less than seven days before the meeting in the manner provided under Section 257 of the Act.

156. Every person who is proposed as a candidate for the office of Director of the Company shall sign and file with the Company and with the Registrar, his consent in writing to act as a Director, if appointed, in accordance with the provisions of Section 264 of the Act in so far as they may be applicable.

PROCEEDING OF DIRECTORS

157. The Director may meet together as a Board of Directors for the dispatch of business 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 meeting and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that meeting of the Board of Directors, which had been called in compliance with the term herein mentioned could not be held for want of quorum.

158. Any Director of the Company may and the manager or Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board of Directors.

159. Notice of every meeting of the Board of 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.

160. Question arising at any time at a meeting of the Board of Directors shall be decided by majority of votes and in case of equality of votes, the Chairman, in his absence the Vice Chairman or the Director presiding shall have a second or casting vote.

161. Who to preside at meetings of the Board

- (a) The Director may elect a Chairman of their meetings and determine the period for which he is to hold office. The Directors may also appoint a Vice Chairman of the Board of Directors to preside at the meetings of the Board of Directors at which the Chairman shall not be present and determine the period for which he is to hold office.
- (b) All the meetings of the Director shall be presided over by the Chairman, if present, but if at any meeting of Directors the Chairman be not present at the time appointed for holding the same, the Vice Chairman, if present, shall preside and if he be not present at such time then and in that case the Directors shall choose one of the Directors then present to preside at the meeting.

162. Quorum at Board Meeting
- (a) The quorum at a meeting of the Director shall be as prescribed by Section 287 of the Act.
 - (b) 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 discretions by or under the regulations of the Articles of the Company for the time being vested in or exercisable by the Directors generally.
 - (c) If a meeting of the Board of Directors could not be held for want of quorum, then the meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, or if that day is a Public Holiday, till the next succeeding day which is not a public holiday, at the same time and place.
163. Subject to the provisions of Section 292 and other provisions of the Act and Article 166 the Directors may delegate all or any of their powers to committees 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 persons or purposes, but every Committee so formed shall in the exercise of the powers so delegated, 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 purposes of their appointments but not otherwise shall have the like force and effect as if done by the Board of Directors. Subject to the provisions of the Act the Board of Directors may from time to time fix the remuneration to be paid to any member or members of that body constituting a committee appointed by the Board of Directors in terms of these Article, and may pay the same.
164. Subject to the provisions of Section 289 of the Act, a resolution passed without any meeting of Directors, or of a Committee of Directors appointed under these Articles and evidenced by writing under the hands of all the Directors or members of such Committee as aforesaid, for the time being in India, be as valid and effectual as a resolution duly passed at a meeting of the Directors or of such committee called and held in accordance with the provisions of these Articles.
- Provided that the resolution has been circulated in draft, together with the necessary papers, if any, to such Directors, or member of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board of Directors or the Committee as the case may be) and all other Directors or members at their usual address in India and has been approved by such Directors as are then in India or by majority of such of them, as are entitled to vote on the resolution.
165. Subject to the provisions of Section 252, 255 and 259 of the Act, the Company in general meeting may, be ordinary resolution, increase or reduce the number of Directors within the limits in that behalf by the Articles.
166. All acts done by meeting of the Directors or by a Committee of Directors, or by any person acting as a Director, shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid, or they or any of them were or was disqualified or that their or his appointment had terminated by virtue of any provisions contained in the Articles or the Act, be as valid as if every such person has been duly appointed and was qualified to be a Director.
167. The Directors shall cause minutes to be duly entered in a book or books provided for the purpose in accordance with the Articles and section 193 of the Act.
168. Minutes of any meeting of the Board of Directors or of a Committee of the Board of Directors if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be for all purpose whatsoever prima facie evidence of the actual passing of the resolutions recorded and the actual and regular transaction or occurrence of the proceedings so recorded and the regularity of the meeting at which the same shall appear to have taken place.
169. The Directors shall cause to be kept at the registered office of the company :
- (a) (i) a Register of the Directors, Managing Director, Manager and Secretary of the Company containing the particulars required by Section 303 of the Act.

- (ii) a Register of Contracts with companies and firms in which the Directors are interested, containing the particulars required by Section 301 of the Act, and
 - (iii) a Register of Directors shareholding containing the particulars required by Section 307 of the Act. They shall also cause to be kept other registers and indexes as required by the Act.
- (b) The company shall comply with the provisions of Section 301, 303 and 307 and other Section of the Act with regard to the inspection of registers and furnishing copies or extracts so far as the same be applicable to the Company.

POWERS OF DIRECTORS

170. (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board of Directors shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board of Directors.
- (i) The power to make calls on shareholders in respect of money unpaid on their shares;
 - (ii) The power to issue debentures;
 - (iii) The power to borrow moneys otherwise than on debentures;
 - (iv) The power to invest the funds of the Company
 - (v) The power to make loans.
- Provided that the Board of Directors may by resolution passed at a meeting, delegate to any Committee of Directors, The Managing Director, the Manager or any other . Principal office of the Company or in the case of a branch office, the powers specified in sub-clauses (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board of Directors may prescribe.
- (b) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.
 - (c) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investment which may be made by the delegate.
 - (d) Every resolution delegating the power referred to in sub-clause (v) of clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be made and the maximum amount upto which loans may be made for each such purpose in individual cases.
 - (e) Nothing in this Article contained shall be deemed affect the right of the Company in general meeting to impose restrictions and conditions on the exercise by the Board of Directors of any of the powers referred to in sub clauses (i), (ii), (iv) and (v) of clause (a) above.
171. (a) The Board of Director of the Company shall not except with the consent of the Company in general meeting :
- (i) 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, the whole or substantially the whole of any such undertaking;
 - (ii) remit, or give time for the repayment of any debt, due by a Director;
 - (iii) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of such undertaking as is referred to in sub-clause (i) above, 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;

- (iv) borrow moneys, where the money to be borrowed together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart - for any specific purpose; or
 - (v) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregates of which will in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years, immediately preceding, whichever is greater.
 - (b) Nothing containing in sub-clause (a) above shall affect:
 - (i) the title of a buyer or other person who buys or takes a lease of any such undertaking as is referred to in that sub-clause in good faith and after exercising due care and caution, or
 - (ii) the selling or leasing of any property of the Company where the ordinary business of the Company consists of, or comprises such selling or leasing.
 - (c) Any resolution passed by the Company permitting any transaction such as is referred to in sub-clause (a)(i) above, may attach such conditions to the permission as may be specified in the resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transaction. Provided that this clause shall not be deemed to authorize the Company to effect any reduction in its capital except in accordance with the provisions contained in that behalf in the Act.
 - (d) No debt incurred by the Company in excess of then limit imposed by sub-clause (iv) of clause (a) above, shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded.
 - (e) Due regard and compliance shall be observed in regard to matters dealt with by or in the Explanation contained in sub-section (1) of Section 293 of the Act and in regard to the limitations on the power of the Company contended in Section 293 A of the Act.
172. 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 authorized to exercise and do and not hereby or by the statute of otherwise directed or required to be exercised or done by the Company in General Meeting, but subject nevertheless to the provisions of the Act and other Act and..of the Memorandum of Association and these Articles and to any regulations, not being inconsistent with the Memorandum of Association and these Articles of the Act, from time to time made by the Company in general meeting provided that no such regulation shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.
173. Without prejudice to the general powers conferred by Article 172 and the other powers conferred by these presents and s as not in any way to limit any or all of those powers, it is hereby expressly declared that the Directors shall have the following powers :
- (i) To pay the costs, charges and expenses preliminary and incidental to - the promotion, formation, establishment and registration of the Company;
 - (ii) To pay and charge to the capital account of the company and interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act,.
 - (iii) Subject to the provisions of the Act and these Articles to purchase or otherwise acquire any lands, buildings, machinery, premises, hereditaments, property effects, assets, rights, credits, royalties, bounties and goodwill of any person, firm or company carrying on the business which this Company is authorized to carry on, at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or

- acquisition to accept such title as the Board of Directors may believe or may be advised to be reasonably satisfactory;
- (iv) Subject to the provisions of the Act to purchase, or take on lease for any term or terms of years, or otherwise acquire any mills or factories or any land or lands, with or without buildings and outhouses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit, and in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory;
 - (v) To erect, construct, enlarge, improve, alter, maintain, pull down, rebuild or reconstruct any buildings, factories, offices, workshops or other structures, necessary or convenient for the purposes of the Company and to acquire lands for the purpose of the Company;
 - (vi) To let, Mortgage, charge, sell or otherwise dispose of subject to the provisions of Section 293 of the Act, any property of the company either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as they think fit and to accept payment or satisfaction for the same in cash or otherwise, as they may think fit;
 - (vii) At their discretion to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, debenture stock or other securities of the company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon, and any such bonds, debentures, debenture stock or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged;
 - (viii) 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 building, machinery, goods, stores, produce and other moveable property of the Company either separately or jointly, also to insure all or any portion of the goods, produce, machinery and other article imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power;
 - (ix) Subject to Section 292 of the Act, to open accounts with any bank or bankers or with any Company, firm or individual and to pay money into and draw money from any account from time to time as the Directors may think fit;
 - (x) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the properties of the Company and its unpaid capital for the time being or in such other manner as they may think fit;
 - (xi) To attach to any shares to be issued as the consideration for any contract with or property acquired by the Company, or in payment for services rendered to the Company, such conditions, subject to the provisions of the Act, as to the transfer thereof as they may think fit;
 - (xii) To accept from any member on such terms and conditions as shall be agreed, a surrender of his shares or stock or any part thereof subject to the provisions of the Act;
 - (xiii) 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 trusts and to provide for the remuneration of such trustee or trustees;
 - (xiv) 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 subject to the provisions of section 293 of the Act to compound and allow time for payment of satisfaction of any debts due, or of any claims or demands by or against the Company;

- (xv) To refer, subject to the provisions of Section 293 of the Act, any claims of demands by or against the Company to arbitration and observe and perform the award;
- (xvi) To act on behalf of the Company in all matters relating to bankrupts and insolvents;
- (xvii) To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company subject to the provisions of Section 293 of the Act;
- (xviii) To determine from time to time as to who shall be entitled to sign bills, notes, receipts, acceptances, endorsements, cheque, dividend warrants, releases, contracts and documents on the Company's behalf;
- (xix) Subject to the provisions of Sections 292, 293, 370, 372 of the Act, invest and deal with any of the moneys of the Company, nor immediately required for the purpose thereof, upon such shares, securities, or investments (not being shares in this Company) and in such manner as they may think fit, and from time to time to vary or realize such investment;
- (xx) 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 for the benefit of the Company, such mortgages on the Company's property (present and future) as they may think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on;
- (xxi) Subject to such sanction as may be necessary under the Act or the Articles, to give to any Director, Officer or other person employed by the Company, an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the Company, and such interest, commission or share of profits shall be treated as part of the working expenses of the Company.
- (xxii) To provide for the welfare of employees or ex-employees of the Company and their wives, widows, families, dependents or connections of such persons by building or contributing to the building of houses, dwelling or chaws or by grants of money, pensions, allowances, gratuities, bonus or payments by creating and from time to time subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistances as the Directors shall think fit;
- (xxiii) To subscribe, or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public or any other useful institutions, objects or purposes for any exhibition;
- (xxiv) To establish and maintain or procure the establishment and maintenance of any contributory or non contributory pension or superannuating funds for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments, to any persons who are or were at any time in the employment or services of the Company or of any Company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary Company, or who are or were at any time director or officers of the Company or of any such other Company as aforesaid, and the wives, widows, families and dependants of any such person and, also to establish and subsidize and subscribe to any institutions, associations, clubs or funds collections clubs or funds collected to be for the benefit of or to advance the interest and well being of the Company or of any such other company as aforesaid, and make payments towards the insurance of any such person as aforesaid and do any of the matters aforesaid, either alone or in conjunction with any such other Company as aforesaid.
- (xxv) To decide and allocate the expenditure on capital and revenue account either for the year or period or spread over the years.
- (xxvi) Before recommending any dividend, to set aside out of profits of the Company such sums as they may think proper for the deprecation or to depreciation Fund-or Reserve Fund or Sinking Fund or any other special fund to meet contingencies or to repay redeemable

preference shares, debentures, or debenture stock or for special dividends or for equalizing dividend or for repairing, improving, extending and maintaining any part of the property of the Company, and for such other purposes as the Directors may, in their absolute discretion think conducive to the interest of the Company, and to invest upon such investments (subject to the restrictions imposed by Sections 292 and 293 and other provisions of the Act) as the Directors may think fit, and from time to time, to deal with and vary such investments and dispose of and apply and expend all or any 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 may 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 Fund into such special funds as the Directors think fit, and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in repayment or redemption of redeemable preference shares, debentures, debenture-stock and that without being bound to keep the same separate from other assets or to pay interest on the same, with power, however to the Director at their discretion, to pay or allow to the credit of such fund interest at such rate as the Directors may think proper.

- (xxvii) To appoint and at their discretion to remove suspend such Managers, Secretaries, Officers, Clerks, Agents and Servants for permanent, temporary or special service 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 and to such amounts as they may think fit, and from time to time to provide for the management and transactions of the affairs of the Company in any special locality in India in such manner as they may think fit. The provisions contained in the clause following shall be without prejudice to the general powers conferred by this clause.
- (xxviii) 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 purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as the Directors may from time to time think fit and any such appointment (if the Directors may think fit) be made in favour of any Company or the members, directors, nominees or managers of any Company or firm or otherwise in favour of any fluctuating body or person whether nominated, directly or indirectly by the Directors and any such power of attorney may contain any such power of attorney may contain any such powers for the protection or convenience of persons dealing with such attorneys as the Directors may think fit, and may contain powers enabling any such delegates or Attorneys as aforesaid to sub delegate all or any of the powers, authorities, and discretions for the time being vested in them.
- (xxix) Subject to the provisions of the Act, generally and from time to time and at any time to authorize, empower or delegate to (with or without powers of sub-delegation) any Director, Officer, or Officers or Employees for the time being of the Company and / or any other person, firm or Company all or any of the powers, authorities and discretions for the time being vested in the Directors by these presents, subject to such restrictions and conditions if any as the Directors may think proper.
- (xxx) To enter into all such negotiations, contracts and rescind and/or vary all such contracts and to execute and do all such acts, deeds, and things in the name of or 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.

MANAGING DIRECTORS

- 174. (a) Subject to the provisions of the Act and of these Articles, the Board of Directors shall have power to appoint from time to time any of its members as Managing Director or Managing

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Directors and/or Whole time Directors and/or Special Directors like Technical Director, Financial Director etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board of Directors thinks fit, and the Board of Directors may by resolution vest in such Managing Director or Managing Directors/Whole time Director(s), Technical Director(s), Financial Director(s) and Special Director(s) such of the powers hereby vested in the Board of Directors generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subjects and subject to such restrictions as it may determine. The remuneration of such Directors may be by way of monthly remuneration and/or fee for each meeting and/or participation in profits, or by any or all if those modes, or of any other mode not expressly prohibited by the Act.

- (b) The Directors may whenever they appoint more than one Managing Director, designate one or more of them as "Joint Managing Director" or "Joint Managing Directors" or "Deputy Managing Director" as the case may be.
 - (c) Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act, the appointment and payment of remuneration to the above Director shall be subject to approval of the members in general meeting and of the Central Government where necessary.
175. Notwithstanding anything contained hereinabove, the Promoters Group shall be entitled, as and when it considers appropriate to do so, to notify the Company the name of a person who shall be appointed as the Managing Director of the Company and upon receiving such intimation by the Board of Directors of the Company upon the terms and conditions as set out in such intimation. The person so appointed as Managing Director of the Company shall continue to be the Managing Director of the Company for such time and upon such terms and conditions as would be specified in the intimation received by the Company. If during any time a person other than the person nominated by the Promoters Group is Managing Director of the Company and if the Promoters Group notifies that it proposes to appoint its nominee as the Managing Director of the Company the exiting Managing Director shall resign as Managing Directors of the Company. The person so nominated for appointment as Managing Director of the Company may be removed by the Promoters Group at its discretion and a new appointee may be appointed in his place and stayed on such terms and conditions as may be considered appropriate by the Promoters Group. Intimation in regard to appointment and removal of the Managing Directors by the Promoters Group shall be given on behalf of the Promoters Group by a letter in writing addressed to the Company and the letters so received on behalf of the Promoters Group as aforesaid shall be final conclusive and binding not only upon the Company but also upon the other members of the Promoters Group.

THE SECRETARY

176. Subject to the provisions of Section 383A of the Act, the Directors may, from time to time, appoint and, at their discretion remove any individual (hereinafter called 'the Secretary') who shall have such qualification as the authority under the Act may prescribe to perform any functions, which by the Act or these Articles are to be performed, by the Secretary, and to execute any other purely ministerial of administrative duties which may from time to time be assigned to the Secretary by the Directors. The Directors may also at any time appoint some persons (who need not be the Secretary) to keep the registers required to be kept by the Company.

SEAL

177. (a) The Directors shall provide a Company Seal for the Purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Directors shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by or under the authority of the Director or a Committee of the Directors previously given, and in the presence of one Director or a Committee of the Directors previously given, and in the presence of one Director at the least, who shall sign every instrument to which the Seal is so affixed in his presence.
- (b) The Company shall also be at liberty to have an official Seal in accordance with Section 50 of the Act for use in any territory, district or place outside India and such powers shall accordingly be vested in the Directors.

INTEREST OUT OF CAPITAL

178. Where any shares in the Company are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period and at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the / same to capital as part of the cost of construction of the work or building, or the provision of plant.

DIVIDENDS

179. The profit of the company subject to any special rights relating thereto created or authorized to be created by these presents shall be divisible among the members in proportion to the amount of Capital paid up or credited as paid up on the shares held by them respectively.
180. No dividend shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.
181. Where dividend has been declared by the Company it shall be paid within the period provided in Section 207 of the Act.
182. Where the Capital is paid up in advance of calls upon the footing that the same shall carry interest, such Capital shall not, whilst carrying interest confer a right to dividend or to participate in profits.
183. (a) The Company shall pay dividends in proportion to the amount paid up or credited as paid up on each share, when a larger amount is paid up or credited as paid up on some shares than on others. Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.
- (b) Provided always that any Capital 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 share to an apportioned amount of such dividend proportionate to the capital from time to time paid during such period on such share.
184. The Company in general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.
185. No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.
186. No dividend shall be declared or paid by the company otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for the payment of dividend in pursuance of the guarantee given by that Government provided that
- (a) If the company has not provided for depreciation for any previous financial year or years, it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of any other previous financial year or years;
- (b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of subsection (2) of section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profit of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserve of the Company of such percentage of its profits for that year

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as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section. Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

187. The declaration of the Directors as to the amount of the profits of the Company shall be conclusive.
188. The Directors may, from time to time, pay to the members such interim dividends as in their judgment the position of the company justifies.
189. The Directors may retain the Dividends payable upon shares in respect of which any, person is under the Transmission clause of these articles entitled to become a member or which any person under that clause is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.
190. Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share (s) whilst any money may be due or owing from him to the Company in respect of such shares (s) of debenture (s) or otherwise however either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member, all sums of moneys so due from him to the Company.
191. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
192. Unless otherwise directed any dividend may be paid by cheque or warrant or a pay-slip or receipt having the force of a cheque for warrant sent through ordinary post to the registered address of the member or person entitled or in the case of joint holders to that one of them first named in the register of members in respect of the joint holding. Every such cheque or warrant lost in transmission or for any dividend lost, to the member or person entitled thereto by the forged endorsement or any cheque or warrant or the fraudulent or improper recovery thereof by any other means.
193.
 - (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 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 paid period of 42 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend Account" of "Atul Auto 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.
 - (b) The Company shall comply with the provisions of Section 205A and 205B read with Section 205C of the Act in respect of any dividend remaining unpaid or unclaimed with the Company.
 - (c) The Company shall comply with the provision of Section 205C of the Act in respect of any money remaining unpaid with the Company in the nature of (j) application money received by the Company for allotment of any securities and due for refund; (ii) deposits received by the Company and due for repayment (iii) debenture issued by the Company and matured for redemption and (iv) the Interest, if any accrued on the amounts referred at items (I), (ii) and (iii) respectively.
194. Any general meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the company and the members, be set off against the calls.
195. No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalization of profit or reserves of the company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.
196. Subject to the provisions of Section 205 of the Act and if and in so far as may not be prohibited by that Section or any of the provisions of the Act, any general meeting sanctioning or declaring a dividend in terms of these Article may direct payment of such dividend wholly or in part, by the distribution of partly or fully paid up shares, and the Directors shall give effect to such direction and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates or that fractions of less value than rupees one may be

disregarded, in order to adjust the rights of the parties and may vest any such shares, in trustees upon such trusts for the person entitled to the dividend as may seem expedient to the Directors, where required the Directors shall comply with Section 75 of the Act and the Directors may appoint any person to sign any contract thereby required on behalf of the persons entitled to the dividend and such appointment shall be effective.

CAPITALISATION

197. (a) Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account of any moneys, investment or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and or where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credits of the General Reserve, Reserve or any other fund of the Company or in the hands of the Company and available for dividend may be capitalized. Any such amount (excepting the amount standing to the credit of the Share Premium Account and/or the Capital Redemption Reserve Account) may be capitalized :
- (i) by the issue and distribution as fully paid shares, debentures, debenture stock, bonds or obligation of the Company or
 - (ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account may be applied in :

- (1) Paying up unissued shares of the credit of the Share Premium Account may be applied in :
 - (2) In writing off the preliminary expenses of the Company;
 - (3) In writing off the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company Provided further that any amount standing to the credit of the Capital Redemption Reserve Account shall be applied only in paying up unissued shares of the Company to be issued members of the Company as fully paid bonus shares.
 - (4) In providing for the premium payable on the redemption of any redeemable preference shares or any debentures of the Company. Provided further that any amount standing to the credit of the Capital Redemption Reserve Account shall be applied only in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.
- (b) Such issue and distribution under sub-clause (a) (i) above and such payment to the credit of unpaid share capital under-clause (a) (ii) above shall be made to, among and in favour of the members of any class of them or any of them entitled thereto and in accordance with their respective rights and interest and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a) (ii) above shall be made on the footing that such members become entitled thereto as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any other fund or account as aforesaid as may required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (a) (i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (a) (ii) above provided that no such distribution or payment shall be made unless recommended by Directors and is so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.
- (d) For the purpose of giving effect to any such resolution 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 or coupons and fix the value for distribution of any specific assets and may determine that such payments be made to any

members on the footing of the value so fixed and may vest any such cash shares fractional certificates or coupons, debentures, debenture-stocks, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit.

- (e) Such 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 capitalization may be effected 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 fully paid shares, and the partly paid shares the sums so applied in the partly paid shares shall be so applied prorate in proportion to the amount then already paid or credited as paid on the exiting fully paid and partly paid shares respectively.
- (f) When deemed requisite a report contract shall be filed with the Registrar of Companies in accordance with the Act and Board of Directors may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

ACCOUNTS

- 198. The Provisions of Section 209 to 222 of the Act shall be complied with in so far as the same be applicable to the Company.
- 199. (a) The Company shall keep at its Registered Office proper books of accounts as required by Section 209 of the Act with respect to :
 - (i) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place
 - (ii) all sales and purchases of goods by the Company; and
 - (iii) the assets and liabilities of the Company;

Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of directors so decide, the Company shall within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.

- (b) If the Company shall have a branch office, whether in or outside India, proper books of account relating to the transactions effected at that office shall be kept at that offices and proper summarized returns made upto date at intervals of not more than three months, shall be sent by the branch office to the Company at its Registered Office or other place in India, as the Board of Directors thinks fit, where the said books of the Company are kept.
- 200. (a) All the aforesaid books shall give a fair and true view of the affairs of the Company or of its branch office, as the case may be with respect to the matters aforesaid, and explain the transaction.
- (b) The books of account of the Company relating to a period of not less than eight years immediately preceding the current year together with the vouchers relevant to any entry in such books of accounts shall be preserved in good order.
- 201. The Directors shall time to time determine whether and to what extend and at what times and places and under what conditions or regulations the accounts, books and documents of this Company or any of them, shall be open to the inspection of the members, and no member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by statute or authorized by the Directors or by a resolution of the Company in general meeting.
- 202. The Board of Directors shall lay before each annual general meeting a Profit and Loss Account for the financial year of the Company and a Balance Sheet made up as at the end of the financial year which shall be a date, which shall not precede the day of the meeting by more than six months or such extended period as shall have been granted by the Registrar of Companies under the provisions of the Act.

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203. Balance Sheet and Profit & Loss Account
- (a) Subject to the provision 211 of the Act, every Balance Sheet and Profit and Loss Account of the Company shall be in the forms set out in part I and It respectively of Schedule VI of the Act, or as near thereto as circumstance admit. There shall be annexed to every Balance Sheet a statement showing the bodies corporate (indicating separately the bodies corporate in the same group) in the shares of which investments have been made by it (including all investments, whether existing or not, made subsequent to the date at which the previous Balance Sheet was made out) sand the nature and extent of the investments so made in each body corporate.
 - (b) So long as the Company is a holding Company having a subsidiary the Company shall conform to Section 212 and other applicable provisions of the Act.
 - (c) If in the opinion of the Board of Directors, any of the current assets of the Company have not- a value on realization in the ordinary course of business at least equal to the ordinary course of business at least equal to the amount at which they are stated, the fact that Board of Directors is of that opinion shall be stated.
204. (a) (i) Save as provided by item (ii) of this sub clause every Balance Sheet and every Profit and Loss Account of the Company shall be signed on behalf of the Board of Directors by the Manager or Secretary, if any, and by not less than two Directors of the Company, one of whom shall be a Managing Director, if any.
- (ii) When only one of the Directors of the Company is for the time being in India, the Balance Sheet and the Profit and Loss Account shall be signed by such Director but in such a case, there shall be attached to the Balance Sheet and the Profit and Loss Account a statement signed by him explaining the reason for non compliance with the provisions of the above item (i).
- (b) The Balance Sheet, and the Profit and Loss Account, shall be approved by the Board of Directors before they are signed on behalf of the Board of Directors in accordance with the provisions of this Article and before they are submitted to the auditors for their report thereon.
205. The Profit and Loss Account shall be annexed to the Balance Sheet and the Auditors' Report including the Auditors' separate, special or supplementary report, if any, shall be attached thereto.
206. Boards report to be attached to Balance Sheet
- (a) Every Balance sheet laid before the Company in general meeting shall have attached to it a Report by the Board of Directors with respect to the state of the Company's arrears, the amount, if any which it proposes to carry td any reserves in such Balance Sheet, the amount, if any, which it recommends to be paid by way of dividends and material changes and commitments, if any affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the Balance Sheet relates and the date of the Report.
 - (b) The report shall, so far as it is material for the appreciation of the state of the Company's affairs by its members and will not in the Board of Director's opinion be harmful to the business of the Company or of any of its subsidiaries, deal with any changes which have occurred during the financial year in the nature of the Company's business, in the Company's subsidiaries or in the nature of the business in which the Company has an interest.
 - (c) The Board of Directors shall also give the fullest information and explanations in its report or in cases falling under the provision to Section 222 of the Act in an addendum to that Report, on every reservation, qualification or adverse remark contained in the Auditor' Report.
 - (d) The Board of Director's Report addendum (if any) thereto shall be signed by its Chairmen if he is authorized in that behalf by the Board of Directors; and where he is not so authorized shall be signed by such number of Directors as are required to sign the Balance Sheet and the Profit and Loss Account of the Company by virtue of sub-clause (a) and (b) of Article 204.
 - (e) The Board of Directors shall have the right to charge any person not being a Director with the duty of seeing that the provision of sub-clause (a) and (c) or this Article are complied with.

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- (f) Every Balance Sheet and Profit and Loss Account of the Company when audited and approved and adopted by the members in the annual general meeting shall be conclusive except as regards in matters in respect of which modifications are made thereto as may from time to time be considered necessary by the Board of Directors and or considered necessary by the Board of Directors and or considered proper by reason of any provisions Board of Directors and or considered proper by reason of any provisions of relevant applicable statutes and approved by shareholders at a subsequent general meeting.
207. A copy of every Balance Sheet (including the Profit and Loss account, the Auditor's Report and every other document required by Law to be annexed or attached as the case may be, to the Balance sheet) which is to be laid before the Company in General Meeting, shall be made available for inspection at the Registered office of the company during working hours for a period of twenty one days before the date of the meeting.
- A statement containing the salient feature of such documents in the prescribed form or the copies of the documents aforesaid, as the Company may deem fit, will be sent to every member of the Company, and to every Trustee for the holders of any debentures issued by the Company, not less than twenty one days before the date of the meeting as laid down in Section 219 of the Act and all the rest of the provision of this Section shall apply in respect of the matters referred to in this Article.
208. After the Balance Sheet and Profit and Loss Account has been laid before the Company at the annual general meeting, three copies of the Balance Sheet and Profit and Loss Account duly signed as provided under Section 220 of the Act together with three copies of all documents, which are required to be annexed thereto shall be filed with Registrar, so far as the same be applicable to the Company.

AUDIT

209. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter mentioned.
210. Appointment and qualification of auditors
- (a) The Company at the annual meeting each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next Annual General meeting, and shall within seven days of the appointment, give intimation thereof to every auditor so appointed.
- (b) At any annual general meeting, a retiring Auditor, by whatever authority appointed, shall be reappointed unless:
- (i) he is not qualified for reappointment;
- (ii) he has given the Company notice in writing of his unwillingness to be reappointed;
- (iii) a resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be reappointed, or
- (iv) where notice has been given of an intended resolution to appoint some person in the place of retiring Auditor, and by reason of the death, incapacity or disqualification of that person or all those persons, as the case may, be the resolution cannot be proceeded with.
- (c) Where at an annual general meeting no auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy.
- (d) The company shall, within seven days of the Central Government's power under sub-clause (c) becoming exercisable give notice of that fact to the Government.
211. The company shall comply with the provisions of section 228 of the Act in relation to the audit of the accounts of branch offices of the company except to the extent to which any exemption may be granted by the Central Government, in that behalf.

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212. The remuneration of the Auditors shall be fixed by the Company in general meeting in such manner as the company may in general meeting determine except that the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Directors.
213. Auditors to have access to the books of the company
- (a) The auditors of the company shall have a right of access at times to the books and vouchers of the company and shall be entitled to require from the Directors and officers of the company such information and explanation as may be necessary for the performance of the duties of the Auditor's.
 - (b) All notices of, and other communications relating to, any general meeting of the company which any member of the company is entitled to have sent to him shall also be forwarded to the Auditors of the Company and the Auditors shall be entitled to attend any general meeting and to be heard at any general meeting which he attends to any part of the business which concerns him as Auditor.
 - (c) The Auditor/s shall make a Report to the members of the Company on the accounts examined by him and on every Balance Sheet and Profit and Loss Account, and on every other document declared by the Act to be part of or annexed to the Balance Sheet or Profit and Loss Account, which are laid before the company in annual general meeting during his tenure of office, and the Report shall state whether, in his opinion and to the best of his information and according to the explanations given to him the accounts give the information required by the Act in the manner so required and give a true and fair value:
 - (i) In the case of the Balance Sheet, of the state of the Company's affairs as at the end of its financial year; and
 - (ii) In the case of the Profit and Loss Account, of the Profit and Loss for its financial year.
 - (d) The Auditor's Report shall also state :
 - (i) Whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit;
 - (ii) Whether, in his opinion, proper books of accounts as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purpose of his audit have been received from branches not visited by him;
 - (iii) Whether the report on the accounts of any branch office audited under section 228 by a person other than the Company auditor has been forwarded to him as required by clause (c) sub section (3) of the section and how he has dealt with the same in preparing the Auditor's Report;
 - (iv) Whether the Company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and returns.
 - (e) Where any of the matters referred to in this Article is answered in the negative or with a qualification the Auditor's Report shall state the reasons for the answer.
214. Every account when audited and approved by a general meeting shall be conclusive except as regards any error therein discovered within three months next after the approval thereof. Whenever any such error is discovered within the said period the accounts shall forthwith be corrected and thenceforth shall be conclusive.

DOCUMENTS AND NOTICES

215. A notice may be served on the company or an officer thereof by sending it to the Company or officer at the Registered Office of the Company by post under a certificate of posting or by registered post or by leaving it at registered office.

The term 'Notice' in this and following clauses shall include summons, notice, requisition, order, judgment or other legal papers and any documents.

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216. A notice may be served on the Registrar by sending it to him at his office by post under a certificate of posting or by registered post, or by delivering it to, or leaving it for at him at his office.
217. (a) A Notice may be served by the Company on any member either personally or by sending it by post to him registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for giving Notice to him.
- (b) Where a Notice is sent by post:
- (i) Service thereof shall be deemed to be effected by properly, addressing prepaying and posting a letter containing the document, provided that, where a member has intimated to the company in advance that documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the company a sum sufficient to defray the expenses of doing so service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member; and
- (ii) Such service shall be deemed to have been effected.
- (1) in the case of a Notice of meeting at the expiration of forty eight hours after the letter containing the same is posted and
- (2) in any other case at the time at which the letter would be deviled in the ordinary course of post.
- (c) A notice advertised in a newspaper circulating in the neighborhood of the registered office of the company shall be deemed to be duly served on the day on which the advertisement appears on every member of the company who has no registered address in India and has not supplied to the company an address within India for the giving of Notices to him.
- (d) A Notice may be served by the company on the joint holders of a share/debenture by serving it on the joint holder named first in the Register of member/ debenture holders in respect of the share debenture.
- (e) A notice may be served by the company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title representatives of the deceased or assigns of the insolvent or by any like description, at the address, if any in India for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which it might have been served if the death or insolvency had not occurred.
218. Any Notice given by the company shall be signed by a Director, or by such officer as the Directors may appoint and the signature thereto may be written, printed or lithographed.
219. Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the company may be signed by the Director, the Managing Director, the Manager, the Secretary or other authorized officer of the company and need not be under its common seal.

WINDING UP

220. (a) Subject to the provisions of the Act, if the company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient 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 winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the Capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.
- (b) But this clause will not prejudice the right of the holders of shares issued upon special terms and conditions.

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221. Subject to the provisions of the Act:
- (a) if the company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution and any other sanction required by the Act, divide amongst the contributories, in specie or kind the whole or 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 (subject to the provisions of the Act) preferential or special right or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined or any contributory who would be prejudiced thereby shall have the right, if any to descent 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 involves a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the Liquidators shall if practicable act accordingly.
222. Subject to the provisions of the Act a special resolution sanctioning a sale to any other company duly passed may, in like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators be distributed amongst the members otherwise than in accordance with their exiting rights and any such determination shall be binding upon all the members subject to the rights of dissent if any, if such right been given by the Act.

SECRECY CLAUSE

223. (a) Every Director, Manager, Auditor, Treasurer, 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 to observed a strict secrecy respecting all transactions and affairs of the company with the customers and the state of the accounts with individuals and in matters thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in 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 present contained.
- (b) No member shall be entitled to visit or inspect any works of the company without the permission of the Directors or to require discovery of or any information respecting any detail of the company's trading, or any matter which may relate to the conduct of the business of the Director, it would be inexpedient in the interest of the company to disclose.

INDEMNITY AND RESPONSIBILITY

224. (a) Subject to the provisions of section 201 of the Act, every Director, Managing Director, whole time Director, Manager, Secretary and other officer or employee of the company 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 expense) which such Director, Manager, Secretary and officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Manager Secretary, Officer or servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as a lien on the property of the company and have priority between the members over all other claims.
- (b) Subject as aforesaid, every Director, Managing Director, Manager Secretary or other officer and employee of the company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in connection with any application under section 633 of the Act in which relief is

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given to him by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the company.

225. Subject to the provisions of action 201 of the Act, no Director, Managing Director, Whole time Director or other Officer of the company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in receipt or other act for any loss or expenses happening to the company through insufficiency or deficient 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 monies of the company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any, of any person, company or corporation, within 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 or for any loss or damage or misfortune whatever which shall Happen in the execution of the duties .of the office or in relation thereto, unless the same happens through his own dishonesty.

SOCIAL OBJECTIVE

226. The Company shall have among its objective the promotion and growth of the national economy through increased productivity, effective utilization of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national aspirations, and the company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholder, society and the local community.

GENERAL POWER

227. Wherever in the Companies Act, it has been provided that the company shall have any right, privilege or authority or that the company could carry out any transaction only to the company is so authorised by its Articles, then and in that case these regulation hereto authorize and empower the company to have such rights, privilege or authority and to carry such transactions as have been permitted by the Act.

SECTION – XI. ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions of the Letter of Offer, the enclosed CAF, the Memorandum of Association and Articles of Association of the Company, the approvals from the GoI, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and listing of securities issued by GoI and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or share certificate and rules as may be applicable and introduced from time to time.

Authority for the Issue

The Issue is being made pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on June 25, 2010 and subsequently approved by the Shareholders at the Extra Ordinary General Meeting of the Company held on August 31, 2010. The Board of Directors determined the Rights Issue price at ₹ 30/- per Equity Share and a rights entitlement of 1 Equity Shares for every 4 Fully paid-up Equity Shares held on the Record Date, i.e. on 5th September, 2011.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date i.e. 5th September, 2011, fixed in consultation with the Designated Stock Exchange.

Ranking of the Equity Shares

The Equity Shares issued and allotted on a Rights Basis as a part of this Issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects including dividends with the existing Equity Shares of the Company.

Mode of payment of Dividend

The Company shall pay dividend to the shareholders as per the provisions of the Companies Act.

Forfeiture

Since the issue price is payable on application, there is no requirement of forfeiture of shares.

Rights Entitlement

As your name appears as beneficial owner in respect of Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder of the Company as on 5th September, 2011 i.e. the Record Date. You are entitled to the number of Equity Shares as set out in Block I of Part A of the enclosed CAF.

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 Equity Shares for every 4 Equity Shares held on the Record Date. Only upon receipt of the aforesaid details, Rights Entitlement of the claimants shall be determined.

PRINCIPAL TERMS OF THE ISSUE

Face Value

Each Equity Share will have the face value of ₹ 10/-

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Issue Price

Each Equity Share shall be offered at an Issue Price of ₹ 30/- for cash (including a premium of ₹ 20/-).

Terms of Payment

The full amount of ₹ 30/- per share is payable on application.

The payment towards the Equity Shares offered will be applied as under:

- ₹ 10/- per Equity Share towards Share Capital
- ₹ 20/- per Equity Share towards Securities Premium Account

Where an applicant has applied for additional Equity Shares and is allotted lesser number of Equity Shares than applied for, the excess application money paid shall be refunded. The monies would be refunded within 15 days from the closure of the Issue, and if there is a delay beyond 8 days from the stipulated period, the Company will pay interest on the monies in terms of the section 73 of the Companies Act.

Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 1 Equity Shares for every 4 Equity Shares held on the Record Date

For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer section titled “Procedure for Application through the Applications Supported By Blocked Amount (“ASBA”) Process beginning on page 268 of this Letter of Offer.

Payment should be made by cheque/ demand draft drawn on any bank which is situated at and is a member or a sub member of the Bankers’ to the Issue’s clearing house located at the center where the application is accepted. All cheques/bank drafts accompanying the CAF should be crossed “A/c Payee” only and made payable to “AAL – Rights Issue”. The CAF duly completed together with the amount payable on application must be deposited with the collecting bank/collection centers indicated on the reverse of the CAF, on or before the close of banking hours on or before the Issue closing date. A separate cheque or bank draft must accompany each CAF. Reference number of CAF should be mentioned on the reverse of the Cheque/Draft. Outstation cheques / money orders / postal orders / drafts will not be accepted and application(s) accompanied by such cheques / money orders / postal orders / drafts will be rejected. Applicants residing at places other than the cities where the collection centers have been opened should send their completed CAF by registered post to the Registrar to the Issue, Sharex Dynamic (India) Pvt. Ltd., Unit 1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai-400 072 along with a cheque drawn on a local bank at Mumbai or with a demand draft payable at Mumbai, net of bank and postal charges in favor of “AAL – Rights Issue” crossed “A/c Payee” only so that the same is received on or before closure of the Issue (i.e. 29th September, 2011).

Market Lot

The market lot for the Equity Shares in dematerialized mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio (“Consolidated Certificate”).

Fractional Entitlement

If the shareholding of any of the Equity Shareholders is not in the multiples of 4 then the fractional entitlement of such shareholders shall be rounded off to the next higher integer, subject to the minimum entitlement of 1 Equity Share. The Equity Shares needed for rounding off will be adjusted from the promoters entitlement.

Rights of the Equity Shareholders

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;

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- Right to receive surplus on liquidation;
- Right to free transferability of shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issued amount, the entire subscription shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount (i.e. 15 days after closure of the Issue), then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under sub-sections (2) and (2A) of Section 73 of the Act.

Additional Subscription by the Promoter

The Promoter and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. The Promoters and Promoter Group reserve their right to apply for additional Rights Equity Shares, either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any, made within the Promoter Group to another person forming part of the Promoter Group or any other Equity Shareholder.

In addition to the subscription to the Rights Equity Shares as stated above, in case of Issue is undersubscribed, the Promoter and Promoter Group reserve their right to subscribe to additional Rights Equity Shares in the Issue up to the minimum subscription of 90% of the Issue subject to the condition that in any circumstances the post issue public shareholding in the Company shall not fall below the specified limit of 25% as stipulated in clause 40A of the Listing Agreement.

As a result of this subscription and consequent allotment, the Promoter and Promoter Group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above the current shareholding but will currently not exceed 75% of the post issue paid share capital of the Company. This subscription and acquisition of additional Equity Shares by the Promoter and Promoter Group through this Issue, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision under Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

As such, other than meeting the requirements indicated in this section “Objects of the Issue”, there is no other intention/purpose for this Issue, including any intention to delist the Company; even if, as a result of allotments to the Promoter and Promoter Group, in this Issue, the Promoter’s and Promoter Group’s shareholding in the Company exceeds their current shareholding. The Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law.

Allotment to the Promoter Group of any unsubscribed portion, over and above their entitlement shall be done in compliance with clause 40A of the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Promoter and Promoter Group hold 59.30% of the paid up Equity Share Capital of the Company and if they were to subscribe to the entire Rights Issue their post Issue shareholding would exceed 75% of Issue Equity Share Capital. However, the Promoter and Promoter Group have given an undertaking that in case due to the subscription by them to the unsubscribed portion, the post Issue public shareholding in any circumstances in the Company would not fall below the specified limit of 25% as stipulated in clause 40A of the Listing Agreement.

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Arrangement for Odd Lot Equity Shares

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares they shall be deemed to hold the same rights, as joint-tenants with benefits of survivorship subject to provisions contained in the Articles of Association of the Company.

Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation and one Hindi national daily and one regional language daily newspaper and/or, will be sent by ordinary post/ to the registered holders of the Equity Share from time to time.

Nomination Facility

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares . The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In accordance with Section 109A of the Companies Act, only individuals applying as sole applicants/ joint applicants can nominate, non-individuals including society, trust, body corporate, partnership firm, holder of power of attorney cannot nominate. In accordance with Section 109A of the Companies Act, the sole or first holder, along with other joint holders, may nominate any one person in whom, in the event of the death of sole holder or in case of joint holders, death of all the holders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s).

Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Company's Registered / Corporate Office or to the Company's Registrar and Transfer Agents. The Applicant can make the nomination by filling in the relevant portion of the CAF. 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, 1956, shall upon the production of such evidence as may be required by the Board of Directors, 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 of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with. Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires changing the nomination, they are requested to inform their respective DP.

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Restrictions on transfer and transmission of shares and on their consolidation / splitting

There are no restrictions on transfer and transmission and on their consolidation / splitting of shares issued pursuant to this Issue.

Issue of duplicate Equity Share Certificate

If any Equity Share certificate is mutilated or defaced or the pages for recording transfers of Equity Share are fully utilized, the same may be replaced by the Company against the surrender of such certificate. Provided, where the Equity Share certificate are mutilated or defaced, the same will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible. If any Equity Share Certificate is destroyed, stolen or lost, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/surety and/or documents as the Company may deem adequate, duplicate Equity Share Certificate shall be issued.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Offer to Non-Resident Equity Shareholders

Applications received from NRIs and Non-Residents for Allotment of Equity Shares shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of receipt and refund of application moneys. Allotment of Equity Shares, issue of allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on a rights basis by an Indian Company in terms of FEMA and regulation 6 of notification No. FEMA 20/2000-RB dated May 3, 2000. However, the general permission referred to in the sentence immediately above is subject to the restrictions described under "No Offer in the United States" as referred on page 9. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment of Equity Shares, payment of dividend etc. to the Non-Resident Shareholders. The Equity Shares purchased on a rights basis by Non-Residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original Equity Shares against which Equity Shares are issued on a rights basis.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44 dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated Non-Resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. Such approval shall be submitted along with the CAF.

The Letter of Offer and CAF shall only be dispatched to Non-Resident Equity Shareholders with registered address in India. The Letter of Offer and CAF should not be forwarded to or transmitted in or into the United States of America or the territories or possessions thereof at any time or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the United States Securities Act of 1933, as amended), except in a transaction exempt from the registration requirements of the Securities Act.

Listing and trading of the Rights Equity Shares proposed to be issued

The Company's existing Equity Shares listed on BSE and currently trade under the ISIN No. INE 951D01010. The Rights Equity Shares proposed to be issued shall be listed and demated for trading on the BSE under the existing ISIN for fully paid up Equity Shares of the Company.

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The Rights Equity Shares allotted pursuant to this Rights Issue will be listed as soon as practicable but in no case later than 7 working days from the date of allotment. The Company has made an application for “in-principal” approval for listing of the Rights Equity Shares in accordance with clause 24(a) of the Listing Agreement to the BSE letter dated 7th January, 2011 and has received such approval from the BSE through letter No. DCS/PREF/JA/IP-RT/1390/10-11, dated 14th January, 2011.

The distribution of the Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

The Company is making this Issue of Rights Equity Shares on a rights basis to the Eligible Equity Shareholders of the Company and will dispatch the Letter of Offer / Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address.

Procedure for Application

The Composite Application Form (CAF) would be printed in black ink for all Equity Shareholders. In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. Non-resident shareholders may obtain a copy of the CAF from the Registrar to the Issue, **Sharex Dynamic (India) Pvt. Ltd. Unit 1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai-400 072** by furnishing the registered folio number, DP ID number, Client ID number and their full name and address. Equity Shares offered to you pursuant to this Issue may be renounced, either in full or in part, in favour of any other person or persons. Such renounees can only be Indian nationals/ limited companies incorporated under and governed by the Act, statutory corporations/institutions, trusts (unless registered under the Indian Trust Act), minors (through their legal guardians), societies (unless registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust/society is authorized under its constitution/bye laws to hold Equity Shares in a company and cannot be a partnership firm, more than three persons including joint-holders, HUF, foreign nationals (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of this Letter of Offer could be illegal or require compliance with securities laws in their jurisdiction or any other persons not approved by the Board.

Option to Subscribe

Applicants to the Equity Shares, other than an ASBA Investor, issued through this Issue shall be allotted the securities either in dematerialized (electronic) form or physical form at the option of the applicant. ASBA Investors shall be allotted the securities only in dematerialized form. The Company signed a tripartite agreement with NSDL and with CDSL, which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

Utilisation of Issue Proceeds

The Board of Directors declares that:

- (i) The funds received out of this Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (ii) Details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- (iii) Details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate bank account. The Company will utilize the issues proceeds only after the time basis of allotment is finalized.

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Undertakings by the Company in connection with the Issue

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the Equity Shares to be issued pursuant to this Issue are to be listed will be taken within seven (7) working days of finalization of basis of allotment.
3. The funds required for dispatch of refund orders to unsuccessful applicants / allotment letters / share certificates by registered post, speed post shall be made available to the Registrar to the Issue by the Company.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Issue Closing Date specifying details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to Non-ASBA applications while finalizing the basis of allotment.
6. The certificates of the securities / refund orders, letters of allotment / allotment advice / consolidated certificate to the shareholders including non-resident Indians shall be dispatched within the specified time.
7. No further issue of securities effecting equity capital of the Company shall be made till the securities issued / offered through the Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
8. The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge, and belief, there are no other facts, the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
9. In accordance with clause 43A of the Listing Agreement, a statement shall be furnished to the Stock Exchanges on a quarterly basis indicating material deviations, if any, in the utilisation of the proceeds of the Issue. This information shall also be published in the newspapers simultaneously with the interim or annual financial results, after such information has been placed before the Audit Committee in terms of Clause 49 of the Listing Agreement.
10. In accordance with clause 49 of the Listing Agreement, the Company shall disclose to the Audit Committee, the uses/ application of the proceeds of the Issue by major category, on a quarterly basis as a part of its quarterly declaration of financial results. Further, on an annual basis and until the full utilisation of the proceeds of the Issue, the Company shall prepare a statement, which shall be certified by the statutory auditors of the Company, of the proceeds of the Issue utilized for purposes other than those specified in this Letter of Offer and place such statement before the Audit Committee.
11. In the event that the public shareholding falls below the minimum prescribed in the Listing Agreements, the Company will take such as may be necessary to restore the minimum public shareholding in accordance with the SEBI regulations and undertakes to comply with such directions as may be issued by the Stock Exchanges.
12. Save as otherwise disclosed in this Letter of Offer, no further issue of securities affecting the Equity Capital of the Company shall be made till the Rights Equity Shares issued / offered through this Issue are listed or till the application moneys are refunded on account of non-listing, under subscription etc.
13. The Company certifies that the Investors shall be given an option to get the Rights Equity Shares in demat or physical format.
14. The Company undertakes that it shall comply with such disclosure, monitoring of the utilisation of proceeds of the Issue and accounting norms specified by SEBI from time to time.

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15. All information shall be made available by the Lead Manager and the Company to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
16. The Issuer and Lead Manager shall update this Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

HOW TO APPLY

Application by Resident Equity Shareholders

Applications should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, including number of physical or dematerialized shares, as explained in the instructions indicated in the CAF and submitted to the Bankers to the Issue. CAFs will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any office except in the case of postal applications as per instructions given in the Letter of Offer.

Application by Non-Resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter-alia, be subject to the conditions as may be imposed from time to time by RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/certificates/payment of dividends etc. This Letter of Offer and CAF shall only be dispatched to Non-Resident (including NRI) Equity Shareholders with registered address in India.

The CAF consists of four parts:

| | |
|---------|--|
| Part A: | Form for accepting the Rights Equity Shares offered and for applying for additional Rights Equity Shares |
| Part B: | Form for renunciation |
| Part C: | Form for application for Renounees |
| Part D: | Form for request for Split Application Forms |

Acceptance of the Issue

The shareholders may accept the Issue and apply for the Rights Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard. Investors at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par on a local bank at Mumbai / demand draft payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. An ASBA Investor may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

Options available to the Eligible Equity Shareholders

The CAF will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Rights Equity Shares, then he can:

- Apply for his Rights Entitlement of Rights Equity Shares in part;
- Apply for his Rights Entitlement of Rights Equity Shares in part and renounce the other part of the Rights Equity Shares;
- Apply for his Rights Entitlement of Rights Equity Shares in full.

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- Apply for his Rights Entitlement in full and apply for additional Rights Equity Shares;
- Renounce his Rights Entitlement in full;

Renunciation

The Issue includes a right exercisable by you to renounce the Rights Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that the Company shall not allot and / or register the Rights Equity Shares in favour of more than 3 persons (including joint holders) partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorized under its constitution or by-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) is subject to the Renouncer(s) / Renounee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003. Accordingly, the Eligible Equity Shareholders of the Company who do not wish to subscribe to the Rights Equity Shares being offered but wish to renounce the same in favour of renounee shall not renounce the same (whether for consideration or otherwise) in favour of OCBs.

Part ‘A’ of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part ‘B’ of the CAF) duly filled in shall be conclusive evidence for the Company of the person(s) applying for Rights Equity Shares of the CAF to receive allotment of such Rights Equity Shares. The Renounees applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares. Part ‘A’ of the CAF must not be used by the Renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Rights Equity Shares in favour of any other person.

The right of renunciation is subject to the express condition that the Board of Directors shall be entitled in its absolute discretion to reject the request for allotment to renounee(s) without assigning any reason therefor.

Procedure for Renunciation

To renounce all the Rights Equity Shares offered to an Eligible Equity Shareholder in favour of one Renounee

If you wish to renounce the offer indicated in Part ‘A’, in whole, please complete Part ‘B’ of the CAF. In case of joint holding, all joint holders must sign Part ‘B’ of the CAF. The person in whose favour renunciation has been made should complete and sign Part ‘C’ of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of split application forms in the space provided for this purpose in Part ‘D’ of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split application forms, 23rd September, 2011. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has/have renounced the Rights Equity Shares, does/do not match with the specimen registered with the Company, the application is liable to be rejected.

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Renouncee(s)

The person(s) in whose favour the Rights Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue closing date along with the application money. The Renouncee cannot further renounce.

Change and/or introduction of additional holders

If you wish to apply for Rights Equity Shares jointly with any other person or persons, not more than three, who is/are not already joint holder(s) with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renouncee(s) without assigning any reason thereof.

Additional Rights Equity Shares

You are eligible to apply for additional Rights Equity Shares over and above the number of Rights Equity Shares you are entitled to, provided that you have applied for all the Rights Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board of Directors, in consultation, if necessary, with the Designated Stock Exchange and in the manner prescribed in the Letter of Offer.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part 'A' of the CAF. The Renouncee applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares.

Where the number of additional Rights Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Instructions for options

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders to whom the Letter of Offer has been addressed. If used, this will render the application invalid.
- A request for split forms should be made for a minimum of 1 shares, Rights Equity Shares or, in multiples thereof and one split form for the balance Rights Equity Shares, if any.
- A request by the Investor for the split Application form should reach the Company on or before 23rd September, 2011.
- Only the Eligible Equity Shareholders to whom the Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split further.
- Split Application Form(s) will be sent to the Investor(s) by post at Investor's risk.

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Rights Equity Shares offered, using the enclosed CAF:

| Options Available | Action Required |
|---|--|
| 1. Accept the whole or part of your Rights Entitlement without renouncing the balance. | Fill in and sign Part 'A' <i>(All joint holders must sign)</i> |
| 2. Accept your Rights Entitlement in full and apply for additional Rights Equity Shares. | Fill in and sign Part 'A' including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Rights Equity Shares. <i>(All joint holders must sign)</i> |
| 3. Renounce your Rights Entitlement in full to one person <i>(Joint renounces are considered as one)</i> | Fill in and sign Part 'B' <i>(all joint holders must sign)</i> indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. The |

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| | |
|--|--|
| | Renounees must fill in and sign Part 'C'. <i>(All joint Renounees must sing)</i> |
| 4. Accept a part of your Rights Entitlement and renounce the balance to one or more Renounee(s). OR Renounce your Rights Entitlement to all the Rights Equity Shares offered to you to more than one Renounee. | Fill in and sign Part 'D' <i>(all joint holders must sign)</i> requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Application Forms. Splitting will be permitted only once. On receipt of the Split Application Form take action as indicated below: <ul style="list-style-type: none"> • For the Rights Equity Shares you wish to accept, if any, fill in and sign Part A. • For the Rights Equity Shares you wish to renounce, fill in and sign Part 'B' indicating the number of Rights Equity Shares renounced and hand it over to the Renounee. Each of the Renounees should fill in and sign Part 'C' for the Equity Shares accepted by them. |
| 5. Introduce a joint holder or change the sequence of joint holders | This will be treated as a renunciation. Fill in and sign Part 'B' and the Renounee must fill in and sign Part 'C'. |

Investors must provide information in the CAF as to their savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the Depositories will be printed on the refund warrant in case of Equity Shares held in electronic form.

Investors must write their CAF Number at the back of the cheque/ demand draft.

Availability of Duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his/her full name and address to the Registrar to the Issue. Please note that the request for a duplicate CAF should reach the Registrar to the Issue within 7 (seven) days from the Issue Opening Date. Please note that those who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates any of these requirements, he/she shall face the risk of rejection of both the CAFs.

Application on Plain Paper

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with a demand draft, net of bank and postal charges payable at Mumbai which should be drawn in favour of "AAL – Rights Issue" in case of Resident Shareholders and Non-Resident Shareholders applying on non-repatriable basis or "AAL – Rights Issue – NR" in case of Non-Resident Shareholders applying on repatriable basis and the Eligible Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

The envelop should be superscribed "AAL – Rights Issue" and should be postmarked in India. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Issuer, being Atul Auto Limited;
- Name and address of the Eligible Equity Shareholders, including joint holders;
- Registered Folio Number/DP ID number and Client ID number;

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- Number of Equity Shares held as on the Record Date;
- Number of Rights Equity Shares entitled;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;
- Total number of Rights Equity Shares applied for;
- Total amount paid at the rate of ₹ 30/- per Rights Equity Share;
- Separate cheques / DDs are to be attached for amounts to be paid for Rights Equity Shares;
- Particulars of cheque / demand draft / Savings / Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order;
- PAN of the Investor, and for each Investor in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
- Signature of the Rights Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company;

Please note that those who are making an application otherwise than on an original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the applications. Separate cheque / DDs are to be attached for amounts to be paid for Rights Equity Shares. The Company shall refund such application amount to the Investor without any interest thereon.

For Applicants residing at places where the Bank Collection Centers have been opened, application forms duly completed together with cash/ cheque/ demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Manager to the Issue or the Lead Manager to the Issue or the Registrar to the Issue.

For Applicants residing at places other than the cities where the Bank collection centers have been opened, application forms duly completed together with cash/ cheque/ demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue.

For Applicants residing at places other than the clients where the Bank collection centers have been opened, application forms duly completed together with cash/ cheque/ demand draft for the application money net of bank charges for demand draft and postal charges must reach Registrar to the Issue before the close of the subscription list.

For ASBA Investors may fill Part 'A' of the respective CAFs, selecting the ASBA process option in Part 'A' of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

The Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Manager and the Registrar not having any liabilities to such Applicants.

Last Date of Application

The last date for submission of the duly filled in CAF is 23rd September, 2011. The Issue will be kept open for 15 days and the Board of Directors or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Bankers to the Issue / Registrar to the Issue, as the case on or before the closure of banking hours on the aforesaid last date or such date as may be extended by the Board of Directors / Committee of Directors, the offer contained in the Letter of Offer shall be deemed to have been declined and the Board of Directors / Committee of Directors shall be at liberty to dispose off the Rights Equity Shares hereby offered, as provided in this Letter of Offer.

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INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALIZED FORM.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board of Directors will proceed to allot the Rights Equity Shares in the following order of priority:

- (a) Full allotment to those Rights Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renounee(s) who has / have applied for Rights Equity Shares renounced in their favour, in full or in part.
- (b) Allotment to the Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of the Issue and have also applied for additional Rights Equity Shares. The allotment of such additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Rights Equity Shares will be at the sole discretion of the Board of Directors / Committee of Directors in consultation with the Designated Stock Exchange, as part of the Issue and not preferential allotment.
- (c) Allotment to Renounees who having applied for all the Rights Equity Shares renounced in their favour, have applied for additional Rights Equity Shares provided there is surplus available after making full allotment under (a), (b) and (c) above. The allotment of such Rights Equity Shares will be on a proportionate basis at the sole discretion of the Board of Directors / Committee of Directors in consultation with the Designated Stock Exchange, as part of the Issue and not preferential allotment.
- (d) Allotment to any other person as the Board of Directors may in its absolute discretion deem fit provided there is surplus available after making full allotment under (a), (b) and (c) above.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c), (d) and (e) above.

After considering the above Allotment, any additional Rights Equity Shares shall be disposed off by the Board of Directors, in such manner as they think most beneficial to the Company and the decision of the Board of Directors in this regard shall be final and binding. In the event of oversubscription, Allotment will be made within the overall size of the Issue.

Underwriting

As on date of this Letter of Offer, the Company has not entered into any underwriting agreements.

Allotment / Refund

The Company will issue and dispatch letters of allotment/ share certificate/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as stipulated under Section 73 of the Companies Act.

In case of ASBA Investors, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Application Money for withdrawn, rejected or unsuccessful ASBAs within 15 days of the closure of the Issue. In case of a failure in providing instructions to SCSBs to unblock the funds in the relevant ASBA Account, the Company will pay interest on the monies in terms of Section 73 of the Companies Act.

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Applicants residing at 68 clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (Electronic Clearing Service) except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those Applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, and advise regarding their credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and the Company issues Letter of Allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

The letter of allotment / refund order would be sent by registered post/ speed post to the sole/ first Applicant's registered address. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee Only' and would be drawn in favour of the sole/ first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Payment of Refund

Mode of making refund

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS (Electronic Clearing Service) – Payment of refund would be done through ECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for Investors having a bank account at the centers where ECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through ECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the Investor'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. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors 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 Investors through this method. The Company in consultation with the Lead Manager may decide to use NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed herein.
3. Direct Credit – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by the Company.
4. RTGS (Real Time Gross Settlement) – Investors having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds ₹ 2 Lac, have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.

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5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched through speed post / registered post . Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole / first Investor and payable at par.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/ refund warrants which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice / Share Certificates / Demat Credit

Allotment advice / share certificates / demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 (fifteen) days, from Issue Closing Date. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letter of allotment (if any) / share certificates / demat credit to Non-Resident allottees will be subject to the approval of RBI.

Option to receive the Rights Equity Shares in Dematerialized Form

Investors shall be allotted the Rights Equity Shares in the dematerialized form at the option of the Investor. The Company has signed a tripartite agreement dated 01.04.2002 with NSDL and the Registrar to the Issue and a tripartite agreement dated 02.04.2002 with CDSL and the Registrar to the Issue, which enables the Equity Shareholders to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the allottees who have opted for the Rights Equity Shares in dematerialized form will receive the Rights Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain a space for indicating the number of Rights Equity Shares applied for in demat and physical form or both. Investors will have to give the relevant particulars for this purpose appropriately in the CAF. Applications, which do not accurately contain this information, will be given the Rights Equity Shares in physical form. No separate applications for Rights Equity Shares in physical and / or dematerialized form should be made. If such applications are made, the application for physical Rights Equity Shares will be liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, may be allotted in physical shares.

The Rights Equity Shares will be listed on the BSE.

The procedure for availing of the facility for allotment of the Rights Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any Depository Participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Investors who have already opened such beneficiary account (s) need not adhere to this step.
- For the Eligible Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficiary account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Rights Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

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- Responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in the CAF should be same as registered with the Investor's Depository Participant.
- Equity Shares/ allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with depository participant.
- Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's depository participant.
- Non-transferable allotment advice/refund orders will be directly sent to the Applicant by the Registrar to the Issue.
- If incomplete / incorrect beneficiary account details are given in the CAF the Investor will get the Rights Equity Shares in physical form.
- The Rights Equity Shares pursuant to this Issue allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Securities to the Investor's depository account.
- Renounees will also have to provide the necessary details about their beneficiary account for allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
- It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose name appear in the list of beneficiary owners given by the Depository Participant to the Company as on the date of the book closure.

General instructions for Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Applications should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with the cheque / demand draft should be sent to the Bankers to the Issue / Collecting Banks or the Registrar to the Issue, as the case may be, and not to the Company or the Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorized by the Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai of an amount net of bank and postal charges and send their application forms to the Registrar to the Issue by registered post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for any value made by the Investor, or in the case of joint names, each of the joint Investors, should mention his / her PAN number allotted under the Income Tax Act, 1961, irrespective of the amount of application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**

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- (e) Investors are advised that it is mandatory to provide information as to their savings / current account number and the name of the bank with whom such accounts is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected. For Eligible Equity Shareholders holding Equity Shares in dematerialized form, such bank details will be drawn from the demographic details of the Eligible Equity Shareholders in the records of the depository.
- (f) All payments should be made by cheque / DD only. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his / her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company or the Depositories.
- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the memorandum and articles of association and or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference to the serial number of the CAF and folio numbers / DP ID and Client ID Number. In case the above referred documents are already registered with the Company, the same need not be furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint Investors who are Renounees, the number of Investors should not exceed three. In case of joint applicants, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Rights Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communications in connection with applications for the Rights Equity Shares, including any change in addresses of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole Investors, folio numbers and CAF number. Please note that any intimation for change of address of the Eligible Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company, Sharx (Dynamic) India Pvt. Ltd., in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom the Rights Equity Shares have been offered and not Renounee(s) shall be entitled to obtain split forms.
- (n) Investors must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.

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- (p) A separate cheque / demand draft must accompany each CAF. Outstation cheques / demand drafts or postdated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above).
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgement slip at the bottom of the CAF.

Grounds for Technical Rejections

Investors are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Age of first Investor not given while completing Part C of the CAFs;
- PAN not mentioned for application of any value;
- In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder on the CAF does not match with the records available with the Company and/or the Depositories and in case of application by Renounees, if the signature of the Renounees do not match with the records available with their Depositories;
- If the Investor desires to have Rights Equity Shares in electronic form, but the CAF does not have the Investor's depository account details;
- Application forms are not submitted by the Investor's within the time prescribed as per the application form and the Letter of Offer;
- Applications not duly signed by the sole / joint Investors;
- Applications by OCBs unless accompanied by specific approval from RBI permitting the OCBs to participate in the Issue.
- Applications accompanied by stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's Identity (DP ID) and the beneficiary's identity;
- Applications that do not include the certification set out in the CAFs to the effect that the subscriber is not a US person, and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Securities in compliance with all applicable laws and regulations;
- Applications which have evidence of being dispatched from the US;
- Applications by ineligible Non-Residents (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided;
- Applications where the Company believes that the CAF is incomplete or acceptance of such CAFs may infringe applicable legal or regulatory requirements;
- Multiple applications;
- Applications by renounees who are persons not competent to contract under the India Contract Act, 1872, including minors; and
- Duplicate Applications, including cases where an Investor submits CAFs along with a plain paper application.

Mode of payment for Resident Eligible Equity Shareholders / Investors

Applicants who are resident in centers with the bank collection centers shall draw cheques / drafts accompanying the CAF in favour of the Bankers to the Issue, crossed account payee only and marked "AAL–Rights Issue".

Applicants residing at places other than places where the bank collection centers have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft / Pay Order payable at Mumbai in favour of the bankers to the Issue, crossed account payee only and marked "AAL –

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Rights Issue” directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Eligible Equity Shareholders / Investors

As regards the application by Non-Resident Eligible Equity Shareholders / Investors, the following conditions shall apply:

As regards the application by Non-Resident Eligible Equity Shareholders / Investors, the following conditions shall apply:

- Individual Non-resident Indian applicants can obtain application form at the following address:

Sharex Dynamic (India) Pvt. Ltd.

Unit 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E), Mumbai-400 072.

Ph: (022)-28515606/5644/6338

Fax: (022)-28512885

SEBI Regn. No. INR000002102

Web Site: www.sharexindia.com

E-mail: - sharexindia@vsnl.com

Contact Person:- Mr. B. S. Baliga

- Payment by Non-residents must be made by demand draft payable at Mumbai / cheque payable drawn on a bank account maintained at Mumbai or funds remitted or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft / cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / demand draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or
- By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable in Mumbai; or
- FIIs registered with SEBI must remit funds from special Non-Resident rupee deposit account;
- All cheques / demand drafts submitted by Non-Residents applying on repatriable basis should be drawn in favour of “AAL – Rights Issue – NR” payable at Mumbai and crossed “A/c Payee only” for the amount payable.

A separate cheque or bank draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/ FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of non-residents who remit their application money from funds held in FCNR / NRE Accounts, refunds and other disbursements, if any shall be credited to such accounts details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the Investor’s Bankers.

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Application without repatriation benefits

As far as Non-Residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable in Mumbai. In such cases, the allotment of Rights Equity Shares will be on non-repatriation basis.

All cheques / demand drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of "AAL – Rights Issue" payable at Mumbai and must be crossed 'A/c Payee Only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat accounts shall be opened for Eligible Equity Shareholders who have had a change in status from Resident Indian to NRI.

“Non-resident Indian Applicants may please note that only such application as are accompanied by payment in free foreign exchange shall be considered for allotment. The non-resident Indians who intend to make payment through Non- Resident Ordinary (NRO) accounts shall mention the details of the Bank Account from their payment is being made”.

Note:

- In cases where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Rights Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines / rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

The Company is not responsible for any postal delay / loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to the Company or the Lead manager or the Registrar except stated otherwise. The Investors are requested to strictly adhere to these instructions.

Renouncees who are NRIs / FIIs / Non Residents should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only at the below mentioned address along with the cheque / demand draft payable at Mumbai so that the same are received on or before the closure of the Issue.

Investment by NRIs

Investment by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

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Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Rights Equity Shares under this Issue to a single FII should not exceed 10% of the Post Issue Paid-Up Capital of the Company. In respect of an FII investing in the Rights Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total Paid-Up Capital of the Company or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with foreign investment limits applicable to the Company, the total FII investment cannot exceed 24% of the total Paid-Up Capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 10%. As of date, the FII investment in the Company is limited to 24% of the total Paid-Up Capital of the Company.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian Mutual Fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Impersonation

As a matter of abundant caution, 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”.

Disposal of application and application money

No acknowledgement will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF.

The Board of Directors reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on the Rights Equity Shares allotted, will be refunded to the Investor within 15 days from the closure of the Issue.

For further instructions, please read the CAF carefully.

Procedure for Application through the ASBA (“ASBA Process”)

This section is for the information of Equity Shareholders proposing to subscribe to the Issue through the ASBA Process. The Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Equity Shareholders do not exceed the applicable limits under

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laws or regulations. Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.

The list of banks who have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

Please note that pursuant to the SEBI circular dated April 29, 2011, all applicants who are non-retail investors, i.e. QIBs or are applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000, shall mandatorily make use of ASBA facility.

Non-retail investors having bank account with SCSBs that are providing ASBA in cities/ centers where non-retail investors are located, are mandatorily required to make use of ASBA facility. Otherwise, applications of such non-retail investors are liable for rejection.

Equity Shareholders who are eligible to apply under the ASBA Process

Please note that pursuant to the SEBI circular dated April 29, 2011, all applicants who are non-retail investors, i.e. QIBs or are applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000, shall mandatorily make use of ASBA facility.

Non-retail investors having bank account with SCSBs that are providing ASBA in cities/ centers where non-retail investors are located, are mandatorily required to make use of ASBA facility. Otherwise, applications of such non-retail investors are liable for rejection.

The option of applying for Equity Shares in the Issue through the ASBA Process is available to Equity Shareholders of the Company on the start of the Book Closure Period and renouncees can also participate in the Issue.

CAF

The Registrar will despatch the CAF to all Equity Shareholders as per their entitlement on the start of the Book Closure Period for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details. Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain a duplicate CAF and wanting to apply under ASBA process may make an application to subscribe for the Issue on plain paper,

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must be submitted at a designated branch of a SCSB on or before the Issue Closing Date and should contain the following particulars;

- Name of the issuer, being Atul Auto Limited;
- Name and address of the Equity Shareholder, including any joint holders;
- Registered folio number/DP ID number and client ID number;
- Number of Equity Shares held as on the Record Date;
- Rights Entitlement;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;

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- Savings/Current Account Number alongwith name and address of the SCSB and Branch from which the money will be blocked ;
- The permanent account number (PAN) of the Equity Shareholder and where relevant, for each joint holder, except in respect of Central and State Government officials and officials appointed by the court (e.g., official liquidators and court receivers) who, in terms of a SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity;
- A representation that the Equity Shareholder is not a “U.S. Person” (as defined in Regulations under the Securities Act);
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company;
- In case of Non Resident Shareholders, NRE/FCNR/NRO A/c no., Name and address of the SCSB and Branch
- In the application, the ASBA Investor shall, inter alia, give the following confirmations/declarations:
 - A. That he/she is an ASBA Investor as per the SEBI Guidelines and
 - B. That he/she has authorized the SCSBs to do all acts as are necessary to make an application in the Issue, upload his/her application data, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the separate account maintained by the Company for Rights Issue after finalization of the basis of Allotment entitling the ASBA Investor to receive Equity Shares in the Issue etc

The Equity Shareholder shall submit the plain paper application to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB

If an applicant makes an application in more than one mode i.e. both in the Composite Application Form and on plain paper, then both the applications may be liable for rejection.

The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.html>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

Mode of payment

Non-retail investors having bank account with SCSBs that are providing ASBA in cities/ centers where non-retail investors are located, are mandatorily required to make use of ASBA facility. Otherwise, applications of such non-retail investors are liable for rejection.

The Equity Shareholder applying under the ASBA Process agrees to block the Application Money for the Equity Shares applied for (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block such amount in the ASBA Account.

After verifying that sufficient funds are available in the ASBA Account provided in the CAF, the SCSB shall block an amount equivalent to the Application Money for the Equity Shares applied for until it receives instructions from the Registrar of the Issue. Upon receipt of intimation from the Registrar, the SCSBs shall transfer the Application Money in relation to the Equity Shares which will be allotted to the ASBA Investor. Such amount will be transferred into the separate bank account maintained by the Company. The balance amount remaining after the finalisation of the basis of allotment shall be either unblocked by the SCSBs or refunded to the investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

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The Equity Shareholders applying under the ASBA Process would have agreed to permit blocking of the Application Money for the Equity Shares applied for at the time of the submission of the CAF. The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account provided in the CAF does not have sufficient funds equivalent to the Application Money for the Equity Shares applied for. Subsequent to the acceptance of the application by the SCSB, the Company would have a right to reject the application only on technical grounds.

Options available to the Equity Shareholders applying under the ASBA Process

The summary of options available to the ASBA Investors is presented below. An ASBA Investor may exercise any of the following options with regard to the Equity Shares offered, using the respective CAFs received from Registrar:

| Sr. No | Option Available | Option required |
|--------|--|--|
| 1. | Accept whole or part of your entitlement without renouncing the balance. | Fill in and sign Part A of the CAF (<i>All joint holders must sign</i>) |
| 2. | Accept your entitlement in full and apply for additional Equity Shares | Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>). |
| 3. | Renounce your Rights Entitlement in full to one person (Joint Renouncees are considered as one). | Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>). |

An ASBA Investor will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Equity Shareholder has selected to apply through the ASBA process option.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares (as the case may be) that you are entitled to, provided that (i) you have applied for all the Equity offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board of Directors, in consultation with the Designated Stock Exchange and in the manner prescribed under "Basis of Allotment" on page 260 of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Securities in Part A of the CAF. The Renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Renunciation under the ASBA Process

Renouncees can participate in the ASBA Process.

Last date of Application

The last date for submission of the duly filled in CAF is 23rd September, 2011. The Issue will be kept open for a minimum of 15 days and the Board of Directors or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

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If the CAF together with the amount payable is not received by the Banker to the Issue/Registrar to the Issue or if the CAF is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board of Directors /Committee of Directors, as the case may be, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board of Directors/Committee of Directors, as the case may be, shall be at liberty to dispose off the Equity Shares hereby offered, as provided under "Basis of Allotment".

Option to receive Securities in Dematerialised Form

EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE BEING HELD ON RECORD DATE.

Issuance of Intimation Letter

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the separate account opened by the Company for Rights Issue, for each successful ASBA;
- The date by which the funds referred to in para above, shall be transferred to separate account opened by the Company for Rights Issue; and
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for Equity Shareholders applying under the ASBA Process

- (a) Please read the instructions printed on the respective CAF carefully.
- (b) Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The CAF must be filled in English.
- (c) The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or Lead Manager to the Issue.
- (d) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- (e) All payments will be made by blocking the Application Money for the Equity Shares applied for in the ASBA Account. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company/or Depositories.
- (g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

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- (h) All communication in connection with application for the Securities, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first/sole applicant Equity Shareholder, folio numbers and CAF number.

Do's:

- (a) Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in.
- (b) Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- (c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- (d) Ensure that the CAFs are submitted at the SCSBs whose details of bank account have been provided in the CAF.
- (e) Ensure that you have mentioned the correct bank account number in the CAF.
- (f) Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price}) available in the ASBA Account mentioned in the CAF before submitting the CAF.
- (g) Ensure that you have authorised the SCSB for blocking the Application Money for the Equity Shares applied for, in the ASBA Account, of which details are provided in the CAF and have signed the same.
- (h) Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
- (i) Each applicant should mention their Permanent Account Number ("PAN") allotted under the I.T Act.
- (j) Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF 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 CAF.
- (k) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

- (a) Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- (b) Do not pay the Application Money for the Equity Shares applied for in cash, by money order or by postal order.
- (c) Do not send CAF to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- (d) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- (e) Do not instruct your respective banks to release the funds blocked under the ASBA Process.

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Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under “Grounds for Technical Rejection” on page 265 of this Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

- a) Application on split form.
- b) Application for entitlements or additional shares in physical form.
- c) Equity Shareholders applying under ASBA Process for additional Equity Shares in CAF of ‘A’ Equity Shares and vice versa.
- d) DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- e) Sending CAF to a Lead Manager /Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- f) The application form does not bear the stamp of the syndicate member / SCSBs.
- g) Insufficient funds are available with the SCSB for blocking the Application Money for the Equity Shares applied for.
- h) Funds in the ASBA Account having been frozen pursuant to regulatory orders.
- i) Account holder not signing the CAF or declaration mentioned therein.
- j) Non-retail investors having bank account with SCSBs that are providing ASBA in cities/ centers where non-retail investors are located, if applications are made by such non-retail investors otherwise than ASBA, the same are liable for rejection.

Communications

All future communication in connection with ASBA applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Investor, CAF number, details of Depository Participant, number of Equity Shares applied for, date of CAF, name and address of the Designated Branch where the application was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or wilful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Investors can contact the Compliance Officer, the Designated Branch where the application was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, blocking of excess Amount, etc.

Disposal of Investor Grievances

All grievances relating to the ASBA may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked on application, bank account number of the ASBA Account number and the Designated Branch or the collection centre of the SCSB where the CAF was submitted by the ASBA Investors.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Equity Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

Depository account and bank details for ASBA Investors

IT IS MANDATORY FOR ALL THE ASBA INVESTORS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL ASBA INVESTORS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. THE ASBA INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

The ASBA Investors should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, ASBA Investors should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblock of bank account of the respective Equity Shareholder. The Demographic Details given by Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAFs, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and unblocking or refund (if any) would be mailed at the address of the ASBA Investor as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF and not the bank account linked to the DP ID. ASBA Investors may note that delivery of letters intimating unblocking of bank account 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 Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of bank account.

Note that any such delay shall be at the sole risk of the ASBA Investor and none of the Company, the SCSBs or the Lead Manager shall be liable to compensate the ASBA Investor for any losses caused to such Equity Shareholder 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 match three parameters, namely, names of the Equity Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

Utilisation of Issue Proceeds

The Board of Directors declares that:

- (a) All monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) Details of all monies utilized out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized; and
- (c) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.
- (d) The Company may utilize the funds collected in the Issue only after the basis of allotment is finalized.

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Important

Please read the Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

All enquiries in connection with the Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed 'AAL-Rights Issue' on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

Sharex Dynamic (India) Pvt. Ltd.

Unit 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E), Mumbai-400 072.

Ph: (022)-28515606/5644/6338

Fax: (022)-28512885

SEBI Regn. No. INR000002102

Web Site: www.sharexindia.com

E-mail: - sharexindia@vsnl.com

Contact Person:- Mr. B. S. Baliga

It is to be specifically noted that this Issue of Rights Equity Shares is subject to the risks set out in the Section titled "Risk Factors" on page 12 of this Letter of Offer.

The Issue will remain open for a minimum 15 days. However, the Board of Directors will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

SECTION – XII. OTHER INFORMATION

1. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the registered office of the Company situated at Jimmy Tower, Opp. Swaminarayan Gurukul, Gondal Road, Rajkot - 360 002, Gujarat, India from 11 a.m. to 3 p.m. from the date of this Letter of Offer until the date of closure of the Subscription List.

A. Material Contracts

- 1) Memorandum of Understanding entered into between the Issuer Company and Sumedha Fiscal Services Limited, Lead Manager to the Issue dated 18.09 2010.
- 2) Copy of Memorandum of Understanding dated 19.10.2010 between the Company and Sharex (Dynamic) India Pvt. Ltd., Registrar to the Rights Issue.
- 3) Tripartite Agreement entered between the Company, Central Depository Services (India) Limited and Sharex (Dynamic) India Pvt. Ltd., Registrar to the Rights Issue, dated 02.04.2002
- 4) Tripartite Agreement entered between the Company, National Security Depository Limited and Sharex (Dynamic) India Pvt. Ltd. dated 01.04.2002

B. Material Documents for Inspection

- 1) Memorandum and Articles of Association of the Company.
- 2) Copy of Fresh Certificate of Incorporation dated 12.08.1994.
- 3) Copy of Resolution passed by the Board of Directors of the Company at their meeting held on June 25, 2010 authorizing the proposed Rights Issue.
- 4) Copy of Resolution passed by the Members at the Extra Ordinary General Meeting held on August 31, 2010 authorizing the proposed Rights Issue.
- 5) Copy of Consents from Directors, Auditors, Bankers to the Company, Bankers to the Issue, Lead Manager to the Issue, Registrar to the Issue, Legal Advisor to the Issue and Compliance Officer to include their names in the Letter of Offer to act in their respective capacities.
- 6) Copy of Letter for the Auditors, M/s Maharishi & Co, Chartered Accountants dated July 5, 2011, confirming Tax Benefits as mentioned in this Letter of Offer.
- 7) Annual Reports of the Company for the last five financial years.
- 8) The Audit Reports of the Issuer Company by the Statutory Auditors, M/s Maharishi & Co, Chartered Accountants, as set out herein dated June 28, 2011 in relation to the financial information for FY 2011.
- 9) Copy of the Certificate from M/s Maharishi & Co, Chartered Accountants, dated July 27, 2011 regarding the sources and deployment of funds as on June 30, 2011.
- 10) Letter of M/s Maharishi & Company, Chartered Accountants dated November 12, 2010, confirming that Term Loan as specified in the LOO have been used for the purposes for which they were raised.
- 11) Copy of contracts of appointment of contract approving or fixing the remuneration of a executive director/whole time member/managing director.
- 12) Copy of the prospectus of the Initial Public Offering made in 1996.

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- 13) Copy of Sanctioned letters from the Banks towards retiring partly/ fully high interest debt and thereby, attempt to reduce the finance cost to the company.
- 14) Copy of Undertaking dated October 1, 2010 for the subscription to rights entitlement and unsubscribed portion, received from the Promoters.
- 15) Copy of In-principal approval dated January 14, 2011, from BSE for listing of the securities offered to this Issue.
- 16) Copy of Due Diligence Certificate dated January 6, 2011 to SEBI from the Lead Manager to the Issue.
- 17) Copy of SEBI Observation Letter No. WRO/SM/LDS/RI/AAL/18243/2011 dated June 7, 2011.

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2. DECLARATION

We hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. We further certify that all the legal requirements connected with the Issue as also the guidelines, instructions, etc., issued by SEBI, the Government or any other competent authority in this behalf have been duly complied with.

We further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY ALL THE DIRECTORS AND COMPANY SECRETARY OF ATUL AUTO LIMITED

Mr. J. J. Chandra
Chairman & MD

Mr. M. J. Patel
Wholetime Director

Mr. S. K. Mittal
Wholetime Director

Mr. V. K. Kedia
Non Independent & Non Executive Director

Mr. R. H. Dhruva
Independent & Non Executive Director

Mr. S. T. Kaneria
Independent & Non Executive Director

Mr. R. G. Kotecha
Independent & Non Executive Director

Mr. H. J. Lalakiya
Independent & Non Executive Director

Ms. Purvi. P. Mehta
Company Secretary & Compliance Officer

Place: Rajkot

Date: 19th August, 2011.